Central Hawkes Bay Consumers Power Trust

Consolidated Financial Statements for the year ended 31 March 2022

Central Hawkes Bay Consumers Power Trust

Contents

Central Hawkes Bay Consumers Power Trust

Statement of comprehensive income

For the year ended 31 March 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Revenue			
Revenue from contracts with customers		15,303	17,421
Posted discount accrued	2	(1,257)	(1,596)
Net revenue from contracts with customers	2	14,046	15,825
Other income	2	270	79
	2	14,316	15,904
Expenses			
Other expenses	3	(8,912)	(8,435)
Research & development expense		(124)	(447)
Total operating expenses		(9,036)	(8,882)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		5,280	7,022
Depreciation and amortisation expense	5	(2,046)	(2,016)
Finance expenses		(36)	(4)
Finance costs - net		(36)	(4)
Profit before income tax		3,198	5,002
Income tax	4	(860)	(1,447)
Profit for the year		2,338	3,555
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		2,338	3,555

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 2022

	Notes	Consolidated 2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**1,003**	6,209
Trade and other receivables	6	**1,489**	1,750
Inventories	7	**994**	559
Total current assets		**3,486**	8,518
Non-current assets			
Property, plant and equipment	5	**78,192**	67,561
Intangible assets		**134**	131
Investment property	18	**292**	292
Total non-current assets		**78,618**	67,984
Total assets		**82,104**	76,502
LIABILITIES			
Current liabilities			
Trade and other payables	8	**2,702**	2,378
Current tax liabilities/(receivables)		**(279)**	117
Employee provisions		**315**	285
Other current liabilities		**-**	77
Contract Liabilities	2	**1,257**	1,596
Total current liabilities		**3,995**	4,453
Non-current liabilities			
Interest bearing liabilities	17	**3,000**	-
Employee Provisions	9	**49**	48
Deferred tax liabilities	4	**10,725**	10,204
Total non-current liabilities		**13,774**	10,252
Total liabilities		**17,769**	14,705
Net assets		**64,335**	61,797
EQUITY			
Contributed equity	11	**8,000**	8,000
Reserves	12	**866**	866
Retained earnings	12	**55,469**	52,931
Total equity		**64,335**	61,797

For and on behalf of the Trust.

Trustee
27 July 2022

Trustee
27 July 2022

The above balance sheet should be read in conjunction with the accompanying notes

Central Hawkes Bay Consumers Power Trust

Statement of changes in equity

For the year ended 31 March 2022

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 2021		8,000	866	52,931	61,797
Profit or loss for the year		-	-	2,338	2,338
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Unclaimed Distribution to Beneficiaries		-	-	200	200
Total comprehensive income		-	-	2,538	2,538
Distribution to Beneficiaries		-	-	-	-
Balance as at 31 March 2022		8,000	866	55,469	64,335
Balance as at 1 April 2020		8,000	866	52,936	61,802
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-
Profit or loss for the year		-	-	3,555	3,555
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Total comprehensive income		-	-	3,555	3,555
Distribution to Beneficiaries		-	-	(3,560)	(3,560)
Balance as at 31 March 2021		8,000	866	52,931	61,797

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 2022

	Notes	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		13,477	14,688
Contributions from capital works		1,064	1,417
Interest received		2	39
Payments to suppliers and employees		(9,629)	(8,042)
Income taxes (paid)/refund		(741)	(1,064)
Net cash inflow / (outflow) from operating activities		4,173	7,038
Cash flows from investing activities			
Proceeds from disposal of investments		-	15,857
Proceeds from disposals of property, plant and equipment		416	35
Purchase and construction of property, plant and equipment		(12,916)	(5,974)
Purchase of Investments		-	(10,295)
Net cash inflow / (outflow) from investing activities		(12,500)	(377)
Cash flows from financing activities			
Distributions to beneficiaries		-	(3,560)
Proceeds from unclaimed distribution to beneficiaries		121	-
Proceeds from other borrowings		3,000	-
Net cash inflow / (outflow) from financing activities		3,121	(3,560)
Net increase (decrease) in cash and cash equivalents		(5,206)	3,101
Cash and cash equivalents at the beginning of the financial year		6,209	3,108
Cash and cash equivalents at end of year		1,003	6,209

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 17 Coughlan Rd, 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 28 July 2022.

