Counties Energy Trust

Annual Report

For the Year Ended

31 March 2022

Counties Energy call out
July 2022

www.CountiesEnergyTrust.org.nz

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Counties Energy Trust

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Nature of Business

The Trustees have 100 % ownership of Counties Energy Limited.
The shares of the company are held in Trust for the users of the Company Lines network, the beneficiaries, also known as 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.

In August 2021 the Trustees changed the name of the Trust to Counties Energy Trust.
The purpose was to align itself with the renaming of the Company – from Counties Power Limited to Counties Energy Limited.

Trustees

Mike Marr Christine Rupp (Chair) Don Thomson Phil Beston Alan Eyes

CP Rupp (re-elected Aug 2021)	JP, Post Grad Dip Sc
PS Beston (stood unopposed Aug 2019)	
AD Eyes (re-elected Aug 2017)	M Com, Dip Mgt, CA, CMA
MJ Marr (elected Aug 2021)	Adv Dip Bus, Dip Mgt, Dip Integrated Risk Mgt, Dip Project Mgt
DM Spratt (retired Dec 2021)	MBA, Dip Mgt
DW Thomson (stood unopposed Aug 2019)	

Secretariat Service: **Red Office Limited**

Solicitor: **Simpson Grierson**

Bankers: **ANZ Bank New Zealand Limited**
ASB Bank Limited
Bank of New Zealand

Auditor: **RSM Hayes Audit**

Counties Energy Trust

Chair's Report

For the year ended 31 March 2022

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

It is my privilege, again this year, to present this report on behalf of the Trustees of Counties Energy Trust, formerly known as Counties Power Consumer Trust, for the year ended 31 March 2022.

Trustees

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

Meetings

During the financial year ended 31 March 2022, there were 19 scheduled meetings held: including 12 Trustee meetings, the Company's AGM (July), the Trust's AGM (December), various meetings with Company Directors as well as combined Company / Trust workshop and strategy meetings.

In addition to the scheduled meetings held, the Chair, Secretary and one or more Trustees and/or Directors held other meetings and had discussions on numerous occasions to give attention to particular matters. Mrs Rupp (Chair) also attended the AGM of ETNZ held in March.

The Trust gratefully acknowledges that Company chairman, Vern Dark, other Directors and Management have been readily available for consultation.

Professional Development

- The Trust is a member of Energy Trusts of New Zealand, www.etnz.org.nz the national organization for energy trusts, who provide support and guidelines to promote the best outcomes for the people and regions the trusts serve. Four Trustees attended the annual conference in May 2021 to share knowledge and to hear from key stakeholders involved in the energy sector.
- Downstream Conference is the energy sector's annual strategic forum, and this was attended online in March 2022 by Mr Marr and myself.

The Annual Report is an appropriate vehicle to re-state the foundation of the Trust. Beneficiaries of the Trust are, in general terms, those persons who have premises connected to the Counties Energy 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 Energy 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 may 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.

Counties Energy Trust

Chair's Report

For the year ended 31 March 2022

Trustees' Functions

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

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

   Examples of the Trustees acting as diligent shareholders include:-

   - At intervals of no more than 10 years, prepare a report considering options for the future ownership of the shares;
   - Make decisions on merger proposals;
   - Decide upon any Company recommendations to alter the capital structure of the Company;
   - Review and monitor the performance of Counties Energy Limited on a quarterly basis.
5. The Trustees attend to the management of Trust affairs through monthly meetings and the engagement of a Secretariat service 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 Energy 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 $12.5 million (including GST) in the calendar year just passed. (The previous year also saw $12.5 million returned to consumers).

The growth in the Franklin area has seen a further increase in the number of consumers to approximately 46,366 as at 31st March 2022 (2021: 44,514) with the result that each connection averaged approximately $270 in discounts received (2021: $280).

It is considered that discounts are the most cost effective means of providing returns to the beneficiaries. Beneficiaries may 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 Energy Ltd and the Counties Energy Trust for the year ended 31 March 2022 is set out in the accompanying consolidated financial statements.

The Trust congratulates the Company for its excellent bottom-line results as well as its innovations and forward thinking. The company has been a finalist for 4 consecutive years in Deloitte's Energy Excellence Awards and in 2019 won the 'Network Initiative of the Year' category – the only EDB to do so.

Counties Energy Trust

Chair's Report

For the year ended 31 March 2022

Strategic Considerations

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 Management team, led by Judy Nicholl, has added great value to the Company this past year. Trustees congratulate Management and the Board of the Company, led by Vern Dark, for their success.

In 2019, your Trustees entered into negotiations for the Trust, in conjunction with the Company, to purchase a property adjoining our existing property at 17 Nelson Street, Pukekohe. The property was acquired on an extended payments basis, with settlement taking place on 30 June 2021. Trustees can advise, that a deposit total of $1,344,915 had been paid as at 31st March 2021 towards settlement on 30th June 2021 for the Trust's share of $5,132,600 of the total amount paid for the property of $7,632,600. The Trust executed a loan arrangement with the company for $1,132,600 to finalise the purchase of the land. The Trustees believe that this strategic acquisition will provide future returns for the Trust in the form of rental income, as well as significant benefits to wholly owned subsidiary, Counties Energy Limited.

An operating lease between Trust (Lessor) and the Company (Lessee) was executed on 28 October 2021 for annual rent of $300,000 plus GST; with annual increases for CPI, and should CPI decrease, the annual rent will be maintained at the previous level.

The Trust and the Company agreed that the first year from 1 July 2021 through 30 June 2022 is to be a rent-free period, with the Company in turn, granting the Trust interest-free terms on the loan for the same period.

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 occurring in the Counties Energy supply area, makes the Franklin area probably the most exciting and challenging in the country from an electricity distribution perspective.

This growth and development 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

Our Auditors, RSM Hayes Audit, recommended that the Trust no longer presents separate financial statements for audit as the Trust's finances are already represented in the 'Parent Trust' column within the consolidated set of financial statements.

For the year ended 31 March 2022, the Trust operated its affairs with income of $402,976 (2021: $455,655). The Trust received a dividend of $400,000 (net) from the Company.

Expenses were $471,221, noting the following:

1. An increase in Trustee fees due 1 September 2021 occurred in January 2022, due to the postponement of last year's AGM. The deferred fee increases and with Covid-19 restrictions, expected conferences, training and related travel expenses were avoided for a total of $40k.

2. Professional fees, included legal costs of $46,549 related to the acquisition of the property and for lease negotiations which have been capitalized. There were approximately $83k expenses associated with the election held in August 2021, and $20k costs for consultants fees associated with the commencement of the decennial Trust ownership review process.

3. Secretarial and accounting fees were $8k over budget as the Trust onboarded the Secretariat team from Red Office who have updated systems and processes in line with current practice.

Counties Energy Trust

Chair's Report

For the year ended 31 March 2022

Directors of Counties Energy Limited

The Directors of Counties Energy Limited at 31 March 2022 were Messrs Vern Dark (Chair), Hamish Stevens (Deputy Chair), David Tompkins, Keith Watson and Ben Iosefa.

The Trustees would like to thank and acknowledge their forward thinking and contributions.

Trustees of Counties Energy Trust

As at 31 March 2022, the Trustees of Counties Energy Trust were Mrs Christine Rupp (Chair) and Messrs Alan Eyes, Phil Beston, Don Thomson and Mike Marr. 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 is held every two years and an election was held on 7th August 2021. Mr David Spratt, a Trustee since 2017, decided not to seek re-election and retired at the end of the 2021 annual meeting postponed to 8th December 2021. Mrs Rupp (Chair) stood down by rotation but was re-nominated to stand. This created two positions on the Trust with five nominations being received on closing date of 15 June 2021. The result of the election was declared on 7th August, and I was re-elected, and we welcomed Mr Mike Marr to the Trust as at the close of last year's annual meeting.

