Central Hawkes Bay
Consumers Power Trust

Consolidated Financial Statements
for the year ended 31 March 2020

Central Hawkes Bay Consumers Power Trust

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Central Hawkes Bay Consumers Power Trust

Statement of comprehensive income

For the year ended 31 March 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Revenue			
Revenue from contracts with customers		16,422	15,738
Posted discount accrued	2	(1,566)	(1,482)
Net revenue from contracts with customers	2	14,856	14,256
Other income	2	177	220
	2	15,033	14,476
Expenses			
Other expenses	3	(7,925)	(7,871)
Research & development expense		(70)	(99)
Total operating expenses		(7,995)	(7,970)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		7,038	6,506
Depreciation and amortisation expense	5	(1,940)	(2,122)
Profit before income tax		5,098	4,384
Income tax	4	(1,362)	(1,269)
Profit for the year		3,736	3,115
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of Electricity distribution network	5	-	-
Deferred tax on revaluation		-	-
Items that may be subsequently reclassified to profit or loss:			
		-	-
		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		3,736	3,115

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The above statement of financial performance and comprehensive income should be read in conjunction with the accompanying notes

Central Hawkes Bay Consumers Power Trust

Balance sheet

As at 31 March 2020

	Notes	Consolidated 2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	3,108	2,510
Trade and other receivables	8	1,978	1,938
Inventories		429	375
Investments	7	5,562	5,414
Total current assets		11,077	10,237
Non-current assets			
Property, plant and equipment	5	63,762	61,253
Intangible assets		97	85
Investment property	18	292	-
Total non-current assets		64,151	61,338
Total assets		75,228	71,575
LIABILITIES			
Current liabilities			
Trade and other payables	9	1,509	2,456
Current tax liabilities/(receivables)		295	(174)
Employee provisions		276	230
Other current liabilities		79	83
Contract Liabilities	2	1,566	1,482
Total current liabilities		3,725	4,077
Non-current liabilities			
Employee Provisions	10	47	47
Deferred tax liabilities	4	9,654	9,385
Total non-current liabilities		9,701	9,432
Total liabilities		13,426	13,509
Net assets		61,802	58,066
EQUITY			
Contributed equity	12	8,000	8,000
Reserves	13	866	866
Retained earnings	13	52,936	49,200
Total equity		61,802	58,066

For and on behalf of the Trust.

Trustee
27 July 2020

Trustee
27 July 2020

Central Hawkes Bay Consumers Power Trust

Statement of changes in equity

For the year ended 31 March 2020

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
		Attributable to equity holders of the Group			
Balance as at 1 April 2019		8,000	866	49,200	58,066
Profit or loss for the year		-	-	3,736	3,736
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Total comprehensive income		-	-	3,736	3,736
Distribution to Beneficiaries		-	-	-	-
Balance as at 31 March 2020		8,000	866	52,936	61,802

Consolidated	Notes	Contributed equity	Reserves	Retained earnings	Total equity
Balance as at 1 April 2018		8,000	866	54,925	63,791
Adjustment on initial application of IFRS 15, net of tax		-	-	(1,001)	(1,001)
Balance as at 1 April 2018 (restated)		8,000	866	53,924	62,790
Profit or loss for the year		-	-	3,115	3,115
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Total comprehensive income		-	-	3,115	3,115
Distribution to Beneficiaries		-	-	(7,839)	(7,839)
Balance as at 31 March 2019		8,000	866	49,200	58,066

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

Central Hawkes Bay Consumers Power Trust

Statement of cash flows

For the year ended 31 March 2020

	Notes	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		13,957	13,486
Contributions from capital works		854	548
Interest received		177	188
Payments to suppliers and employees		(8,853)	(7,112)
Income taxes (paid)/refund		(646)	(1,196)
Net cash inflow / (outflow) from operating activities		5,489	5,914
Cash flows from investing activities			
Proceeds from disposal of investments		9,439	13,346
Proceeds from disposals of property, plant and equipment		-	33
Purchase and construction of property, plant and equipment		(4,743)	(5,699)
Purchase of Investments		(9,587)	(11,447)
Net cash inflow / (outflow) from investing activities		(4,891)	(3,767)
Cash flows from financing activities			
Distributions to beneficiaries		-	(7,756)
Net cash inflow / (outflow) from financing activities		-	(7,756)
Net increase (decrease) in cash and cash equivalents		598	(5,609)
Cash and cash equivalents at the beginning of the financial year		2,510	8,119
Cash and cash equivalents at end of year	6	3,108	2,510