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

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)

On 17 August 2021, the New Zealand Government declared that the country was in lockdown at Alert Level 4 for the period 17 August to 31 August and remained in lockdown at Alert Level 3 until 7 September inclusive. During Alert Level 4 Centralines business activity was restricted to emergency works response, some essential preventative maintenance, and high priority capital work. Most staff were working from home. During Alert Level 3, most business activity resumed with the required health and safety protocols in place, and staff returned to work.

The regulated electricity lines revenue saw no adverse impact for the year. There were no negative impacts on the overall level of network maintenance for the year. Capital expenditure for the year was below budget due to delays in projects during Alert Levels 3 and 4. There was no noticeable impact on our SAIDI and SAIFI results.

No impairment test has been performed over the carrying value of the electricity distribution because the Group considers that there are no impairment indictors as at 31 March 2022.

(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.

(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 Company's annual financial statements for the year ended 31 March 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Those new standards and amendments that are relevant to the company are:

Amendments to NZ IAS 1 - Classification of Liabilities as Current or Non-Current

The amendments clarify a criterion in NZ for classifying a liability, such a loans, as non-current the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

*specify that an entity's right to defer settlement must exist at the end of the reporting period;

* clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

* clarify how lending conditions, such as loan convenants, affect classification; and

* clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The group will not early adopt these amendments and will first apply the amendments in the 31 March 2024 financial statements. Centralines has noted that the IASB is reconsidering these amendments. An exposure draft was released with proposed changes to the amendments, including a deferred date of application. Centralines has not yet assessed the effect of these amendments on its loan agreements as it waiting to see what further changes are made to the original amendments to NZ IAS 1.

Amendments to NZ IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract, for the purpose of assessing whether the contract is onerous.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022

The adoption of these amendments did not have any impact on the current period.

1 About this report (continued)

(d) New and amended standards adopted by the Group (continued)

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1.1 Summary of CHBCPT's financial performance for the year ended 31 March 2022

	2022 $'000	2021 $'000
Revenue	1	3,763
Trustee expenses	(70)	(62)
Other expenses	(70)	(112)
Net Surplus	(139)	3,589

1.2 Summary of CHBCPT's financial position as at ended 31 March 2022

	2022 $'000	2021 $'000
Current assets	261	265
Non-current assets	8,000	8,000
Total assets	8,261	8,265
Current liabilities	19	100
Net assets	8,242	8,165
Equity	8,242	8,165

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 2022 $'000	2021 $'000
Net revenue from contracts with customers	**14,046**	15,825
Other income:		
Interest income	**2**	38
Miscellaneous income	**268**	41
Total revenue	**14,316**	15,904

Disaggregation of revenue from contracts with customers

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

	Consolidated 2022 $'000	2021 $'000
Electricity line revenue[1]	**12,189**	13,664
Capital contributions	**1,064**	1,417
Contracting revenue	**761**	707
Other	**32**	37
	14,046	15,825

[1] Net of the accrued posted discount of $1,257,000 to be paid to consumers connected to the Group's electricity network as at 31 March 2022 and scheduled to be paid to consumers in May 2022.

An additional winter discount was paid out during the year of $634,610

Contract assets and liabilities

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

	Consolidated 2022 $'000	2021 $'000
Contract Liabilities - posted discount payable to consumers	**1,257**	1,596
	1,257	1,596

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 $0.0148 c/kWh to all consumers registered on its electricity network as at 31 March 2022. The discount is calculated using twelve months of consumption data from 1 April 2021, and is scheduled to be paid to consumers in the month of May 2022. The minimum discount payable to any consumer is $55.00, and the maximum is $5,850

2 Revenue (continued)

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.

