Central Hawkes Bay Consumers Power Trust

Consolidated Financial Statements for the year ended 31 March 2024

Central Hawkes Bay Consumers Power Trust

Contents

Central Hawkes Bay Consumers Power Trust

Statement of comprehensive income

For the year ended 31 March 2024

	Notes	Consolidated 2024 $'000	2023 $'000
Revenue			
Revenue from contracts with customers		**17,335**	16,512
Posted discount accrued	2	**(1,439)**	(1,475)
Net revenue from contracts with customers	2	**15,896**	15,037
Other income	2	**164**	245
	2	**16,060**	15,282
Expenses			
Other expenses	3	**(9,281)**	(9,873)
Research & development expense		**(113)**	(114)
Total operating expenses		**(9,394)**	(9,987)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		**6,666**	5,295
Depreciation and amortisation expense	5	**(2,473)**	(2,354)
Finance expenses		**(885)**	(400)
Finance costs - net		**(885)**	(400)
Change in fair value of network distribution assets	5	**188**	(188)
Profit before income tax		**3,496**	2,353
Income tax	4	**(3,567)**	(629)
Profit for the year		**(71)**	1,724
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of Electricity distribution network	5	**13,070**	(1,190)
Deferred tax on revaluation		**(3,660)**	334
		9,410	(856)
Items that may be subsequently reclassified to profit or loss:			
		-	-
		-	-
Other comprehensive income for the year, net of tax		**9,410**	(856)
Total comprehensive income for the year		**9,339**	868

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 2024

	Notes	Consolidated 2024 $'000	2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**1,442**	1,438
Trade and other receivables	7	**1,813**	1,771
Inventories	8	**2,178**	1,891
Current tax receivables		**(154)**	327
Total current assets		**5,279**	5,427
Non-current assets			
Property, plant and equipment	5	**104,701**	85,645
Intangible assets		**147**	137
Investment property	20	**1,164**	292
Derivative financial instruments		**20**	142
Total non-current assets		**106,032**	86,216
Total assets		**111,311**	91,643
LIABILITIES			
Current liabilities			
Trade and other payables	9	**2,139**	2,488
Interest bearing liabilities	18	**5,867**	-
Current tax liabilities/(receivables)		**13**	1
Employee provisions		**454**	433
Contract Liabilities	2	**1,439**	1,475
Total current liabilities		**9,912**	4,397
Non-current liabilities			
Interest bearing liabilities	18,19	**9,000**	11,000
Employee Provisions	10	**54**	52
Deferred tax liabilities	4	**17,826**	11,013
Total non-current liabilities		**26,880**	22,065
Total liabilities		**36,792**	26,462
Net assets		**74,519**	65,181
EQUITY			
Contributed equity	12	**8,000**	8,000
Reserves	13	**9,420**	10
Retained earnings	13	**57,099**	57,170
Total equity		**74,519**	65,180

For and on behalf of the Trust.

Trustee
23 July 2024

Trustee
23 July 2024

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 2024

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 2023		8,000	10	57,170	65,180
Profit or loss for the year		-	-	(71)	(71)
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	13,070	-	13,070
Deferred tax on revaluation		-	(3,660)	-	(3,660)
Unclaimed Distribution to Beneficiaries		-	-	-	-
Total other comprehensive income		-	9,410	-	9,410
Total comprehensive income		-	9,410	(71)	9,339
Distribution to Beneficiaries		-	-	-	-
Balance as at 31 March 2024		8,000	9,420	57,099	74,519

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2022		8,000	866	55,469	64,335
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-
Profit or loss for the year		-	-	1,724	1,724
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	(1,190)	-	(1,190)
Deferred tax on revaluation		-	334	-	334
Unclaimed Distribution to Beneficiaries		-	-	-	-
Total comprehensive income		-	(856)	1,724	868
Distribution to Beneficiaries		-	-	(23)	(23)
Balance as at 31 March 2023		8,000	10	57,170	65,180