The above cashflow statement should be read in conjunction with the accompanying notes

1 About this report

These financial statements are for Central Hawkes Bay Consumers Power Trust (CHBCPT) and its subsidiary (together 'the Group'). The CHBCPT holds all the shares in Centralines Limited ('Centralines') on behalf of the consumers who are connected to Centralines' electricity lines network.

Centralines provide electricity distribution and line function services to consumers and businesses, as well as fibre optic network interconnections and related services throughout the Central Hawke's Bay. Centralines also provides vegetation and electrical contracting services.

Centralines is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 2 Peel Street Waipukurau, New Zealand. It is registered under the Companies Act 1993 and is an energy company in terms of the Energy Companies Act 1992.

These consolidated financial statements have been approved for issue by the Trustees on 27 July 2020.

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

(a) Basis of preparation

The consolidated financial statements of the CHBCPT have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP').

The group is designated as for-profit entity for financial reporting purposes.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other New Zealand accounting standards and authorative notices that are applicable to For-profit entities that apply NZ IFRS Reduced Disclosure Regime (NZ IFRS RDR).

The Group is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS RDR on the basis that the Group has not public accountability and is not a large for profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The accounts have been prepared on a going concern basis.

Reporting entity

The consolidated financial statements for the Group are for the economic entity comprising Central Hawkes Bay Consumers Power Trust and its subsidiary, Centralines Limited.

Centralines Limited is 100% owned by the Central Hawke's Bay Consumers' Power Trust,

Statutory base

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

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment, which are adjusted to fair value through other comprehensive income.

Critical accounting judgements and estimates, including impact of COVID-19

The preparation of financial statements in conformity with NZ IFRS RDR requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- Valuation of Electrical distribution network (note 5)

- Estimation of useful lives for depreciation (accounting policy)

1 About this report (continued)

(a) Basis of preparation (continued)

The estimates are underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 4 and 3, staff worked remotely and our services were limited to essential services, including electricity distribution and emergency response. We suspended our routine maintenance programme, and our capital works. After 13 May 2020, we resumed all our operations.

There was no significant impact on supply under Levels 3 and 4. In respect of SAIFI, the number of interruptions was consistent with the rest of the financial year, and similar to previous years. Although our staff were working remotely, this did not affect our response times to emergency repairs. This meant that there was also no significant impact on our SAIDI results.

The maintenance and capital works programmes are now some weeks behind the planned schedule of works. We expect to catch this up over the coming months and this is not expected to impact negatively on reliability of supply.

There were no other significant impacts on the business.

The Trustees have considered the effects on the financial statements caused either directly or indirectly by COVID-19:

The effect on the revenue and expenses in FY20 was not material because of the very short period of the lockdown within this financial year.

The Group also considered the possible impact on trade receivables and adjusted the allowance for impairment of trade receivables as detailed in note 8.

Note 5 explains the impact on the carrying value of network assets at 31 March 2020 and the uncertainties in these values caused by COVID-19.

Note 18 explains the impact on the carrying value of investment property at 31 March 2020 and the uncertainties in these values caused by COVID-19.

Note 5 explains how the impacts of COVID-19 on cash generating units was considered through impairment testing. No impairment was found to be necessary.

The Trustees also considered the impact of the COVID-19 pandemic going forward on the cashflows of the network. There has been no reduction in revenue during level 4 lockdown. As the local economy is based on primary industry it is not expected that the network cashflows will be detrimentally affected by the pandemic. In addition, any revenue shortfall due to reductions in demand can be caught up in later years under the revenue cap, with time value of money adjustments.