Information for Consumers

Information is available to view and download from the Trust's website:
www.CountiesEnergyTrust.org.nz and the following documents and reports are available on the Trust's website.

1. Trust Deed
2. Beneficiary Guidelines for access to information
3. 10-Yearly Ownership review
4. Statement of Corporate Intent
5. The audited Consolidated Financial Statements

The Trust wishes to promote the value of Consumer ownership and to engage with it's Consumers. The Trust provides regular news highlights of it's recent activities that either affect or benefit it's Consumers. The Trust will continue to seek engagement with its Consumers in a variety of ways, including collaborative opportunities with the Company.
With the exception of Consumer connection, discount or election enquiries, there have otherwise been no formal 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 2022.

Conclusion

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

The major asset of the Trust, Counties Energy Limited, has been governed by the Directors and managed by its executive. Thanks are accorded them and the staff who carry out the day to day functions of the business. In particular, I pay tribute to Mr Vern Dark for his contribution to the Company as Chairman.

I thank my fellow Trustees for their contributions to the various matters considered during the year regarding the Trust. My thanks to Sheena O'Flaherty who has taken up the role as Trust Secretary under the umbrella company Red Office in Pukekohe. She is a tremendous asset to the Trust.

Christine Rupp
Chair
7th August 2022

Counties Energy Trust

Trustees' Statement

For the year ended 31 March 2022

TRUSTEES' STATEMENT

For the year ended 31 March 2022

Scheduled Trustee Meetings and Attendance

	Formal Meetings Held	Attendance	
Christine Rupp	20	20	
Phil Beston	19	16	
Alan Eyes	19	19	
Mike Marr	5	5	(Commenced 8th December 2021)
David Spratt	15	11	(Retired 8th December 2021)
Don Thomson	19	19	

Professional Development

	Professional Development Meetings Attended
Christine Rupp	8
Phil Beston	4
Alan Eyes	4
Mike Marr	1
David Spratt	-
Don Thomson	4

Remuneration

Trustees' total remuneration received during the year

	31 March 2022 $	31 March 2021 $
C P Rupp (Chair)	41,270	42,050
P S Beston	21,820	22,860
A D Eyes	22,720	22,580
M J Marr (commenced 8th December 2021)	6,969	-
D M Spratt (retired 8th December 2021)	14,091	23,420
D W Thomson	22,720	22,860
Total for the year ended 31 March	**129,590**	**133,770**

Employees

The Trust is not an employer. Secretarial services are provided by Red Office Limited who are engaged to carry out the administrative tasks of the Trust.

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 Energy Trust

Consolidated and Separate Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Gross Revenue from continuing operations	5	158,504	-	135,883	-
Less Consumer Discounts	5	(10,869)	-	(10,860)	-
Net revenue from continuing operations		147,635	-	125,023	-
Other income and gains	6	395	403	299	456
Expenses, excluding finance costs	7	(107,908)	(470)	(99,319)	(394)
Finance costs	7	(3,856)	(1)	(3,485)	(2)
Net Profit (Loss) before income tax	8	36,266	(68)	22,518	60
Income tax credit/(expense)		(10,266)	-	(6,536)	-
Net Profit for the year after income tax		26,000	(68)	15,982	60
Net profit for the year is attributable to:					
Owners of Counties Energy Trust		26,021	(68)	15,560	60
Non-controlling interest		(21)	-	422	-
Net profit for the year		**26,000**	**(68)**	**15,982**	**60**
Items that may be subsequently reclassified to profit:					
Cash flow hedges – net of tax		1,421	-	317	-
Items that will not be reclassified to profit:					
Loss on the revaluation of the distribution system	13	(9,500)	-	(6,000)	
Deferred tax on revaluation of distribution system	9	2,660	-	1,680	-
Gain on the revaluation of land and buildings	13	3,258	-	1,526	
Items that will not be reclassified to profit		**(3,582)**	**-**	**(2,794)**	**-**
Total comprehensive income for the year		**23,839**	**(68)**	**13,505**	**60**
Total comprehensive income for the year is attributable to:					
Owners of Counties Energy Trust		23,860	(68)	13,083	60
Non-controlling interest		(21)	-	422	-
Total comprehensive income for the year		**23,839**	**(68)**	**13,505**	**60**

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

Counties Energy Trust

Consolidated and Separate Statement of Changes in Equity

For the year ended 31 March 2022

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Opening balance as at 1 April		**269,651**	**35,060**	**256,146**	**35,000**
Profit for the year		26,021	(68)	15,560	60
Revaluation of the distribution system (net of tax)	13	(6,840)	-	(4,320)	-
Revaluation of land	13	3,258	-	1,526	-
Other comprehensive income		1,421	-	317	-
Total comprehensive income		**23,860**	**(68)**	**13,083**	**60**
Transactions with owners in their capacity as owners:					
Put option arrangement	2(x)	(275)	-	-	-
Non-controlling interest:					
Profit attributable to NCI		(21)	-	422	-
Closing balance as at 31 March		**293,215**	**34,992**	**269,651**	**35,060**

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

Counties Energy Trust

Consolidated and Separate Statement of Financial Position

As at 31 March 2022

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
ASSETS					
Current assets					
Cash and cash equivalents	10	1,071	136	1,321	597
Short term investments		-	-	2,325	2,325
Receivables & prepayments	11	18,469	24	18,352	12
Inventories	12	4,891	-	3,961	-
Tax receivable		18	-	-	-
Deposit paid		-	-	1,345	1,345
Total current assets		24,449	160	27,304	4,279
Non-current assets					
Property, plant and equipment	13	444,711	5,186	392,710	7
Intangible assets	14	31,531	3	32,151	1
Right of use assets	24	12,065	40	11,721	22
Derivative financial instruments	15	1,779	-	-	-
Investment in Subsidiary		-	30,797	-	30,797
Total non-current assets		490,086	36,026	436,582	30,827
Total assets		**514,535**	**36,186**	**463,886**	**35,106**
LIABILITIES					
Current liabilities					
Borrowings	18	-	-	15,200	-
Trade and other payables	16	24,575	29	22,446	33
Current tax payable		-	-	138	-
Employee benefits	17	4,399	-	3,838	-
Lease liability	24, 27	2,063	18	2,010	13
Deferred Income	4 (ii)	3,076	-	1,339	-
Total current liabilities		34,113	47	44,971	46
Non-current liabilities					
Trade and other payables	16	433	-	1,242	-
Deferred tax liabilities	9	56,211	-	50,485	-
Borrowings	18	113,200	-	80,000	-
Deferred Income	4 (ii)	-	-	762	-
Derivative financial instruments	15	-	-	194	-
Financial liability	2(x)	6,775	-	6,500	-
Lease liability	24, 27	10,588	14	10,081	-
Related party loan	27	-	1,133	-	-
Total non-current liabilities		187,207	1,147	149,264	-
Total liabilities		**221,320**	**1,194**	**194,235**	**46**
NET ASSETS		**293,215**	**34,992**	**269,651**	**35,060**
EQUITY					
Trust Funds	20	30,797	30,797	30,797	30,797
Retained earnings		236,756	4,195	210,735	4,263
Cash flow hedge reserve	21	1,281	-	(140)	-
Revaluation reserve	21	26,158	-	29,740	-
Other reserves	21	(6,775)	-	(6,500)	-
Total equity attributable to the owners		**288,217**	**34,992**	**264,632**	**35,060**
Non-controlling interest		4,998	-	5,019	-
TOTAL EQUITY		**293,215**	**34,992**	**269,651**	**35,060**