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 2024

	Notes	Consolidated 2024 $'000	2023 $'000
Cash flows from operating activities			
Receipts from customers		14,846	13,305
Contributions from capital works		1,093	1,499
Interest received		5	4
Payments to suppliers and employees		(9,950)	(10,130)
Income taxes (paid)/refund		80	(40)
Interest paid		(885)	(400)
Net cash inflow / (outflow) from operating activities		5,189	4,238
Cash flows from investing activities			
Proceeds from disposal of investments		-	-
Proceeds from disposals of property, plant and equipment		85	14
Purchase and construction of property, plant and equipment		(9,136)	(11,794)
Purchase of Investments		-	-
Net cash inflow / (outflow) from investing activities		(9,051)	(11,780)
Cash flows from financing activities			
Distributions to beneficiaries		(1)	(23)
Proceeds from unclaimed distribution to beneficiaries		-	-
Proceeds from other borrowings		3,867	8,000
Net cash inflow / (outflow) from financing activities		3,866	7,977
Net increase (decrease) in cash and cash equivalents		4	435
Cash and cash equivalents at the beginning of the financial year		1,438	1,003
Cash and cash equivalents at end of year	6	1,442	1,438

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 23 July 2024.

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)

Cyclone Gabrielle reached the North Island of New Zealand in mid-February 2023, causing significant disruption the Group's electricity distribution network. The impact of the subtropical storm was particularly acute in Hawke's Bay, with strong winds and heavy rain resulting in the flooding of several major rivers and damage to key community infrastructure assets, such as bridges and arterial roading links. Mobile networks and other means of communication such a fibre optic links were also damaged offline for a number of days in the initial period following the cyclone. The Group's staff worked to progressively restore electricity supply to the region through temporary remediation work, and temporary reconfiguration of the network.

The Group's financial statements for the year ended 31 March 2023 reflect the disposal of certain electricity distribution assets damaged in the cyclone as well as additional maintenance and capital costs incurred as part of the emergency response and temporary remediation of the electricity distribution network.

(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 Group's annual financial statements for the year ended 31 March 2023, except for new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to NZ IAS 1 - Disclosure of Accounting Policies

Amendments to NZ IAS 8 - Definition of Accounting Estimates

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current of future periods.

Standards issued and not yet effective and not early adopted

Amendments to FRS-44 - Disclosure of Fees for Audit Firms Services

This amendment applies for annual reporting periods on or after 1 January 2024. This amendment updates the required disclosures for fees relating to services provided by an entity's audit or review firm. The amendment aims to ensure that entities disclose these fees consistently. The amendment requires a disclosure of the fees incurred for services received from its audit or review firm for both the audit or review of financial statements and other non-audit and non-review services.

The adoption of these amendments are not expected to have a material impact on the financial statements as the other non-audit and non-review services in the form of regulatory audit and assurance work by the Company's auditors is already disclosed separately. Centralines typically engages other firms that are not engaged with the financial audit to assist with tax, consultancy and advisory related services.

1.1 Summary of CHBCPT's financial performance for the year ended 31 March 2024

	2024 $'000	2023 $'000
Revenue	5	217
Trustee expenses	(76)	(74)
Other expenses	(115)	(57)
Net Surplus	(186)	86

1.2 Summary of CHBCPT's financial position as at ended 31 March 2024

	2024 $'000	2023 $'000
Current assets	138	325
Non-current assets	8,000	8,000
Total assets	8,138	8,325
Current liabilities	20	19
Net assets	8,118	8,306
Equity	8,118	8,306

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 2024 $'000	2023 $'000
Net revenue from contracts with customers	**15,896**	15,037
Other income:		
Interest income	**5**	4
Gain on sale of land	**-**	51
Miscellaneous income	**159**	48
Change in fair value of derivative financial instruments	**-**	142
Total revenue	**16,060**	15,282

Disaggregation of revenue from contracts with customers

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

	Consolidated 2024 $'000	2023 $'000
Electricity line revenue[1]	**13,995**	12,771
Capital contributions	**1,093**	1,499
Contracting revenue	**751**	698
Other	**57**	69
	15,896	15,037

[1] Net of the accrued posted discount of $1,438,500 to be paid to consumers connected to the Group's electricity network as at 31 March 2024 and scheduled to be paid to consumers in June/July 2024.