The Trustees are continuing to closely monitor the COVID-19 situation and the Group is working closely with customers and contractors to ensure the appropriate actions are taken, with people's safety and wellbeing as the priority.

(b) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(c) Principles of consolidation

On consolidation the group has eliminated all inter entity transactions from the Balance Sheet and the Statement of Comprehensive Income.

1 About this report (continued)

(d) New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The accounting policy for capital contributions has been amended in note 2(ii) to clarify the treatment of revenue based on the nature of the customer. The amendment did not have an impact on the current or any prior period. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied the following standards and amendments for the first time for their interim reporting period commencing 1 April 2019:

Annual Improvements to NZ IFRSs 2015 -2017 Cycle (effective 1 January 2019): The Standard has been issued to make minor amendments to NZ IFRSs, including NZ IFRS 3, NZ IFRS 11, NZ IFRS 12, and NZ IAS 23.

2017 Omnibus Amendments to NZ IFRSs (effective 1 January 2019): The Standard has been issued to make minor amendments to NZ IFRSs, including NZ IFRS 4, NZ IFRS 10, and NZ IAS 28.

NZ IFRS 16 Leases

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

1.1 Summary of CHBCPT's financial performance for the year ended 31 March 2020

	2020 $'000	2019 $'000
Revenue	1	179
Expenses:	-	-
Trustee expenses	(58)	(62)
Other expenses	(39)	(133)
Net Surplus	(96)	(16)

1.2 Summary of CHBCPT's financial position as at ended 31 March 2020

	2020 $'000	2019 $'000
Current assets	228	354
Non-current assets	8,000	8,000
Total assets	8,228	8,354
Current liabilities	94	123
Net assets	8,134	8,231
Equity	8,134	8,231

Note, on consolidation inter entity transactions relating to dividends and investments are eliminated.

2 Revenue

Revenue streams

The Group generates revenue primarily from electricity distribution and line function services provided to consumers and businesses in the Central Hawkes Bay. Other sources of revenue include electrical contracting services and investment income.

	Consolidated 2020 $'000	2019 $'000
Net revenue from contracts with customers	14,856	14,256
Other income:		
Interest income	177	188
Recovery of debt previously written off	-	-
Miscellaneous income	-	32
Total revenue	15,033	14,476

Disaggregation of revenue from contracts with customers

the following table, revenue from contracts with customers is disaggregated by major products and service lines::

	Consolidated 2020 $'000	2019 $'000
Electricity line revenue[1]	13,336	13,104
Capital contributions	854	548
Contracting revenue	629	560
Other	37	44
	14,856	14,256

[1] Net of the accrued posted discount of $1,565,663 to be paid to consumers connected to the Group's electricity network as at 31 March 2020 and scheduled to be paid to consumers in April 2020.

Contract assets and liabilities

The group has recognised the following revenue-related contract assets and liabilities:

	Consolidated 2020 $'000	2019 $'000
Contract Liabilities - posted discount payable to consumers	1,566	1,482
	1,566	1,482

Changes in contract assets and liabilites

The Group has recognised a contract liability for the discount to be paid to consumers. The Group will pay a posted discount of $0.01978 c/kWh to all consumers registered on its electricity network as at 31 March 2020. The discount is calculated using twelve months of consumption data from 1 April 2019, and is scheduled to be paid to consumers in the month of July 2019. The minimum discount payable to any consumer is $55.00, and the maximum is $5,850.

Accounting policy

(i) Electricity line revenue

The Group owns, manages and operates an electricity distribution network. The Group distributes electrical energy on behalf of electricity retailers that has been brought to points of supply by the National Grid operator or produced by embedded generators, to consumers connected to the Group's electricity distribution network.

2 Revenue (continued)

Line revenue relates to the provision of electricity distribution services and includes pass-through revenue and recoverable cost revenue. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight-line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised over time at the fair value of services provided based on an output method as the service is delivered to match the pattern of consumption. Pass through and recoverable costs include transmission costs, statutory levies and utility rates.