Christine P. Rupp
Chair – Counties Energy Trust
29th August 2022

Donald W. Thomson
Trustee – Counties Energy Trust
29th August 2022

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

Counties Energy Trust

Consolidated and Separate Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		147,922	-	121,800	-
Payments to suppliers and employees		(77,382)	(551)	(67,117)	(379)
Net GST (paid) / received		(6,109)	50	(5,334)	38
Dividend received		-	400	-	400
Interest received		6	6	66	66
Interest paid		(4,047)	-	(3,483)	-
RWT & income taxes paid		(2,588)	-	(3,509)	-
Net cash inflow from operating activities	21	57,802	(95)	42,423	125
Cash flows from investing activities					
Proceeds from short term investments		2,325	2,325	961	961
Proceeds from sale of property, plant & equipment		1,190	-	183	-
Payments for property, plant and equipment		(74,144)	(3,803)	(53,128)	(674)
Payments for intangible assets-computer software		(3,211)	(3)	(2,407)	-
Purchase of right of use assets		(5)	-	-	-
Net cash (outflow) from investing activities		(73,845)	(1,481)	(54,391)	287
Cash flows from financing activities					
Proceeds from borrowings		117,000	-	35,000	-
Repayment of borrowings		(99,000)	-	(21,894)	-
Related party loan	27	-	1,133		
Lease repayments		(2,207)	(18)	(2,303)	(18)
Net cash (outflows)/inflow from financing activities		15,793	1,115	10,803	(18)
Net (decrease)/increase in cash and cash equivalents		**(250)**	**(461)**	**(1,165)**	**394**
Cash and cash equivalents at the beginning of the year		1,321	597	2,486	203
Cash and cash equivalents at year end	9	**1,071**	**136**	**1,321**	**597**

The above consolidated and separate statement of cash flows should be read in conjunction with the accompanying notes.

RSM

Counties Energy Trust

Notes to (and forming part of) the Consolidated and Separate Financial Statements for the year ended 31 March 2022

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").
In August 2021 the Trust changed the name of the Trust to Counties Energy Trust to align itself with the renaming of the Company, from Counties Power Limited to Counties Energy Limited

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

Counties Energy Limited owns and operates an electricity distribution network for the conveyance of electricity, supplies electrical equipment, and provides electrical contracting services in the Counties region of New Zealand. The Company, it subsidiaries and joint arrangements, are designated as a profit oriented entity for financial reporting purposes.
ECL Group Limited, a subsidiary, is a leading technical services company specialising in fuel systems 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 2022. 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 it's wholly owned subsidiary, Counties Energy Limited. For the purposes of complying with NZ GAAP, the Group is designated as a for-profit entity.

The authorisation and distribution of the financial statements will be ratified by the Trustees for issue on 29th of August 2022.

2. Summary of significant accounting policies

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

(a) Basis of preparation

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 and separate financial statements also comply with International Financial Reporting Standards (IFRS).
The Parent Trust's financial statements also comply with The Tax Administration (Financial Statements – Domestic Trusts) Order 2022.

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

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

Comparative information
Certain comparatives have been reclassified to conform with current year presentation.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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. The Group: Counties Energy Trust, Counties Energy Limited and it's trading subsidiary ECL Group Limited are considered essential businesses and were able to operate with essential services and maintenance being performed during alert level 4 lockdown announced on 17 August 2021, which was in place until 22 September 2021. The Group continued to operate during alert level 3 from 22 September 2021, until the easing of restrictions for Auckland region (including the Counties area) on 3 December 2021.

Trustees, the Board of Directors, and Management 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 has been no material impact on the financials for the year ended 31 March 2022. (2021: Nil)

(b) Basis for consolidation

All material transactions between the Trust and its wholly owned subsidiary are eliminated on consolidation. The Trust's investments are stated at cost. Accounting policies for the Group's entities have been changed where necessary to ensure consistency across the Group.

As the consolidated financial statements of the parent Trust present both the Group and individual Trust balances, there is no requirement to also present a separate set of financial statements for the Trust.

(c) 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.

2. Summary of significant accounting policies (continued)

(d) 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 entity and specific criteria have been met for each of the Group's activities as described below.

i) *Lines revenue*
The Group provides lines services to consumers allowing connection to the wider distribution network. Such services are recognised as a series of distinct goods or services and are one performance obligation satisfied over time as the consumer simultaneously receives and consumes 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 represent 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 service 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 achieved 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.

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.

2. Summary of significant accounting policies (continued)

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 an '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 to not have a material impact.

x) *Contract Revenue and Contract Costs*
The Group provides contracting services to customers ancillary to its electricity distribution business. Such contracts have an enforceable right to payment for the performance obligation for key milestones specified in the agreement. There is one single performance obligation and it is satisfied over a period of time.

Pricing is determined with reference to the labour and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

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)

Contract Revenue and Contract Costs (continued)
When the outcome of a 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 and 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 an asset or a liability. A contract represents an asset where the costs incurred plus recognised profit (less recognised costs), exceed 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 in the Consolidated Statement of Financial Position.

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. These balances were represented as deferred income in the Consolidated Statement of Financial Position.

(e) 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.

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.

2. Summary of significant accounting policies (continued)

(f) Goods and Services Tax (GST)

The Group's Statement of Comprehensive Income is prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Impairment of 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 may 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 reporting period.

(h) 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.

(i) 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 in Note 3 [b]).

(j) 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.

(k) Property, plant and equipment

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

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

2. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, 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 Consolidated 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 Consolidated Statement of Comprehensive Income, the increase is first recognised in the Consolidated Statement of Comprehensive Income.
Decreases that reverse previous increases of the same assets are first charged against revaluation reserves directly in shareholders' equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged against the Consolidated 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 - 60 years SL/DV
Buildings	40-100 years SL/DV
Leasehold Improvements	1 - 40 years SL/DV
Meters & Relays	10 - 15 years SL/DV
Plant & Vehicles	1 - 15 years SL/DV
Fibre Network	10 - 11 years SL/DV

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 and Separate Statement of Comprehensive Income.

2. Summary of significant accounting policies (continued)

(l) 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 diminishing-value basis (one to seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense when 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 on an annual basis.

Customer contracts
The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis according to 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 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 on an annual basis or more frequently if events or changes in circumstances indicate that it may 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.

(m) Leases

Leases are accounted for in accordance with NZIFRS 16 Leases. 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.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of a 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 are subsequently measured at amortised cost using the effective interest method.

(o) Borrowing costs

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

2. Summary of significant accounting policies (continued)

(p) Borrowings

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

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

(q) 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 management's best estimate of the expenditure required to settle the obligation at balance 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.

(r) 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)

(r) Employee benefits (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 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

(s) Share Capital
Ordinary shares are classified as equity.

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

(u) Financial Assets
The Group classifies its investment in the following categories in accordance with NZ IFRS 9 Financial Instruments: 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 are managed and upon 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 amortised cost if it meets both of the following conditions and is not designated at FVTPL:
- if it is held with the objective to collect contractual cash flows; and
- it's contractual terms give rise on specified dates to cash flows 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 may irrevocably 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.

(v) Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is designated and effective as a 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)

Derivative financial instruments and hedging activities (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 or 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.'

(w) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- 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 interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

The excess of the:

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

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 as 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.