Contract assets and liabilities

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

	Consolidated 2024 $'000	2023 $'000
Contract Liabilities - posted discount payable to consumers	**1,439**	1,475
	1,439	1,475

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 $0.018 c/kWh to all consumers registered on its electricity network as at 31 March 2024. The discount is calculated using twelve months of consumption data from 1 April 2023, and is scheduled to be paid to consumers in the month of June 2024. 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 asset is 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	
	2024	2023
	$'000	$'000
Other expenses from ordinary activities		
Trustees Fees	**76**	74
Audit New Zealand - audit services	**132**	121
Audit New Zealand - regulatory disclosures	**52**	47
Director's fees	**190**	192
Donations	**1**	-
Employee related expenses	**1,469**	1,337
Bad debt expense	**-**	13
Transpower charges	**2,090**	2,690
Maintenance costs	**2,125**	2,671
Other operating expenses	**3,146**	2,728
	9,281	9,873

4 Income tax

	Consolidated 2024 $'000	2023 $'000
(a) Income tax expense		
Current tax	394	19
Deferred tax associated with timing differences	3,153	622
Prior period current tax adjustment	20	(12)
Income tax expense	3,567	629

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

	2024 $'000	2023 $'000
Profit from continuing operations before income tax expense	3,496	2,353
Prima facie tax at 28%	979	659
Tax effects of:		
• Income not subject to tax	(35)	(18)
• Effect of buildings becoming non depreciable	2,603	-
	3,547	641
Adjustment in respect of prior years	20	(12)
Income tax expense	3,567	629

c Deferred tax liabilities

The balance comprises temporary differences attributable to:

	2024 $'000	2023 $'000
Property, plant and equipment	17,958	11,132
Employee provisions	(112)	(111)
Other provisions	(20)	(8)
Total deferred tax liabilities	17,826	11,013

A deferred tax asset has not been recognised in relation to losses of $2,061,981 in the Trust (2023 $1,874,527)

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

	Balance 1 April 2022 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2023 $'000
Property, plant & equipment	10,824	642	(334)	11,132
Employee provisions	(90)	(21)	-	(111)
Other provisions	(9)	1	-	(8)
	10,725	622	(334)	11,013

c Deferred tax liabilities (continued)

	Balance 1 April 2023 $'000	Recognised in income $'000	Recognised in other comprehensive income $'000	Balance 31 March 2024 $'000
Property, plant & equipment	11,132	3,166	3,660	17,958
Employee provisions	(111)	(1)	-	(112)
Other provisions	(8)	(12)	-	(20)
	11,013	3,153	3,660	17,826

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 2024					
Opening net book amount	69,142	412	13,924	2,167	85,645
Additions	8,138	-	233	783	9,154
Disposals	-	-	-	(12)	(12)
Assets classified as investment property	-	-	(872)	-	(872)
Depreciation charge	(1,760)	(66)	(102)	(545)	(2,473)
Revaluations	13,259	-	-	-	13,259
Closing net book amount	88,779	346	13,183	2,393	104,701
At 31 March 2024					
Cost	1,388	1,398	13,581	6,868	23,235
Valuation	87,391	-	-	-	87,391
Accumulated depreciation	-	(1,052)	(398)	(4,475)	(5,925)
Net book amount	88,779	346	13,183	2,393	104,701

5 Property, plant and equipment (continued)

	Electrical distribution network	Fibre Network	Land and buildings	Other assets	Total
Year ended 31 March 2023					
Opening net book amount	65,042	441	11,362	1,347	78,192
Additions	7,198	34	2,792	1,261	11,285
Disposals	(30)	-	(68)	-	(98)
Revaluation	-	-	-	-	-
Depreciation charge	(1,688)	(63)	(162)	(441)	(2,354)
Revaluation	(1,380)	-	-	-	(1,380)
Closing net book amount	69,142	412	13,924	2,167	85,645
At 31 March 2023					
Cost	1,940	1,398	14,220	7,075	24,633
Valuation	67,202	-	-	-	67,202
Accumulated depreciation	-	(986)	(296)	(4,908)	(6,190)
Net book amount	69,142	412	13,924	2,167	85,645

(a) Valuations of Electrical distribution network

The electricity distribution network was revalued to fair value of $87.391m in accordance with NZ IAS 16- Property, Plant and Equipment, NZ IAS 36 Impairment of Assets, and NZ IRFS 13 – Fair Value Measurement. Including capital work in progress of $1.388m, this resulted in a net book value of $88.779m.