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	
	2022	2021
	$'000	$'000
Other expenses from ordinary activities		
Trustees Fees	70	62
Audit New Zealand - audit services	83	81
Audit New Zealand - regulatory disclosures	47	60
Directors fees	213	185
Donations	1	51
Employee related expenses	1,138	1,130
Bad debt expense	(3)	(6)
Transpower charges	2,660	2,568
Maintenance costs	2,404	1,841
Other operating expenses	2,299	2,467
	8,912	8,439

4 Income tax

	Consolidated 2022 $'000	2021 $'000
(a) Income tax expense		
Current tax	343	898
Deferred tax associated with timing differences	521	550
Prior period current tax adjustment	(4)	(1)
Income tax expense	860	1,447

(b) Reconciliation of income tax expense to prima facie tax payable

	2022	2021
Profit from continuing operations before income tax expense	3,198	5,002
Prima facie tax at 28%	895	1,401
Tax effects of:		
• Income not subject to tax	(31)	47
• Expenses not deductible for tax purposes	-	-
	864	1,448
Adjustment in respect of prior years	(4)	(1)
Income tax expense	860	1,447

c Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2022	2021
Property, plant and equipment	10,824	10,294
Employee provisions	(90)	(88)
Other provisions	(9)	(2)
Total deferred tax liabilities	10,725	10,204

A deferred tax asset has not been recognised in relation to losses of $1,786,112 (2021 $1,733,615)

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

	Balance 1 April 2020 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2021 $'000
Property, plant & equipment	9,742	552	-	10,294
Employee provisions	(82)	(6)	-	(88)
Other provisions	(6)	4	-	(2)
	9,654	550	-	10,204

c Deferred tax liabilities (continued)

	Balance 1 April 2021 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2022 $'000
Property, plant & equipment	10,294	530	-	10,824
Employee provisions	(88)	(2)	-	(90)
Other provisions	(2)	(7)	-	(9)
	10,204	521	-	10,725

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 2022					
Opening net book amount	61,704	498	3,839	1,520	67,561
Additions	4,948	4	7,709	182	12,843
Disposals	-	-	(166)	-	(166)
Depreciation charge	(1,610)	(61)	(20)	(355)	(2,046)
Revaluations	-	-	-	-	-
Closing net book amount	65,042	441	11,362	1,347	78,192
At 31 March 2022					
Cost	17,263	1,364	11,526	5,894	36,047
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(6,245)	(923)	(164)	(4,547)	(11,879)
Net book amount	65,042	441	11,362	1,347	78,192

5 Property, plant and equipment (continued)

	Electrical distribution network $'000	Fibre Network $'000	Land and buildings $'000	Other assets $'000	Total $'000
					54,024
Year ended 31 March 2021					
Opening net book amount	59,426	545	2,127	1,664	63,762
Additions	3,809	14	1,732	274	5,829
Disposals	-	-	-	(14)	(14)
Revaluation	-	-	-	-	-
Depreciation charge	(1,531)	(61)	(20)	(404)	(2,016)
Closing net book amount	61,704	498	3,839	1,520	67,561
At 31 March 2021					
Cost	12,316	1,360	3,983	5,712	23,371
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(4,636)	(862)	(144)	(4,192)	(9,834)
Net book amount	61,704	498	3,839	1,520	67,561

(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 2021, 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.

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 valuation model calculation uses the following key assumptions

•Line Revenue price increase: The Group became an exempt EDB under the Commerce Act from October 2021 when all Trustees of the Group became elected. As a result, the Group has greater discretion to determine its own prices and revenues. The Groups Board has elected to price no higher than what the Commerce Commission's regulatory models would imply, albeit has more flexibility to update the financial models more regularly and to avoid some of the anomalies presented by the mechanical application of the Commission's approaches.