2. Summary of significant accounting policies (continued)

(x) Put option arrangements

The Group's subsidiary, Counties Energy Limited, has written put options over the equity of its subsidiary 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, from 1 February 2019 to 1 February 2025, 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 a 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 which 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.

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 50% and 70% 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.

Counties Energy Trust

Notes to (and forming part of) the Consolidated and Separate Financial Statements for the year ended 31 March 2022

3. Financial risk management (continued)

Market risk (continued)

(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 profit or loss and equity for 2022 and 2021 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, the 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 (Note 19).

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.

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

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

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 2022 and the corresponding historical credit losses during the period, adjusted for any significant amounts that are not receivable (Note 11[b]).

3. Financial risk management (continued)

Financial risk factors (continued)

(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 approve 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 2022	Total $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 Years $'000
Trade and other payables	25,008	24,575	433	-	-
Lease Liability	12,651	2,103	1,601	3,573	5,374
Bank loans	113,200	-	-	113,200	-
Total	**150,859**	**26,678**	**2,034**	**116,773**	**5,374**
At 31 March 2021					
Trade and other payables	23,688	22,446	1,242	-	-
Lease Liability	12,091	2,010	1,918	3,291	4,872
Bank loans	95,200	15,200	-	80,000	-
Derivative Financial Instruments (Fair values)	194	-	194	-	-
Total	**131,173**	**39,656**	**3,354**	**83,291**	**4,872**

3. Financial risk management (continued)

Financial risk factors (continued)

(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 in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

NZ IFRS 13, Fair Value Measurement: 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) (ii)). 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 13.

(e) Capital risk management

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 2022 and 2021.

The Group monitors its compliance with banking covenants as required by its bankers, ANZ Bank New Zealand Limited, ASB Bank Limited, and Bank of New Zealand. (Note 18). There have been no breaches during the year.

3. Financial risk management (continued)

Financial risk factors (continued)

(c) Capital risk management (continued)

The Company monitors equity using a gearing ration (a non-GAAP measure), which is net debt divided by total equity plus debt. The Company includes within net debt borrowings less cash and cash equivalents. Lease liabilities in the below table are before consolidation.

The gearing ratios are as follows:	Notes	2022 $'000	2021 $'000
Borrowings	18	113,200	95,200
Lease liabilities (before consolidation)	24	18,366	12,078
Less: Cash and cash equivalents	10	(935)	(724)
Net debt		**130,631**	**106,554**
Equity		288,743	265,388
Equity plus net debt		**419,374**	**371,942**
Gearing ratio		**31%**	**29%**

The Trust has no external 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 Consolidated Financial Statements (apart from those involving estimates, as shown 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 historic 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 (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.

Contract Liability – Capital Contributions	Notes	2022 $'000	2021 $'000
Opening Balance		**7,921**	**4,278**
Amount of transaction price received for unsatisfied performance obligations		30,113	15,375
Revenue recognised from performance obligations satisfied	5	(25,840)	(11,732) -
Closing Balance	16	**12,194**	**7,921**

The above table pertains to contract liability in relation to capital contributions and is presented as a deferred capital contribution liability in note 16.

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

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

(ii) Construction contracting and capital contributions (continued)

Contract Liability – Deferred Income	Notes	2022 $'000	2021 $'000
Opening Balance		**2,101**	**2,800**
Amount of transaction price received for unsatisfied performance obligations		20,274	10,768
Revenue recognised from performance obligations satisfied	5	(19,299)	(11,467)
Closing Balance		**3,076**	**2,101**

(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.

(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 and judgements as detailed in Note 13.

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

(vi) Goodwill
The Group assesses 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 (Note 14).

(vii) Lease Liability
Lease liability calculations have used incremental borrowing rates determined by the Group taking into account bank margins and interest rate swaps. The incremental borrowing rates for the Group range from 3.2% to 6.68% depending on the nature and term of the lease. These rates have been applied to leases over a range of terms determined by the Group to represent the reasonable length of the lease.

	Notes	2022 $'000 Group	2022 $'000 Parent	2021 $'000 Group	2021 $'000 Parent
5. Revenue					
From continuing operations					
Electricity line revenue – gross		67,444		61,724	
Consumer discounts		(10,869)		(10,860)	
Net electricity line revenue		**56,575**		**50,864**	
Metering revenue		4,240		4,038	
Construction contract revenue		3,597		3,875	
Capital contributions		25,840		11,732	
		33,677		**19,645**	
ECL Group Limited					
Fixed price service revenue		10,536		13,352	
Cost plus maintenance		16,794		16,252	
Projects revenue		16,578		11,467	
Other revenue		13,475		13,443	
		57,383		**54,514**	
Total from continuing operations		**147,635**		**125,023**	

6. Other income and gains

	2022 Group	2022 Parent	2021 Group	2021 Parent
Gain on disposal of fixed assets	188	-	45	-
Rent income	204	-	198	-
Dividend income	-	400	-	400
Interest income	3	3	56	56
	395	**403**	**299**	**456**

Notes to (and forming part of) the Consolidated and Separate Financial Statements for the year ended 31 March 2022

7. Expenses

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Expenses, excluding finance costs, included in the Consolidated Statement of Comprehensive Income					
Employee benefits expense		44,800	-	40,468	-
Depreciation and amortisation expense		22,724	20	21,028	20
Election expenses		83	83		
Transmission costs		11,585	-	10,989	-
Less: Rental Rebates		(1,172)	-	(1,111)	-
Raw materials and consumables used		24,314	-	21,662	-
Land Valuation		-	-	-	-
Other expenses		5,574	367	6,284	375
		107,908	**470**	**99,320**	**395**
Finance costs					
Borrowings		3,228	-	2,856	-
- Lease interest		628	1	628	1
		3,856	**1**	**3,484**	1
Included in expenses above					
Depreciation (notes 13 and 24)					
Plant & vehicles		3,735	1	3,416	2
Buildings		249	-	236	-
Leasehold improvements		47	-	65	-
Distribution system		10,543	-	9,580	-
Meters & relays		2,120	-	2,048	-
Managed network		48	-	48	-
Right of use assets		2,619	18	2,535	18
Total depreciation		**19,361**	**19**	**17,928**	**20**
Amortisation					
Computer software	14	2,313	1	2,050	-
Customer goodwill	14	1,050	-	1,050	-
Total amortisation		**3,363**	**1**	**3,100**	-
Total amortisation and depreciation		**22,724**	**20**	**21,028**	**20**

8. Income tax expense

(a) Income tax expense

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust

The tax on the Group's 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	2022 Group	2022 Parent Trust	2021 Group	2021 Parent Trust
Current tax		2,432	-	2,892	-
Deferred tax	9	7,834	-	3,644	-
		10,266	**-**	**6,536**	**-**

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

	2022 Group	2022 Parent Trust	2021 Group	2021 Parent Trust
Profit from continuing operations before Income tax expense	36,266	(68)	22,518	60
Add imputation credits attached to dividend	156	156	156	156
Non-deductible expenses for tax purposes	38	-	11	-
Taxable profit	**36,460**	**88**	**22,685**	**216**
Income tax expense attributable to taxable profits	10,246	-	6,411	-
Tax effect of tax loss carried forward	-	-	-	-
Prior year adjustments	20	-	125	-
Income tax expense	**10,266**	**-**	**6,536**	**-**

© Imputation credit account

The value of imputation credits available to the Company for subsequent reporting periods as at 31 March 2022 is $36.2 million (2021: $33.8m).