In the absence of an active market for the network, the Group calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). The Group used a discounted cash flow (DCF) methodology. The Group based its cash flow forecasts on the Group's cash flow forecasts and adjusted those forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure. The Terminal Value of the network is based on the RAB in 10 years post year end.

The following key assumptions were applied in the methodology:

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.

For the year ending 31 March 2025, forecast revenue assumed the board approved budget for the period. For subsequent years, it was assumed that revenue will increase at the rate of CPI inflation in 2025, by 10% in 2026 and 2027 followed by 5% increases to 2034.

Cashflows were discounted using a post-tax Weighted Average Cost of Capital (WACC) 6.50%. (2023 6.21%)

A sensitivity analysis of the key assumptions shows that the biggest impact on the NPV of the future cash flows for the Group electrical distribution network is the movement in distribution revenue and less sensitive to movements in capital expenditure.

A sensitivity analysis on a number of variables as follows:

a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by $0.3m and ($0.3m) respectively.

an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by $4.9m and ($4.6m) respectively.

an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by $1.9m and ($1.9m) respectively and,

5 Property, plant and equipment (continued)

a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by $5.0m and ($5.0m) respectively.

(b) Capital work in progress

Capital work in progress as at 31 March 2024 of $1,599,068 (2023: $1,943,779) of which $1,388,018 is included in Electrical distribution network additions and $211,050 included in the Land and Buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2024 is estimated at Nil (2023: 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

	Consolidated 2024 $'000	2023 $'000
Cash at bank and in hand	**1,005**	973
Deposits at call	**437**	465
	1,442	1,438

(a) Risk exposure

The Company's exposure to credit risk is discussed in note 11. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) 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.

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

7 Trade and other receivables

	Consolidated 2024 $'000	2023 $'000
Trade receivables	**1,887**	1,789
Provision for doubtful receivables	**(73)**	(28)
	1,814	1,761
Sundry Receivables and Accruals	**-**	10
	-	10
Total trade and other receivables	**1,814**	1,771

(a) Impaired receivables

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

	Consolidated 2024 $'000	2023 $'000
At 1 April		
Opening balance	**(28)**	(31)
Provision for impairment recognised during the year	**(60)**	(18)
Receivables written off during the year as uncollectible.	**-**	13
Amounts recovered during the year.	**15**	8
At 31 March	**(73)**	(28)

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.

8 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 2024 $'000	2023 $'000
Stock	2,052	1,873
Work in progress at cost	126	18
	2,178	1,891

9 Trade and other payables

	Consolidated 2024 $'000	2023 $'000
Trade creditors	1,177	1,870
Sundry creditors and accruals	962	618
	2,139	2,488

Short term payables are recorded at the amount payable.

10 Employee provisions

	Consolidated 2024 $'000	2023 $'000
Retirement gratuities	54	52
	54	52

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.

Fair value estimation

	Consolidated 2024 $'000	2023 $'000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	**1,442**	1,438
Trade receivables	**1,813**	1,770
	-	-
	3,255	3,208
Financial assets at fair value through profit and loss		
Derivative financial instruments	**20**	142
	20	142
Fair value of financial liabilities at amortised cost		
Trade and other payables	**2,139**	2,488
Bank Loans	14,867	11,000
	17,006	13,488

Note, the Group only has two classifications of its financial assets.

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.

Derivative financial assets are classed as Fair value through profit or loss. Derivative financial instruments are recognised at fair value. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

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.

Derivatives

11 Financial risk management (continued)

The Group is exposed to floating interest rate risk due to its bank borrowings. The Group may use interest rate swap contracts to convert certain floating exposures to fixed rate, to provide more certainty around interest expenditure. The swap contract in place at 31 March 2024 has a notional principal amount of $11 million, converts floating rate interest (BKBM) to a fixed rate range of 3.90% to 5.01%.

Accounting policy

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. Subsequent changes in fair value are recognised through profit or loss in the Statement of Comprehensive Income.