The Group pays a discount to eligible consumers registered on its network as at 31 March each year. The basis of the discount is posted on the Group's Electricity Distribution Delivery Prices disclosure at the start of each financial year, and is paid to consumers via their retailer in the following financial year. The electricity line revenue recognised is net of the discount to be paid to consumers. A contract liability (included in trade and other payables) is recognised for the expected discount payable to consumers in relation to electricity distribution made until the end of the reporting period.

(ii) Capital contributions

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new subdivisions, constructing uneconomic lines and relocating existing lines. The revenue recognised is the fair value of the asset being constructed. Revenue is recognised at a point in time when the assetis connected to the network for customers whose supply of electricity is contracted to a retailer. For retailers, this revenue is recognised over time.

(iii) Contracting revenue

Contracting revenue relates to revenue from electrical contracting services provided to third parties and is recognised as the fair value of the service provided or asset being constructed. Where an asset is being constructed for a third party, revenue is recognised over time as a result of control of the asset transferring to the customer over the time. For electrical services revenue is recognised at a point in time when the performance obligation is satisfied.

(iv) Interest income

Interest income is recognised using the effective interest method.

3 Operating Expenditure

Other operating expenses are recognised in the statement of comprehensive income as an expense when they are incurred.

	Consolidated	
	2020	2019
	$'000	$'000
Other expenses from ordinary activities		
Trustees Fees	58	62
Audit New Zealand - audit services	73	64
Audit New Zealand - regulatory disclosures	66	70
Directors fees	174	172
Donations	1	1
Employee related expenses	1,058	850
Bad debt expense	-	-
Transpower charges	2,907	2,934
Maintenance costs	1,485	1,617
Other operating expenses	2,103	2,101
	7,925	7,871

4 Income tax

	Consolidated 2020 $'000	2019 $'000
(a) Income tax expense		
Current tax	1,094	711
Deferred tax associated with timing differences	269	178
Prior period current tax adjustment	(1)	(9)
Prior period discount	-	389
Income tax expense	1,362	1,269

	Consolidated 2020 $'000	2019 $'000
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	5,098	4,384
Prima facie tax at 28% (2019: 28%)	1,427	1,228
Tax effect of:	-	-
Permanent differences		
• Income not subject to tax	26	50
• Expenses not deductible for tax purposes	-	-
• Reduction in deferred tax on buildings	(90)	-
	-	-
	1,363	1,278
Adjustment in respect of prior years	(1)	(9)
Income tax expense	1,362	1,269

c Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2020 $'000	2019 $'000
Property, plant and equipment	9,742	9,464
Employee provisions	(82)	(75)
Other provisions	(6)	(4)
Total deferred tax liabilities	9,654	9,385

A deferred tax asset has not been recognised in relation to losses of $1,566,484 (2019 $1,470,501)

The gross movement on the deferred income tax account is as follows:

	Balance 1 April 2018 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2019 $'000
Property, plant & equipment	9,288	176	-	9,464
Employee provisions	(76)	1	-	(75)
Other provisions	(5)	1	-	(4)
	9,207	178	-	9,385

c Deferred tax liabilities (continued)

	Balance 1 April 2019 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2020 $'000
Property, plant & equipment	9,464	278	-	9,742
Employee provisions	(75)	(7)	-	(82)
Other provisions	(4)	(2)	-	(6)
	9,385	269	-	9,654

Accounting policy

Income tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

5 Property, plant and equipment

	Electrical distribution network $'000	Fibre Network $'000	Land and buildings $'000	Other assets $'000	Total $'000
Year ended 31 March 2020					
Opening net book amount	56,820	606	2,345	1,482	61,253
Additions	4,060	-	94	587	4,741
Disposals	-	-	-	-	-
Assets classified as investment property	-	-	(292)	-	(292)
Depreciation charge	(1,454)	(61)	(20)	(405)	(1,940)
Revaluations	-	-	-	-	-
Closing net book amount	59,426	545	2,127	1,664	63,762
At 31 March 2020					
Cost	8,507	1,345	2,251	5,543	17,646
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(3,105)	(800)	(124)	(3,879)	(7,908)
Net book amount	59,426	545	2,127	1,664	63,762

5 Property, plant and equipment (continued)

	Electrical distribution network $'000	Fibre Network $'000	Land and buildings $'000	Other assets $'000	Total $'000
Year ended 31 March 2019					
Opening net book amount	54,436	720	1,580	944	57,680
Additions	4,035	-	785	878	5,698
Disposals	-	-	-	(3)	(3)
Revaluation	-	-	-	-	-
Depreciation charge	(1,651)	(114)	(20)	(337)	(2,122)
Closing net book amount	56,820	606	2,345	1,482	61,253
At 31 March 2019					
Cost	4,447	1,345	2,449	4,956	13,197
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(1,651)	(739)	(104)	(3,474)	(5,968)
Net book amount	56,820	606	2,345	1,482	61,253

(a) Valuations of Electrical distribution network

The current book value of the Electricity distribution network was assessed against the fair value as at 31 March 2020, calculated using the Discounted Cash Flow (DCF) method which showed that there was no material difference. On this basis, no revaluation has been recognised.

The DCF model is updated internally by suitably qualified employees and the basis, methodology and assumptions underpinning the valuation are independently reviewed by PricewaterhouseCoopers.

The use of fair value is considered to be the most appropriate basis of valuation because it represents the exchange value of the future economic benefits embodied in the assets.

The value in use calculation uses the following key assumptions

- Line Revenue price increase: As the Group is a regulated business it is subject to regulated pricing to ensure that it does not earn more than the Commerce Commission's allowed return on investment. As such Centralines' revenues are reset every five years. The next regulatory price reset will be on 1 April 2020 for the 2020/21 to 2024/25 financial years. Revenues will be reset again in 2025/26.

The valuation model uses the board approved budget for the 2020/21 year as the base year for line revenue. The model then uses the current Commerce Commission's DPP determination and the current revenue cap model as the basis for modelling an estimated price reset in 2025/26, using the 2020 AMP update for key Opex and Capex inputs, the most recent RBNZ forecasts for CPI inflation (as allowed under the Commerce Commissions default price-quality paths for electricity distributors), and the WACC assumptions noted below.

- Weighted Average Cost of Capital (WACC) for regulated revenue calculation: The model for the calculation of regulated revenue uses a Vanilla WACC (67th percentile) of 4.57%.

- A post tax discount rate of 4.69% per annum (2019: 5.96%). The estimated discount rate considered the impacts of COVID-19.

A sensitivity analysis of the key assumptions shows that the biggest impact on the NPV of the future cash flows for the Group's electrical distribution network is the post tax discount rate used. An increase of 0.5% to the post tax discount rate would decrease the network's fair value by $2.7m.

The impact of COVID-19 on the cashflows of the network has been considered. There has been no reduction in revenue during level 4 lockdown. As the local economy is based on primary industry it is not expected that the network cashflows will be detrimentally affected by the pandemic. In addition, any revenue shortfall due to reductions in demand can be caught up in later years under the revenue cap, with time value of money adjustments.

5 Property, plant and equipment (continued)

Management has evaluated the effect COVID-19 may have on the impairment of the remaining Group's assets. As the local economy is based on primary industry the expectations and data to date show little effect from the pandemic. Therefore, have assessed there is no impact on the Group's property, plant and equipment.

(b) Capital work in progress

Capital work in progress as at 31 March 2020 of $941,417 (2019: $495,630) of which $846,298 is included in Electrical distribution network
additions and $95,119 included in the Land and Buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2020 is estimated at $Nil (2019: Nil).

Accounting policy

Property, plant and equipment

Property, plant and equipment, except the electrical distribution network, is stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or 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 statement of comprehensive income during the financial period in which they are incurred.

The electrical distribution network is carried at fair value using a discounted cash flow model. The electrical distribution network is re-valued with sufficient regularity to ensure that the carrying amount does not significantly differ from fair value at the date of the financial statements. Additions are recognised at cost and are included in the asset's carrying amount or 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.

Depreciation

Depreciation on electrical distribution assets is calculated using the straight-line method to allocate their cost or re-valued amounts over their estimated remaining useful lives.

Any accumulated depreciation on electrical distribution assets as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Depreciation on other assets (other than Land which is not depreciated) is calculated using the straight-line method to allocate their cost over their estimated useful lives.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Electrical distribution network	0-70 years
- Fibre network	0-12 years
- Buildings	50-100 years
- Land	Indefinite
- Other assets:	
- Motor vehicles	3-15 years
- Plant and equipment	1-10 years
- Office furniture and equipment	5-15 years
- Information technology	2-10 years

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

Impairment of assets

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

6 Cash and cash equivalents

Accounting policy

The Group only has one classification of its financial assets, as all cash and cash equivalents and investments are classed as financial assets at amortised cost.

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term deposits, highly liquid investment 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.

	Consolidated 2020 $'000	2019 $'000
Cash at bank and in hand	2,302	1,708
Deposits at call	806	802
	3,108	2,510

(a) Deposits at call

Market fluctuations in interest rates affect the earnings on these investments but the Group policy of placing deposits with high credit quality financial institutions minimises the credit exposure.

The interest rates on deposits on call were .05% (31 March 2019: 0.75% - 1.30%).

7 Investments

	Consolidated 2020 $'000	2019 $'000
Short term deposits held with registered banks	5,562	5,414
	5,562	5,414

Market fluctuations in interest rates affect the earnings on these investments but the Group policy of placing deposits with high credit quality financial institutions minimises the credit exposure

Short term bank investments were 2.30% - 2.92% (31 March 2019 3.25% - 3.52%)

8 Trade and other receivables

	Consolidated 2020 $'000	2019 $'000
Trade receivables	1,936	1,920
Provision for doubtful receivables	(22)	(14)
	1,914	1,906
Sundry Receivables and Accruals	64	25
	64	25
Prepayments	-	7
Total trade and other receivables	1,978	1,938

(a) Impaired receivables

Movements on the provision for impairment of trade receivables are as follows:

	Consolidated 2020 $'000	2019 $'000
At 1 April		
Opening balance	(14)	(17)
Provision for impairment recognised during the year	(16)	(3)
Receivables written off during the year as uncollectible.	3	3
Amounts recovered during the year.	5	3
At 31 March	(22)	(14)

Accounting policy

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due within 30 days and therefore are all classified as current. There are no significant financing components.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

9 Trade and other payables

	Consolidated 2020 $'000	2019 $'000
Trade creditors	1,002	2,162
Sundry creditors and accruals	512	297
Other payables	(5)	(3)
	1,509	2,456

Short term payables are recorded at the amount payable.

10 Employee provisions

	Consolidated 2020 $'000	2019 $'000
Retirement gratuities	47	47
	47	47

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realisable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income.

11 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management programme focus seeks to minimise potential adverse effects on the Group's financial performance.

(a) Fair value estimation

	Consolidated 2020 $'000	2019 $'000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	3,108	2,510
Investments	5,562	5,414
Trade receivables	1,978	1,938
	10,648	9,862
Fair value of financial liabilities at amortised cost		
Trade and other payables	1,509	2,543
	1,509	2,543

Note, the Group only has one classification of its financial assets, as all cash and cash equivalents and investments are classed as financial assets at amortised cost (2019: loans and receivables). Financial assets at amortised cost are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate less any impairment. Amortisation or impairment losses are recognised in the profit or loss.

Investments consist of short term deposits held with registered banks and are classified as current assets if they mature within 12 months, otherwise they are classified as non-current.

Investments are held to collect principle and interest as part of a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The short term deposits are bearing fixed interest rates between 2.30% and 2.92% (2019: between 3.25% to 3.52%). These deposits have a remaining maturity between 14 days and 66 days (2019: between 47 days and 173 days).

(b) Market risk

(i) Interest rate risk
The Group's interest rate risk arises from investments in short term deposits and cash held in bank accounts. To manage its exposure to interest rate risk the Group diversifies its investment portfolio. Diversification of the investment portfolio is done in accordance with the limits set by the Group's comprehensive investment policy.

11 Financial risk management (continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	Impact on post tax profit	
	2020	2019
	$'000	$'000
Interest rates – increase by 50 basis points	28	27
Interest rates – decrease by 50 basis points	(28)	(27)

(c) Credit risk

In the normal course of its business the Group incurs credit risk from accounts receivable, bank balances and investments. There is no significant concentration of credit risk and the Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and investments are major banks, which are approved by the directors under the Group's Investment Policy. The Group's maximum credit risk exposure is as disclosed in the statement of financial position and collateral or other security is not held.

(a) Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. Overall the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

12 Contributed equity

	2020	2019
	$'000	$'000
Issued and fully paid (no par value)	8,000	8,000

Ordinary shares are classified as equity.

13 Reserves and retained earnings

	Consolidated 2020 $'000	2019 $'000
(a) Reserves		
Asset revaluation reserve	856	856
Other reserves	10	10
	866	866

	Consolidated 2020 $'000	2019 $'000
Movements:		
Asset revaluation reserve		
Opening balance	856	856
Revaluation - Electricity distribution network	-	-
Deferred tax	-	-
Balance at 31 March 2020	856	856

Movements in retained earnings were as follows:

	2020	2019
Opening balance	49,200	53,924
Profit/(loss) for the year	3,736	3,115
Dividend distributed	-	(7,839)
Closing balance	52,936	49,200

14 Related party transactions

(a) Company Structure

Central Hawkes Bay Consumers Power Trust owns all of the issued capital of Centralines Limited.

Related parties include:

- Central Hawkes Bay Consumers Power Trust

- Centralines Limited

(b) Key management and personnel compensation

Key management personnel of the Trust are comprised of its Trustees who are collectively responsible for the strategic direction and decision making of CHBCPT. The compensation for the financial period and prior year are set out below:

	Consolidated 2020 $'000	2019 $'000
Short-term employee benefits	58	62
Post-employment benefits	-	-
Long-term benefits	-	-
	58	62

14 Related party transactions (continued)

(c) Transactions with other related parties

The group purchased $1k (2019: $10k) of goods and services were made to entities that Trustees were directors/shareholders in.

Trustees transactions with the Group were made under normal terms of conditions of supply and sale. No discounts on electric contracting were given during the year.

No provisions for doubtful debts have been raised.

(d) Outstanding balances

As at 31 March 2020 no amount was owing to any related party (2019: $10k).

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2020 $'000	2019 $'000
Current receivables (sales of goods and services)		
• Trustees	-	10
	-	-
	-	10

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

15 Commitments

(i) Operating lease commitments
Lease payments under operating leases, for short term leases or leases for which the underlying asset is of low value are expenses in the statement of comprehensive income in equal instalments over the lease term.

The expense for the period is $3,414 (2019 $3,060)

The Group has applied NZ IFRS 16.6. No right of use asset has been recognised.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Consolidated 2020 $'000	2019 $'000
No later than 1 year	4	1
Later than 1 year and no later than 5 years	8	-
Later than 5 years	-	-
Total	12	1

16 Contingencies

As at 31 March 2020 the Group had no contingent liabilities or assets (2019:$Nil).

17 Events occurring after the reporting period

There were no events occuring subsequent to balance date which require adjustment to or disclosure in the financial statements.

18 Investment property

	2020 $000	2019 $000
Balance at 1 April	-	-
Transfer from property, plant and equipment	292	-
Depreciation	-	-
Impairment	-	-
Balance at 31 March	292	-
	-	-
Cost	292	-
Accumulated depreciation	-	-
Book value	292	-

Accounting Policy

Investment property is measured at cost less depreciation and impairment losses.

The estimated useful lives of investment property are:

Land	Indefinite
Buildings	50 - 100 years

The fair value at 31 March 2020 is $340,000

The valuation to determine the fair value was performed by Mel Wilson, a registered valuer from SouthgateWilson. The fair value was determined using sales of comparable properties. COVID-19 has been considered in the valuation and it has been assessed that there is no significant impact given the nature of the property market in the area, there is strong demand driven by a housing shortage.

The investment property is a residential property purchased with the intention of being developed into a new depot for the group. This plan has now changed and there has been no decision made on the future of this property. The property is held at historical cost.