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	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Balance as at 1 April		1,946	1,946	1,700	1,700
Tax losses applied to Trustee income		(90)	(90)	(225)	(225)
Imputation credits converted to loss carried forward		471	471	471	471
Closing balance		**2,327**	**2,327**	**1,946**	**1,946**

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust

9. Deferred tax liabilities

	2022 Group	2022 Parent Trust	2021 Group	2021 Parent Trust
Movements				
Opening deferred tax liability	50,485	-	48,398	-
Charge to income tax expense	7,834	-	3,644	-
Cash flow hedges	552	-	123	-
Deferred tax recognised on revalued assets	(2,660)	-	(1,680)	-
Closing balance at 31 March	**56,211**	**-**	**50,485**	**-**
Deferred tax assets:				
Deferred income tax asset to be recovered after more than 12 months	(1,347)	-	(1,136)	-
Deferred tax liabilities:				
Deferred tax income tax liability to be paid after more than 12 months	57,558	-	51,621	-
Net deferred income tax liability to be paid after more than 12 months	**56,211**	**-**	**$ 50,485**	**-**

Deferred tax liabilities	**Property, plant, equipment and intangibles $'000**	**Leases $'000**	**Other $'000**	**Total $'000**
At 31 March 2020	**49,410**	**(41)**	**(971)**	**48,398**
Charged to income tax expense	3,946	(65)	(237)	3,644
Cash flow hedges	-	-	123	123
Charged directly to equity	(1,680)	-	-	(1,680)
At 31 March 2021	**51,676**	**(106)**	**(1,085)**	**50,485**
Charged to income tax expense	8,230	(137)	(259)	7,834
Cash flow hedges	-	-	552	552
Charged directly to equity	(2,660)	-	-	(2,660)
At 31 March 2022	**57,246**	**(243)**	**(792)**	**56,211**

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust

10. Cash and cash equivalents

	2022 Group	2022 Parent Trust	2021 Group	2021 Parent Trust
Bank balances	1,071	136	1,321	597
Closing Balance (excl short term deps)	**1,071**	**136**	**1,321**	**597**

11. Trade and other receivables

	2022 Group	2022 Parent Trust	2021 Group	2021 Parent Trust
Trade receivables	10,274	-	9,104	-
Accrued revenue	6,798	-	8,429	-
Provision for doubtful receivables	(337)	-	(277)	-
Net trade receivables	**16,735**	**-**	**17,256**	**-**
Other receivables and prepayments	1,734	24	1,096	12
Total Receivables	**18,469**	**24**	**18,352**	**12**
Provision for doubtful receivables				
Opening balance	277	-	321	-
Plus additional provision recorded during the year	60	-	(44)	-
Closing balance	**337**	**-**	**277**	**-**

(a) Bad and doubtful trade receivables

The Group has recognised an expense of $252,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2022 (2021: $209,000). The movement has been included in 'expenses' in the Consolidated Statement of Comprehensive Income.

(b) Credit risk

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3(b).

31 March 2022	**Current**	**30 days+ past due**	**60 days+ past due**	**90 days+ past due**	**Total**
Expected loss rate	0%	2%	11%	49%	**3%**
Gross carrying value - trade receivables ($'000)	8,791	707	246	530	**10,274**
Loss Allowance ($'000)	**36**	**15**	**26**	**260**	**337**

31 March 2021	**Current**	**30 days+ past due**	**60 days+ past due**	**90 days+ past due**	**Total**
Expected loss rate	0%	3%	14%	26%	**2%**
Gross carrying value - trade receivables ($'000)	15,741	656	491	645	**17,533**
Loss Allowance ($'000)	**25**	**18**	**68**	**166**	**277**

12. Inventories

	2021 $'000 Group	2021 $'000 Parent	2020 $'000 Group	2020 $'000 Parent
Merchandise	5,829	-	4,595	-
Provision for obsolescence	(938)	-	(872)	-
Work in progress	-	-	-	-
Goods in transit	-	-	238	-
	4,891	**-**	**3,961**	**-**

13. Property, plant and equipment

	Freehold Land $'000	Freehold Buildings $'000	Plant & vehicles $'000	L'hold Imprvmts $'000	Meters & relays $'000	Distribution system $'000	Managed network $'000	Parent Trust Freehold Land $'000	Parent Trust Plant & Equipt $'000	Total $'000
Year ended 31 March 2021										
Opening net book value	20,828	10,481	12,453	293	11,034	304,225	937	-	6	360,257
Additions	660	2,952	3,726	-	1,397	42,438	-	-	1	51,174
Change in WIP	-	-	1,281	-	-	-	-	-	-	1,281
Disposals	-	-	(128)	-	(9)	-	-	-	-	(137)
Revaluation gain / (loss)	1,526	-	-	-	-	(6,000)	-	-	-	(4,474)
Depreciation charge (note 7)	-	(236)	(3,414)	(65)	(2,048)	(9,580)	(48)	-	(1)	(15,392)
Closing net book value	**23,014**	**13,197**	**13,918**	**228**	**10,374**	**331,083**	**889**	**-**	**6**	**392,709**
At 31 March 2021										
Cost or valuation	23,014	13,393	29,257	1259	24,012	331,083	2,186	-	15	424,219
Accumulated depreciation	-	(196)	(15,339)	(1,031)	(13,638)	-	(1,297)	-	(9)	(31,510)
Net book value	**23,014**	**13,197**	**13,918**	**228**	**10,374**	**331,083**	**889**	**-**	**6**	**392,709**
Year ended 31 March 2022										
Opening net book value	23,014	13,197	13,918	228	10,374	331,083	889	-	6	392,709
Additions	2,458	636	4,652	35	730	56,037	-	5,179	2	69,729
Change in WIP	-	4807	986	-	-	-	-	-	-	5,793
Disposals	-	-	(500)	-	(37)	-	-	-	-	(537)
Revaluation gain/(Loss)	3,258	-	-	-	-	(9,500)	-	-	-	(6,242)
Depreciation charge	-	(249)	(3,733)	(47)	(2,120)	(10,543)	(48)	-	(1)	(16,741)
Closing net book value	**28,730**	**18,391**	**15,323**	**216**	**8,947**	**367,077**	**841**	**5,179**	**7**	**444,711**
At 31 March 2022										
Cost or valuation	28,730	18,836	30,687	1,294	24,646	367,077	2,186	5,179	17	478,652
Accumulated depreciation	-	(445)	(15,364)	(1,078)	(15,699)	-	(1,345)	-	(10)	(33,941)
Net book value	**28,730**	**18,391**	**15,323**	**216**	**8,947**	**367,077**	**841**	**5,179**	**7**	**444,711**

13. Property, plant and equipment (continued)

Distribution system assets
Distribution system assets were subject to an independent (three-yearly) valuation as at 31 March 2022. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using discounted cash flow methodology. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgement is required. The valuation was based on revenue and cost assumptions applied against a combination of WACC and CPI inflation rates that are generally in the mid-point of the range.

Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact $'m (Low) / High
Capital expenditure	$247m [1]	90.0%	110%	(1.1) / 1.1
WACC	5.3%	4.8%	5.8%	(16.8) / 17.6
RAB Multiple	0.99x	0.94x	1.04x	(16.8) / 17.6

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 2022. The Board determined that a revaluation adjustment of $9.5 million was required to reduce the carrying value to $367.1 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. 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 New Zealand equivalent to International Accounting Standard IAS 16 Property, Plant and Equipment.
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 March 2022, JLL revisited the valuation prepared for network land to assess the impact of market changes. An uplift of $3.3 million was booked to reflect the higher valuation.