12 Contributed equity

	2024	2023
	$'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	
	2024	2023
	$'000	$'000
Reserves		
Asset revaluation reserve	**9,410**	-
Other reserves	10	10
	9,420	10

	Consolidated	
	2024	2023
	$'000	$'000
Movements:		
Asset revaluation reserve		
Opening balance	-	856
Revaluation - Electricity distribution network	**13,070**	(1,190)
Deferred tax	(3,660)	334
Balance at 31 March 2024	9,410	-

Movements in retained earnings were as follows:

Opening balance	**57,170**	55,446
Profit/(loss) for the year	**(71)**	1,724
Distribution to beneficiaries	-	-
Closing balance	**57,099**	57,170

14 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 2024 and 31 March 2023 is set out below. The key management personnel are all the directors of the Group.

	Consolidated 2024 $'000	2023 $'000
Short term benefits - Trust	**76**	74
Short term benefits - Trust's subsidiary - directors	**190**	192
	-	-
	266	266

(c) Transactions with related parties

The group purchased Nil (2023: $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 $5,383k (2023 $4,788k) from Unison Networks Ltd who supply key management personnel.

The Group made retail purchases from Farmlands of $11k (2023 $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 2024 $'000	2023 $'000
Related Party		
Unison Networks Limited	**352**	538
Farmlands	**1**	-
	353	538

14 Related party transactions (continued)

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 $2,599 (2023 $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	
	2024	2023
	$'000	$'000
No later than 1 year	**2**	1
Later than 1 year and no later than 5 years	**6**	-
Later than 5 years	**-**	-
Total	**8**	1

The Group has entered into an operating lease on its investment property in Peel St. The lease has a term of six years with two x two year renewals. The lease rental has an annual CPI adjustment.

Rental income recognised by the Company during the year is $Nil (2023 $Nil)

	Consolidated	
	2024	2023
	$'000	$'000
Operating Leases as a Lessor		
No later than a year	**110**	-
Later than a year and no later than 5 years	**440**	-
Later than 5 years	**92**	-
Total	**642**	-

16 Contingencies

As at 31 March 2024 the Group had no contingent liabilities or assets (2023:$Nil).

17 Events occurring after the reporting period

There were no events to report.

18 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 $18 million with varying maturity dates. This facility will be routinely renewed on maturity date, so all borrowing under this facility are reported as term borrowings.

Loan 1, $6 million, maturity 19 September 2024

The bank facility is secured by a General Security Agreement over Centralines Limited. The facility is subject to various covenants including leverage ratio. The Group complied with all covenants for the 2024 year.

(b) Interest Rate Risk Exposure

The Group will manage its interest rate risk exposure, as from April 2024 the expected date of full drawdown of debt, by the use of an amortising interest rate SWAP over its wholesale term loan borrowing. The Company's Treasury Policy requires interest rate hedging within prescribed limits, calculated as a percentage of forecast debt.

(c) Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are added to the cost of those assets, until such time as the assets are substantially ready for their intended use for sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The Group policy is that an asset qualifies when the cost of construction is greater than $500,000 and the construction period is longer than 6 months. Interest on borrowing costs are calculated based on the effective yearly interest rate.

Capitilised Interest recognised in the period is Nil (31 March 2023 Nil)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

	Consolidated 2024 $'000	2023 $'000
Bank loans	5,867	-
Total current interest bearing borrowings	5,867	-

19 Non-current liabilities - Interest bearing liabilities

(a) Bank Loans

Loan 2, $6 million, maturity 17 August 2025

Loan 3, $6 million, maturity 1 September 2026

	Consolidated 2024 $'000	2023 $'000
Bank loans	9,000	11,000
Total non-current interest bearing liabilities	9,000	11,000

20 Investment property

	2024 $000	2023 $000
Balance at 1 April	**292**	292
Transfer from property, plant and equipment	**871**	-
Depreciation	-	-
Impairment	-	-
Balance at 31 March	**1,163**	292
	-	-
Cost	**1,163**	292
Accumulated depreciation	-	-
Book value	1,163	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

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

Investment property 1

The fair value at 31 March 2024 is $495,000

The valuation to determine the fair value was performed by Mel Wilson, a registered valuer from SouthgateWilson, in September 2023. 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.

Investment property 2

The fair value at 31 March 2024 is $1,370,000

The valuation to determine the fair value was performed by Jack Elliott, a registered real estate agent from Colliers, in September 2022. The fair value was determined using sales of comparable properties.

The investment property is a commercial property previously used as the depot for the company. This plan is to lease the property. The property is held at historical cost.