The valuation model uses the board approved budget for the 2022/23 year as the base year for line revenue. The model then assumes that the Group will increase prices at the rate of CPI inflation, albeit that the Group would seek to smooth out any inflation spike (such as for the March 2022 year). The model also assumes that volume growth of 2% would be achieved, which is consistent with recent observed growth rates and the high level of economic activity that continues in Central Hawke's Bay. Mechanical application of the Commerce Commission's model indicates that the Group could lift prices and revenues more significantly than following the assumed CPI path, but the Group considered this would not be an appropriate outcome for Central Hawke's Bay consumers.

•Cashflows are discounted at 5.05% post-tax WACC. (2021 4.68%)

•The notional regulatory limits on the Groups revenues are determined based on the Groups 2022 Asset Management Plan and a vanilla WACC of 5.32% using parameters as at 31 March, 2022 as inputs to the Commerce Commission's building blocks revenue model.

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 $4.3m.

A sensitivity analysis on a number of variables as follows:

5 Property, plant and equipment (continued)

a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.64m and ($1.64m) respectively.

an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by $3.76m and ($3.56m) respectively.

an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.48m and ($1.48m) respectively and,

a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by $3.57m and ($3.55m) respectively.

(b) Capital work in progress

Capital work in progress as at 31 March 2022 of $11,556,054 (2021: $2,847,684) of which $2,020,386 is included in Electrical distribution network additions and $9,535,668 included in the Land and Buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2022 is estimated at $938,471 (2021: $8,243,749).

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	
- 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.

5 Property, plant and equipment (continued)

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 Trade and other receivables

	Consolidated 2022 $'000	2021 $'000
Trade receivables	1,510	1,749
Provision for doubtful receivables	(31)	(9)
	1,479	1,740
Sundry Receivables and Accruals	10	10
	10	10
Total trade and other receivables	1,489	1,750

(a) Impaired receivables

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

	Consolidated 2022 $'000	2021 $'000
At 1 April		
Opening balance	(9)	(22)
Provision for impairment recognised during the year	(28)	(3)
Receivables written off during the year as uncollectible.	1	7
Amounts recovered during the year.	5	9
At 31 March	(31)	(9)

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.

7 Inventories

Inventories are stated at cost. Cost is determined using the average cost method. The cost of work in progress comprises design costs, stock, direct labour, other direct costs and related production overheads.

	Consolidated 2022 $'000	2021 $'000
Stock	899	521
Work in progress at cost	95	38
	994	559

8 Trade and other payables

	Consolidated 2022 $'000	2021 $'000
Trade creditors	2,237	2,061
Sundry creditors and accruals	465	320
Other payables	-	(3)
	2,702	2,378

Short term payables are recorded at the amount payable.

9 Employee provisions

	Consolidated 2022 $'000	2021 $'000
Retirement gratuities	49	48
	49	48

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.

10 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.

Fair value estimation

	Consolidated 2022 $'000	2021 $'000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	1,003	6,209
Trade receivables	1,489	1,750
	2,492	7,959
Fair value of financial liabilities at amortised cost		
Trade and other payables	2,702	2,378
	2,702	2,378

The methods and assumptions used are that carrying amounts in the financial statements reflect the estimated fair value of the financial instruments including receivables, cash and cash equivalents, investments, and accounts payable.

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. 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.

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.

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.

11 Contributed equity

	2022 $'000	2021 $'000
Issued and fully paid (no par value)	8,000	8,000

Ordinary shares are classified as equity.

12 Reserves and retained earnings

	Consolidated 2022 $'000	2021 $'000
(a) Reserves		
Asset revaluation reserve	856	856
Other reserves	10	10
	866	866

	Consolidated 2022 $'000	2021 $'000
Movements:		
Asset revaluation reserve		
Opening balance	856	856
Revaluation - Electricity distribution network	-	-
Deferred tax	-	-
Balance at 31 March 2022	856	856

Movements in retained earnings were as follows:

	2022	2021
Opening balance	52,931	52,936
Profit/(loss) for the year	2,338	3,555
Dividend distributed	200	(3,560)
Closing balance	55,469	52,931

13 Related party transactions

(a) Company Structure

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

Centralines Limited has a management contract operated by Unison Networks Limited, an electricity lines company based in Hastings. This contract provides for executive, financial and technical managerial services for Centralines Limited.