On 30 June 2021 the Trust purchased land which has been recorded at historical cost for the amount of $5,132,600 plus legal fees of $46,549, totalling $5,179,149. The Auckland Council notice of valuation dated 15 March 2022 rating valuation for the land as at 1 June 2021 was $5,080,000.

Land and Buildings – historical cost

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

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Distribution Network – deemed cost	478,100	-	422,063	-
Less Accumulated Depreciation	(100,382)	-	(89,839)	-
Net book value	**377,718**	**-**	**332,224**	**-**
Land – deemed cost	13,285	5,179	5,648	-
Buildings – deemed cost	13,390		12,754	
Less Accumulated Depreciation	(2,529)	-	(2,280)	-
Net book value	**24,146**	**5,179**	**16,122**	**-**

14. Intangible assets

	Notes	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
At 31 March					
Cost		48,608	3	46,643	6
Accumulated amortisation		(17,077)	-	(14,491)	(4)
Net book value		**31,531**	**3**	**32,152**	**2**
Opening net book value		32,152	2	32,846	3
Additions		3,214	3	2,999	-
Change in WIP		(3)	-	(592)	-
Disposals		(468)	(1)	-	-
Amortisation charge	7	(3,364)	(1)	(3,101)	(1)
Impairment		-	-	-	-
Closing net book value		**31,531**	**3**	**32,152**	**2**

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 of goodwill

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ('CGU'), which at 31 March 2022 is identified as 1 CGU. The identification of CGU and operating segment at 31 March 2022 has been performed in line with guidance in NZ IAS 36 Impairment of assets and NZ IFRS 8 Operating segments, including how the Company makes decisions about resource allocation and how it reviews operating results and assesses performance.

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;
- the terminal growth rate;
- 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 Costs of Disposal (FVLCD) and its Value in Use (VIU).

At 31 March 2022, there was no impairment of goodwill. (2021: nil).

Assumptions

The recoverable amount attributed to the CGU is calculated based on Value in Use ('VIU').

The VIU was calculated based on cash flows discounted using the applicable WACC rate.

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

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

Revenue growth (% annual increase – FY23)	18.2%
COGS and direct wages (% annual increase – FY23)	16.5%
Revenue growth (% annual increase – average FY24 to FY27)	7.6%
COGS and direct wages (% annual increase – average FY24 to FY27)	7.6%
WACC rate	11.2%
Terminal growth rate	2.25%

Revenue is driven by a combination of organic growth and large project works. New market segments have been identified which are expected to provide significantly high mid-term and long-term growth prospects. The business has proven capability within these market segments and the capacity to scale as required as new customers are brought on.

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 Company.

The terminal growth assumption is based on the current implied inflation rates, calculated as the difference between inflation adjusted and vanilla government bond yields at the valuation date.

Sensitivity to changes in key assumptions

The following summarises the effect on goodwill of a reasonably possible change in the key assumptions for the CGU with all other assumptions remaining constant:

	$'000
Revenue growth (1% decrease year on year from FY24 to FY27)	(7,300)
COGS and direct wages (1% inccrease year on year from FY24 to FY27)	(6,400)
WACC (0.5% increase)	(4,500)
Terminal growth (1% decrease)	(6,300)

The recoverable amount of the CGU could equal its carrying amount if the key assumptions were to change as follows:

Revenue growth	4.5% decrease
Gross margin	4.7% decrease
WACC	5.0% increase
Terminal growth rate	8.2% decrease

Any further impact to the above key assumptions would trigger an impairment.

15. Derivative Financial Instruments

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Interest rate swap (asset) liability	(1,779)	-	194	-
Net derivative financial instruments	**(1,779)**	**-**	**194**	**-**

The Group had outstanding interest rate swaps of $53,000,000 at 31 March 2022 (2021: $25,000,000).

The Group had no forward foreign exchange contracts at 31 March 2022 (2021: $nil).

16. Trade and other payables

	Notes	2022 $'000 Group	2022 Parent	2021 $'000 Group	2021 Parent
Trade payables		8,381	7	10,447	6
Sundry accruals		3,266	22	3,296	28
Deferred capital contributions liability		12,194	-	7,921	-
Non-interest bearing liabilities		734	-	783	-
Total current payables		**24,575**	**29**	**22,447**	**34**
Non-current trade and other payables					
Non-interest bearing liabilities		433	-	1,242	-
Total trade and other payables		**28,008**	**29**	**23,689**	**34**

17. Employee benefits

	Notes	2022 $'000 Group	2022 Parent	2021 $'000 Group	2021 Parent
Employee benefits		712	-	880	-
Holiday pay		3,565	-	2,842	-
Other leave		122	-	116	-
Total Provisions		**4,399**	**-**	**3,838**	**-**

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

18. Borrowings

	Notes	2022 $'000 Group	Parent	2021 $'000 Group	Parent
Unsecured - interest bearing					
Bank loan – current		-	-	15,200	-
Bank loan – non-current		113,200	-	80,000	-
Total borrowings		**113,200**	**-**	**95,200**	**-**

(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:

Credit standby arrangements **Total facilities**	2022 $'000 Group	Parent	2021 $'000 Group	Parent
Counties Energy Limited	175,000	-	150,000	-
ECL Group Limited	15,200	-	15,200	-
Total facilities	**190,200**	**-**	**165,200**	**-**
Used at reporting date				
Bank Loans	113,200		95,200	
Unused at reporting date				
Bank Loans	77,000		70,000	
Total facilities	**190,200**	**-**	**165,200**	**-**

Counties Energy Limited
The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $175.0 million (2021: $150.0 million)and expires on 10 December 2024.
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 $15.2 million and expires on 30 June 2024. There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

Weighted average interest rate
The weighted average interest rate on borrowings was 3.26% (2021: 2.51%). The Distribution System assets include capitalised borrowing costs of $177,000 (2021: $300,000).

(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 Energy Trust

Notes to (and forming part of) the Consolidated and Separate Financial Statements for the year ended 31 March 2022

19. Financial Instruments by category

Assets as per statement of financial position

	Assets through other comprehensive income $'000		Amortised cost $'000		Total $'000	
	Group	Parent Trust	Group	Parent Trust	Group	Parent Trust
At 31 March 2022						
Derivative financial instruments	1,779	-	-	-	1,779	-
Trade and other receivables	-	-	16,742	7	16,742	7
Cash and cash equivalents	-	-	1,071	136	1,071	136
	1,779	**-**	**17,813**	**143**	**19,592**	**143**
At 31 March 2021						
Trade and other receivables	-	-	17,268	12	17,268	12
Cash and cash equivalents	-	-	1,321	597	1,321	597
Short term investments	-	-	2,325	2,325	2,325	2,325
	-	**-**	**20,914**	**2,934**	**20,914**	**2,934**

Liabilities as per statement of financial position

	Liabilities through other comprehensive income $'000		Financial liabilities at amortised cost $'000		Total $'000	
	Group	Parent Trust	Group	Parent Trust	Group	Parent Trust
At 31 March 2022						
Borrowings	-	-	113,200	-	113,200	-
Lease Liability	-	-	12,651	32	12,651	32
Trade and other payables	-	-	25,008	29	25,008	29
	-	**-**	**150,859**	**61**	**150,859**	**61**
At 31 March 2021						
Derivative financial instruments	194	-	-	-	194	-
Borrowings	-	-	95,200		95,200	-
Lease Liability			12,091	13	12,091	13
Trade and other payables	-	-	23,688	33	23,688	33
	194	**-**	**130,979**	**46**	**131,173**	**46**

Counties Energy Trust

Notes to (and forming part of) the Consolidated and Separate Financial Statements for the year ended 31 March 2022

20. Trust Funds

	2022 $'000 Group	Parent Trust	2021 $'000 Group	Parent Trust
Trust funds at resettlement	30,797	30,797	30,797	30,797
Total Trust Funds	**30,797**	**30,797**	**30,797**	**30,797**

At 31 March 2022 there were 15,000,000 fully paid ordinary shares in Counties Energy Limited vested in the Trust in terms of the Energy Companies (Counties Energy Limited) Vesting Order 1993, represented by shares and reserves being Opening Shareholders' Funds in Counties Energy Limited.

21. Reserves

	Notes	2022 $'000 Group	Parent Trust	2021 $'000 Group	Parent Trust
Retained earnings					
Opening balance		210,735	4,263	195,175	4,203
Distribution to Trust Beneficiaries		-	-	-	-
Net Surplus for the year		26,021	(68)	15,560	60
Closing balance		**236,756**	**4,195**	**210,735**	**4,263**
Asset revaluation reserve					
Opening balance		29,740	-	32,534	-
Revaluation of distribution system	13	(9,500)	-	(6,000)	-
Revaluation of land and buildings	13	3,258	-	1,526	-
Deferred tax	9	2,660	-	1,680	-
Closing balance		**26,158**	**-**	**29,740**	**-**
Cash flow hedge reserve					
Opening balance		(140)	-	(457)	-
Derivative contracts taken into equity		1,973	-	440	-
Deferred tax	9	(552)	-	(123)	-
Closing balance		**1,281**	**-**	**(140)**	**-**
Other reserves					
Put option arrangement	2(x)	**(6,775)**	-	**(6,500)**	-
Total retained earnings and reserves		**257,420**	**4,195**	**233,835**	**4,263**

Dividends were paid by the Company to the Trust at 2.7 cents per share. (2021: 2.7 cents per share). In the consolidated statements, dividends have been eliminated.

22. 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 and non-related audit firms.

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Audit services				
Auditing the Financial Statements - RSM	19	19	19	19
Auditing the Financial Statements - PWC	289	-	302	-
Auditing of Regulatory Statements - PWC	49	-	49	-
Total Audit services	**357**	**19**	**370**	**19**
Other Services				
Other Advisory Services – Non-related audit firms	285	1	335	-
Regulatory Advice - PWC	-	-	-	-
Total Remuneration of Other services	**285**	**-**	**335**	**-**
Total Remuneration of Auditors and Other Advisors	**642**	**20**	**705**	**19**

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.

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

	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Reported surplus after tax	**26,000**	**(68)**	**15,982**	**60**
Depreciation and amortisation	22,724	20	21,028	20
Impairment	-	-	-	-
Land valuation	-	-	-	-
Changes in Deferred Tax	7,834	-	3,644	-
Net loss/(gain) on sale of assets	(185)	1	(46)	-
Finance charge	1	1	1	1
	30,374	22	24,627	21
(Decrease)/Increase in Current Liabilities				
Accounts Payable	1128	(4)	4,528	4
Employee Benefits	561	-	550	-
Taxation payable	(156)	-	(617)	-
Decrease/(Increase) in Current Assets				
Receivables & Prepayments	(145)	(40)	(3,463)	3
Income Tax Receivable	-	-	-	-
GST Receivable	(5)	(5)	37	37
Inventories	(930)	-	1,478	-
Deferred income	975	-	(699)	-
Derivative financial instruments	-	-	-	-
	1,428	(49)	1,814	44
Net cash inflow from operating activities	**57,802**	**(95)**	**42,423**	**125**

24. Right of use assets and lease liabilities

NZIFRS 16 Leases: For the lessee, all leases (other than short-term or low value), are recognised in the Consolidated Statement of Financial Position.

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

	2022 $000 Group	Parent Trust	2021 $000 Group	Parent Trust
Right of use assets				
Buildings	7,571	40	8,425	22
Plant and vehicles	3,056	-	1,716	-
Distribution system	1,438	-	1,580	-
Closing net book value	**12,065**	**40**	**11,721**	**22**
Finance lease liability				
Current	2,063	18	2,010	13
Non-current	10,588	14	10,081	-
	12,651	**32**	**12,091**	**13**
Accumulated depreciation on Right of Use Assets				
Buildings	2,742	10	1,820	36
Plant and vehicles	2,170	-	2,846	-
Distribution system	426	-	284	-
	5,338	**10**	**4,950**	**36**

	2022 $000 Group	Parent Trust	2021 $000 Group	Parent Trust
Lease liabilities				
Opening value	12,091	13	14,022	29
Additions	2,958	36	370	-
Lease interest (note 7)	628	1	629	2
Lease payments	(3,026)	(18)	(2,930)	(18)
Closing value	**12,651**	**32**	**12,091**	**13**

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%

Right of use assets that had a lease term of less than 12 months or were low value leases were not material in 2022 or 2021.

An operating lease between the Trust (Lessor) to Counties Energy Limited (Lessee) was executed on 28 October 2021, in respect of land purchased by the Trust on 30 June 2021. The lease commenced on 1 July 2021.

The right of use asset and associated liability recorded by Counties Energy Limited have been eliminated upon consolidation of these financial statements. Refer note 27.

25. Contingent liabilities

The Group had no contingent liabilities as at 31 March 2022 (2021: $Nil).

26. Commitments

(a) Capital commitments

The Group had $10,250,000 committed for property, plant and equipment at 31 March 2022. (2021: $8,334,686).

27. Related party transactions

(a) Parent Trust

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

(b) Transactions with related parties

The following transactions occurred with related parties:

	2022 $'000		2021 $'000	
	Group	Parent Trust	Group	Parent Trust
Counties Energy Limited				
Dividends paid to the Trust (2.7 cents per share)	-	400	-	400
Loan to the Trust	-	1,133	-	-
Optima Investment Group Limited (note 2(x))				
Financial liabilities (note 2(x))	6,775	-	6,500	-
SmartCo Limited (Joint Venture)				
Contribution towards operating costs	6	-	6	-

Related Party - Loan

On 30 June 2021 Counties Energy Limited advanced $1,132,600 to it's Parent Trust to settle the purchase of land at 17-23 Nelson Street, Pukekohe. The loan will incur interest at the ASB borrowing rate for Counties Energy Limited (note 18) from 1 July 2022, as the parties agreed to a 'gratis' year from 1 July 2021 to 30 June 2022 in respect of interest payable on the loan by the Trust to Counties Energy Limited and rent due for the same period in respect of an operating lease as noted below.

The loan has been eliminated upon consolidation of the financial statements.

Related Party - Operating Lease, re. 17-23 Nelson Street, Pukekohe

An operating lease from the Trust to the Counties Energy Limited was executed on 28 October 2021, and the lease commenced on 1 July 2021, with rights of renewal on 1 July 2042 (renewal term of 14 years) and 1 July 2056 (renewal term of 7 years) with a final expiry date of 30 June 2063.

As agreed between the Trust and the Company, the first year from 1 July 2021 through 30 June 2022 is to be a rent free period, with the Company in turn, granting the Trust interest free terms on the loan for the same period. The annual rent is set at $300,000 plus GST ($25,000 per month) with annual increases for CPI, and should CPI decrease, the annual rent will be maintained at the previous level.

The expected rent payable by the Company from 1 July 2022 to the first renewal date of 1 July 2042 is:
$1,425,000 1 July 2022 to 31 March 2027
$4,575,000 1 April 2027 to the start of the first renewal date, being 1 July 2042
$6,000,000 Total rent income for the period 1 July 2022 to 30 June 2042

The Trust has capitalised legal costs of $46,549 in respect of the property acquisition and lease negotiations which will be amortised over the initial lease term of 20 years from 1 July 2022 through 30 June 2042 at $2,327 per year.

As the future rent transactions are symmetric with the income being recognised in the Trust's accounts when received by the Trust, and the lease expense paid by the Company, the amounts will eliminate upon consolidation.

Related Party – Trustee

During the year, the Trust rented office premises from SBH Investments, a partnership, in which a Trustee is a partner. The rent paid totalled $17,803 (net of GST) excluding the insurance, rates and maintenance components (2021: $17,640).

27. Related party transactions continued

(b) Transactions with related parties continued

Key personnel compensation	2022 $'000 Group	2022 $'000 Parent Trust	2021 $'000 Group	2021 $'000 Parent Trust
Trustees' fees	130	130	134	134
Directors' fees – Counties Energy Limited	345	-	345	-
Directors' fees – ECL Group Limited	150	-	148	-
	625	130	627	134
Counties Energy Limited – Leadership Team Salaries and short-term employee benefits	2,301	-	2,201	-
Total	**2,926**	**130**	**2,828**	**134**

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. (2021:$nil)

(d) Terms and conditions

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

28. Other Registered Holdings of the Company

Subsidiaries	Country of incorporation	Interest held by entity at 31 March 2022	Interest held by entity at 31 March 2021
ECL Group Limited	New Zealand	75%	75%
CPL Network Limited	New Zealand	100%	100%

On 1 February 2019, Countied Energy Limited acquired a 75% shareholding in ECL Group Limited. Subsequent to balance date, the 25% minority interest held by Optima Investment Group Limited was acquired by Counties Energy Limited in ECL Group Limited on 31 May 2022 for $6,775,000.

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. Effective 28 April 2021, CPL Network Limited has changed its name to Counties Energy Limited.

Name of entity	Place of Business/Country of incorporation	% of Ownership interest	Nature of Relationship	Measurement Method
SmartCo Limited	New Zealand	14.29%	Joint Venure	Equity
Ampli Limited	New Zealand	31.58%	Associate	Equity

In 2010, the Company acquired a 14.29% joint venture investment in SmartCo Limited and receives group buying benefits in relation to smart meters and related equipment.

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 31.58% in Ampli Limited (incorporated on 18 December 2017) at nil consideration. Ampli Limited was formed to develop data analytics for the electricity distribution industry. Ampli Limited is no longer trading.

There were no other changes during the year.

29. Events occurring after the reporting date

Subsequent to balance date of 31 March 2022, the 25% minority interest held by Optima Investment Group Limited was acquired by Counties Energy Limited in ECL Group Limited on 31 May 2022 for $6,775,000.

We have received confirmation from the Directors of the Company that since the issue of the consolidated financial statements of Counties Energy 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 the going concern assumption remains appropriate in the preparation of the consolidated financial statements of Counties Energy Trust.

Counties Energy Trust

Statement of Service Performance

For the year ended 31 March 2022

The table below sets out the performance targets included in the Statement of Corporate Intent for the year ended 31 March 2022.

	2022		2021	
	Target	Actual	Target	Actual
Earnings before consumer discounts, interest and tax expressed as a percentage of total average capital employed	7.7%	14.2%	8.1%	10.1%
Profit/(loss) before consumer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	7.4%	13.0%	7.3%	8.9%
Average minutes without electricity per Consumer (SAIDI)				
• Unplanned outages	104.26	147.89	140.00	120.81
• Planned	180.00	150.37	90.00	70.12
Average number of outages per Consumer (SAIFI)				
• Unplanned outages	2.28	2.71	2.70	2.55
• Planned	0.58	0.48	Not previously reported	Not previously reported

Financial targets were exceeded in 2022.
The targets and corresponding actual values for SAIDI and SAIFI, for the year ended 31 March 2022, have been updated from those previously stated in our Statement of Corporate Intent for 2022.
This is in line with the intention previously stated at that time and to align with the 2021-25 DPP normalisation method (as compared to the 2015-2020 DPP normalisation).

Unplanned outages, as measured by SAIDI (average minutes without electricity per customer), were unfavourable to target by 43.63 minutes (41.8% unfavourable). The main categories of faults were Vegetation, Defective Equipment and No Cause Found. Unplanned SAIFI (average number of outages per customer) was also unfavourable to target by 0.43 interruptions (18.9% unfavourable).

Planned SAIDI was favourable, being 29.63 minutes, (16.5% favourable) under the year's target.

Planned SAIFI was favourable, being 0.10, (17.2% favourable), under the year's target.

The unplanned SAIDI and SAIFI results were calculated in accordance with the 2021-25 DPP normalisation method and the planned SAIDI and SAIFI results reverted to the Information Disclosure (ID) method using information from the Company's non-financial systems. Outages on Transpower or initiated by events on privately owned secondary networks, planned and unplanned, are excluded. Counties Energy also commenced recording the full impact of single transformer outages part way through FY22 in order to better understand the full customer experience of network reliability. These outages on single transformers are currently excluded from reported measures. Although this is a variation from the standard 2021-25 DPP methodology, it is consistent with how Counties Energy measures have been reported to date and how the targets for FY22 were derived. Including single transformer outages, the measures would be 151.56 SAIDI and 2.72 SAIFI. Single transformer outages will be included in reporting and factored into targets in the Statement of Corporate Intent and Asset Management Plan from FY24.

The longer term targets for SAIFI and SAIDI have been revised based on:

- Recent performance of network
- Research presented to the Directors of Counties Energy Limited on network reliability.
- A forecast of planned outage requirements which is based on investment programmes (outlined in the Asset Management Plan), and the expected reliability improvements from those investments.

Counties Energy Trust

Statement of Service Performance

For the year ended 31 March 2022

Health and Safety Measures

Counties Energy continues to ensure the core focus of safey is embedded across the business. Every meeting is initiated with safety conversations and focusses on sharing safey incidents, events and lessons learned.

Counties Energy remains an active member in safety forums such as the Business Leaders' Health and Safety Forum and the Electricity Engineers' Association (EEA) Health and Safety Forum.

The Company has adopted the EEA-released, redefined Critical Risks, for which a key objective is to support businesses to focus resources onto Electricity Industry specific critical risks and associated critical controls.

	2022		2021	
	Target	**Actual**	**Target**	**Actual**
Lost time Injuries (LTIs)	**-**	**3**	**-**	**3**

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Independent Auditor's Report

To the Beneficiaries of Counties Energy Trust

Opinion

We have audited the consolidated and separate financial statements of Counties Energy Trust and its subsidiary ("the Group"), which comprise:

- the consolidated and separate statement of financial position as at 31 March 2022;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate cash flow statement for the year then ended; and
- the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements on pages 9 to 47 present fairly, in all material respects, the financial position of the Group and Trust as at 31 March 2022, and of 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 and separate financial statements* section of our report.

We are independent of the Group and Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* 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 Energy Trust or its subsidiary.

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, and the Statement of Service Performance on pages 48 and 49 (but does not include the consolidated and separate 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 separate 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 separate 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 separate 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 and separate financial statements

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

In preparing the consolidated and separate financial statements, the Trustees are responsible, on behalf of the Group and Trust, for assessing the Group and Trust's ability 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 and Trust or to cease operations, or have no realistic alternative but to do so.

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

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

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

https://xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-7/

Who we report to

This report is made solely to the beneficiaries of Counties Energy 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 Energy Trust and its beneficiaries, as a body, for our audit work, for this report or for the opinions we have formed.

RSM

RSM Hayes Audit
Auckland

29 August 2022