Related parties of the Group include:

Central Hawkes Bay Consumers Power Trust

- Centralines Limited

- Unison Networks Limited

The Group's Directors and key management personnel

Entities in which Directors had an interest

(b) Key management and personnel compensation

Key management personnel compensation for the years ended 31 March 2022 and 31 March 2021 is set out below. The key management personnel are all the directors of the Group and the executives with the greatest authority for the strategic direction and management of the Group.

Consolidated 2022	2021

13 Related party transactions (continued)

	$'000	$'000
Short term benefits - Trust	70	62
Short term benefits - Trust's subsidiary - key management	135	133
Short term benefits - Trust's subsidiary - directors	213	185
	418	380

(c) Transactions with related parties

The group purchased $74k (2021: $2k) 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.

The Group purchased materials, management services and contracting services of $4,351k (2021 $3,635k) from Unison Networks Ltd who supply key management personnel.

The Group made retail purchases from Farmlands of $13k (2021 $10k) in which the directors of the Group have personel interest.

(d) Outstanding balances

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

	Consolidated 2022 $'000	2021 $'000
Related Party		
Unison Networks Limited	480	485
Farmlands	1	-
	481	485

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.

14 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 $3,592 (2021 $3,592)

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 2022 $'000	2021 $'000
No later than 1 year	4	4
Later than 1 year and no later than 5 years	-	4
Later than 5 years	-	-
Total	4	8

14 Commitments (continued)

15 Contingencies

As at 31 March 2022 the Group had no contingent liabilities or assets (2021:$Nil).

16 Events occurring after the reporting period

There were no events to report.

17 Non-current liabilities - Interest bearing liabilities

(a) Bank Loans

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus margin and a line of credit charge. The Group utilises a Wholesale term loan facility arrangement with a facility limit of $6 million and a three year loan term. This facility will be routinely renewed on maturity date, so all borrowing under this facility are reported as term borrowings.

The bank facility is secured by a General Security Agreement over the Group. The facility is subject to various covenants including leverage ratios and financial time frames. The Group complied with all covenants for the 2022 year.

(b) Interest rate risk exposure

The Group will manage its interest rate risk exposure, as from April 2022 the expected date of full drawdown of debt, by the use of an amortising interest rate SWAP over its wholesale term loan borrowing. A hedge profile of 50% of all mature borrowings is targeted. The Group is currently drawing funds monthly to meet its commitments arising from the build of the new depot.

	Consolidated	
	2022	2021
	$'000	$'000
Bank loans	3,000	-
Total non-current interest bearing liabilities	3,000	-

18 Investment property

	2022	2021
	$000	$000
Balance at 1 April	292	292
Transfer from property, plant and equipment	-	-
Depreciation	-	-
Impairment	-	-
Balance at 31 March	292	292
	-	-
Cost	292	292
Accumulated depreciation	-	-
Book value	292	292

Accounting Policy

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

The estimated useful lives of investment property are:

18 Investment property (continued)

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.

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.

Independent Auditor's Report

To the readers of Central Hawke's Bay Consumers Power Trust's Group financial statements for the year ended 31 March 2022

The Auditor-General is the auditor of Central Hawke's Bay Consumers Power Trust and its controlled entities (collectively referred to as "the Group"). The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 2 to 21, that comprise the statement of financial position as at 31 March 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
  - its financial position as at 31 March 2022; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 27 July 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Group or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Electricity Industry Act 2010 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the Group and subsidiary, we have carried out the following engagements which are compatible with those independence requirements:

- an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 — (consolidated in 2018) for the period ended 31 March 2021; and

- an assurance engagement pursuant to the Electricity Distribution Services Default Price-Quality Path Determination 2020 for the assessment period ended 31 March 2021.

Other than the audits and assurance engagements, we have no relationship with, or interests in, the Trust or Group.

Chris Webby

Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand