

**Central Hawkes Bay
Consumers Power Trust**

**Consolidated Financial Statements
for the year ended 31 March 2023**

Central Hawkes Bay Consumers Power Trust

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Central Hawkes Bay Consumers Power Trust

Statement of comprehensive income

For the year ended 31 March 2023

	Notes	Consolidated 2023 \$'000	2022 \$'000
Revenue			
Revenue from contracts with customers		16,512	15,303
Posted discount accrued	2	<u>(1,475)</u>	<u>(1,257)</u>
Net revenue from contracts with customers	2	15,037	14,046
Other income	2	<u>245</u>	<u>270</u>
	2	15,282	14,316
Expenses			
Other expenses	3	(9,873)	(8,912)
Research & development expense		<u>(114)</u>	<u>(124)</u>
Total operating expenses		(9,987)	(9,036)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)			
		5,295	5,280
Depreciation and amortisation expense	5	<u>(2,354)</u>	<u>(2,046)</u>
Finance expenses		<u>(400)</u>	<u>(36)</u>
Finance costs - net		(400)	(36)
Change in fair value of network distribution assets	5	<u>(188)</u>	<u>-</u>
Profit before income tax		2,353	3,198
Income tax	4	<u>(629)</u>	<u>(860)</u>
Profit for the year		<u>1,724</u>	<u>2,338</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of Electricity distribution network	5	(1,190)	-
Deferred tax on revaluation		<u>334</u>	<u>-</u>
		<u>(856)</u>	<u>-</u>
Items that may be subsequently reclassified to profit or loss:			
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>(856)</u>	<u>-</u>
Total comprehensive income for the year		<u>868</u>	<u>2,338</u>

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 2023

	Notes	Consolidated 2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		1,438	1,003
Trade and other receivables	6	1,770	1,489
Inventories	7	1,891	994
Current tax receivables		327	271
Total current assets		5,426	3,757
Non-current assets			
Property, plant and equipment	5	85,645	78,192
Intangible assets		137	134
Investment property	18	292	292
Derivative financial instruments		142	-
Total non-current assets		86,216	78,618
Total assets		91,642	82,375
LIABILITIES			
Current liabilities			
Trade and other payables	8	2,488	2,702
Current tax liabilities/(receivables)		1	(8)
Employee provisions		433	315
Contract Liabilities	2	1,475	1,257
Total current liabilities		4,397	4,266
Non-current liabilities			
Interest bearing liabilities	17	11,000	3,000
Employee Provisions	9	52	49
Deferred tax liabilities	4	11,013	10,725
Total non-current liabilities		22,065	13,774
Total liabilities		26,462	18,040
Net assets		65,180	64,335
EQUITY			
Contributed equity	11	8,000	8,000
Reserves	12	10	866
Retained earnings	12	57,170	55,469
Total equity		65,180	64,335

For and on behalf of the Trust.



 Trustee
 20 July 2023



 Trustee
 20 July 2023

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 2023

Consolidated	Notes	Attributable to equity holders of the Group			Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	
Balance as at 1 April 2022		8,000	866	55,469	64,335
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 other comprehensive income		-	(856)	-	(856)
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
Balance as at 1 April 2021		8,000	866	52,931	61,797
Adjustment on initial application of IFRS 15, net of tax		-	-	-	-
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

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 2023

	Consolidated	
Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities		
Receipts from customers	13,305	13,477
Contributions from capital works	1,499	1,064
Interest received	4	2
Payments to suppliers and employees	(10,130)	(9,629)
Income taxes (paid)/refund	(40)	(741)
Interest paid	(400)	-
Net cash inflow / (outflow) from operating activities	4,238	4,173
Cash flows from investing activities		
Proceeds from disposal of investments	-	-
Proceeds from disposals of property, plant and equipment	14	416
Purchase and construction of property, plant and equipment	(11,794)	(12,916)
Purchase of Investments	-	-
Net cash inflow / (outflow) from investing activities	(11,780)	(12,500)
Cash flows from financing activities		
Distributions to beneficiaries	(23)	-
Proceeds from unclaimed distribution to beneficiaries	-	121
Proceeds from other borrowings	8,000	3,000
Net cash inflow / (outflow) from financing activities	7,977	3,121
Net increase (decrease) in cash and cash equivalents	435	(5,206)
Cash and cash equivalents at the beginning of the financial year	1,003	6,209
Cash and cash equivalents at end of year	1,438	1,003

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 20 July 2023.

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 authoritative 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 2022, except for new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to NZ IAS 16

Onerous Contracts - Cost of Fulfilling a Contract - Amendments to NZ IAS 37, and

Reference to the Conceptual Framework - Amendments to NZ IFRS 3.

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 or future periods.

Standards issued and not yet effective and not early adopted

Certain new accounting standards and amendments have been issued that are not mandatory for the 31 March 2023 financial year and have not been early adopted. Those new standards and amendments that are relevant to the Group are: Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.

The amendments clarify a criterion in NZ IAS 1 for classifying a liability, such as 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 also clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. These amendments were updated in May 2023 and cannot be early adopted as the early adoption period commences after the Group's balance date. We have considered the impact of the amendments and assessed that the new standard will not impact the classification of the Group's loans and borrowings as the Group has discretion to rollover drawn bank loans through to the maturity date of the committed bank loan facility.

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

1 About this report (continued)

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

1.1 Summary of CHBCPT's financial performance for the year ended 31 March 2023

	2023 \$'000	2022 \$'000
Revenue	217	1
Trustee expenses	(74)	(70)
Other expenses	(57)	(70)
Net Surplus	<u>86</u>	<u>(139)</u>

1.2 Summary of CHBCPT's financial position as at ended 31 March 2023

	2023 \$'000	2022 \$'000
Current assets	325	261
Non-current assets	<u>8,000</u>	<u>8,000</u>
Total assets	<u>8,325</u>	<u>8,261</u>
Current liabilities	<u>19</u>	<u>19</u>
Net assets	<u>8,306</u>	<u>8,242</u>
Equity	<u>8,306</u>	<u>8,242</u>

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	
	2023	2022
	\$'000	\$'000
Net revenue from contracts with customers	15,037	14,046
Other income:		
Interest income	4	2
Gain on sale of land	51	250
Miscellaneous income	48	18
Change in fair value of derivative financial instruments	142	-
Total revenue	<u>15,282</u>	<u>14,316</u>

Disaggregation of revenue from contracts with customers

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Electricity line revenue ¹	12,771	12,189
Capital contributions	1,499	1,064
Contracting revenue	698	761
Other	69	32
	<u>15,037</u>	<u>14,046</u>

¹ Net of the accrued posted discount of \$1,475,000 to be paid to consumers connected to the Group's electricity network as at 31 March 2023 and scheduled to be paid to consumers in May 2023.

Contract assets and liabilities

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Contract Liabilities - posted discount payable to consumers	<u>1,475</u>	<u>1,257</u>
	<u>1,475</u>	<u>1,257</u>

Changes in contract assets and liabilities

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 2023. The discount is calculated using twelve months of consumption data from 1 April 2022, and is scheduled to be paid to consumers in the month of May 2023. 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	
	2023	2022
	\$'000	\$'000
Other expenses from ordinary activities		
Trustees Fees	74	70
Audit New Zealand - audit services	121	83
Audit New Zealand - regulatory disclosures	47	47
Directors fees	192	213
Donations	-	1
Employee related expenses	1,337	1,138
Bad debt expense	13	(3)
Transpower charges	2,690	2,660
Maintenance costs	2,671	2,404
Other operating expenses	<u>2,728</u>	<u>2,299</u>
	<u>9,873</u>	<u>8,912</u>

4 Income tax

	Consolidated	
	2023	2022
	\$'000	\$'000
(a) Income tax expense		
Current tax	19	343
Deferred tax associated with timing differences	622	521
Prior period current tax adjustment	(12)	(4)
Income tax expense	<u>629</u>	<u>860</u>
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	<u>2,353</u>	<u>3,198</u>
Prima facie tax at 28%	659	895
Tax effects of:		
• Income not subject to tax	(18)	(31)
• Expenses not deductible for tax purposes	-	-
	<u>641</u>	<u>864</u>
Adjustment in respect of prior years	(12)	(4)
Income tax expense	<u>629</u>	<u>860</u>

c Deferred tax liabilities

The balance comprises temporary differences attributable to:

Property, plant and equipment	11,132	10,824
Employee provisions	(111)	(90)
Other provisions	(8)	(9)
Total deferred tax liabilities	<u>11,013</u>	<u>10,725</u>

A deferred tax asset has not been recognised in relation to losses of \$1,874,527 in the Trust (2022 \$1,786,112)

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

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

c Deferred tax liabilities (continued)

	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)
	<u>10,725</u>	<u>622</u>	<u>(334)</u>	<u>11,013</u>

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 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)
Depreciation charge	(1,688)	(63)	(162)	(441)	(2,354)
Revaluations	(1,380)	-	-	-	(1,380)
Closing net book amount	<u>69,142</u>	<u>412</u>	<u>13,924</u>	<u>2,167</u>	<u>85,645</u>
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	<u>69,142</u>	<u>412</u>	<u>13,924</u>	<u>2,167</u>	<u>85,645</u>

5 Property, plant and equipment (continued)

	Electrical distribution network	Fibre Network	Land and buildings	Other assets	Total
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)
Revaluation	-	-	-	-	-
Depreciation charge	(1,610)	(61)	(20)	(355)	(2,046)
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

(a) Valuations of Electrical distribution network

The electricity distribution network was revalued to fair value of \$67.202m 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 \$1.940m, this resulted in a net book value of \$69.142m.

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 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 2024, 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 addition, it was assumed 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.

Cashflows were discounted using a post-tax Weighted Average Cost of Capital (WACC) 6.21%. (2022 5.05%)

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 \$0.7m and (\$0.7m) respectively.

an increase/(decrease) in the discount rate of 0.5% would decrease/(increase) the network's fair value by \$3.4m and (\$3.5m) respectively.

an operating expense increase/(decrease) of 5% would decrease/(increase) the network's fair value by \$2.3m and (\$2.3m) respectively and,

a distribution revenue increase/(decrease) of 5% would increase/(decrease) the network's fair value by \$3.9m and (\$3.9m) respectively.

5 Property, plant and equipment (continued)

(b) Capital work in progress

Capital work in progress as at 31 March 2023 of \$1,943,779 (2022: \$11,556,054) of which \$1,939,531 is included in Electrical distribution network additions and \$4,248 included in the Land and Buildings additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2023 is estimated at Nil (2022: \$938,471).

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

Central Hawkes Bay Consumers Power Trust
Notes to the financial statements
For the year ended 31 March 2023
(continued)

6 Trade and other receivables

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade receivables	1,788	1,510
Provision for doubtful receivables	<u>(28)</u>	<u>(31)</u>
	<u>1,760</u>	<u>1,479</u>
Sundry Receivables and Accruals	<u>10</u>	<u>10</u>
	<u>10</u>	<u>10</u>
Total trade and other receivables	<u>1,770</u>	<u>1,489</u>

(a) Impaired receivables

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

	Consolidated	
	2023	2022
	\$'000	\$'000
At 1 April		
Opening balance	(31)	(9)
Provision for impairment recognised during the year	(18)	(28)
Receivables written off during the year as uncollectible.	13	1
Amounts recovered during the year.	<u>8</u>	<u>5</u>
At 31 March	<u>(28)</u>	<u>(31)</u>

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.

Central Hawkes Bay Consumers Power Trust
Notes to the financial statements
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(continued)

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	
	2023	2022
	\$'000	\$'000
Stock	<u>1,873</u>	899
Work in progress at cost	<u>18</u>	95
	<u>1,891</u>	<u>994</u>

8 Trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
Trade creditors	1,870	2,237
Sundry creditors and accruals	<u>618</u>	465
	<u>2,488</u>	<u>2,702</u>

Short term payables are recorded at the amount payable.

9 Employee provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
Retirement gratuities	<u>52</u>	49
	<u>52</u>	<u>49</u>

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	
	2023	2022
	\$'000	\$'000

Fair value of financial assets at amortised cost

Cash and cash equivalents	1,438	1,003
Trade receivables	1,770	1,489
	-	-
	<u>3,208</u>	<u>2,492</u>

Financial assets at fair value through profit and loss

Derivative financial instruments	142	-
	<u>142</u>	<u>-</u>

Fair value of financial liabilities at amortised cost

Trade and other payables	2,488	2,702
Bank Loans	11,000	3,000
	<u>13,488</u>	<u>5,702</u>

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

10 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 2023 has a notional principal amount of \$6 million, converts floating rate interest (BKBM) to a fixed rate range of 3.28% to 4.29%.

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.

11 Contributed equity

	2023 \$'000	2022 \$'000
Issued and fully paid (no par value)	<u>8,000</u>	<u>8,000</u>
Ordinary shares are classified as equity.		

12 Reserves and retained earnings

	Consolidated 2023 \$'000	2022 \$'000
Reserves		
Asset revaluation reserve	-	856
Other reserves	<u>10</u>	<u>10</u>
	<u>10</u>	<u>866</u>

	Consolidated 2023 \$'000	2022 \$'000
Movements:		
<i>Asset revaluation reserve</i>		
Opening balance	856	856
Revaluation - Electricity distribution network	(1,190)	-
Deferred tax	<u>334</u>	<u>-</u>
Balance at 31 March 2023	<u>-</u>	<u>856</u>

Movements in retained earnings were as follows:

Opening balance	55,446	52,931
Profit/(loss) for the year	1,724	2,338
Distribution to beneficiaries	<u>(23)</u>	<u>200</u>
Closing balance	<u>57,170</u>	<u>55,469</u>

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 2023 and 31 March 2022 is set out below. The key management personnel are all the directors of the Group.

	Consolidated	
	2023	2022
	\$'000	\$'000
Short term benefits - Trust	74	70
Short term benefits - Trust's subsidiary - directors	192	213
	<u>-</u>	<u>-</u>
	<u>266</u>	<u>283</u>

(c) Transactions with related parties

The group purchased \$2k (2022: \$74k) 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 \$4,788k (2022 \$4,351k) from Unison Networks Ltd who supply key management personnel.

The Group made retail purchases from Farmlands of \$10k (2022 \$13k) in which the directors of the Group have personal interest.

(d) Outstanding balances

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

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Related Party</i>		
Unison Networks Limited	538	480
Farmlands	<u>-</u>	<u>1</u>
	<u>538</u>	<u>481</u>

13 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.

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 (2022 \$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 2023 \$'000	2022 \$'000
No later than 1 year	1	4
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
Total	<u>1</u>	<u>4</u>

15 Contingencies

As at 31 March 2023 the Group had no contingent liabilities or assets (2022:\$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 \$12 million with a maturity date of 22 August 2024. 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 Centralines Limited. The facility is subject to various covenants including leverage ratio. The Group complied with all covenants for the 2023 year.

(b) Interest rate risk exposure

The Group will manage its interest rate risk exposure, as from April 2022 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.

	Consolidated 2023 \$'000	2022 \$'000
Bank loans	<u>11,000</u>	<u>3,000</u>

17 Non-current liabilities - Interest bearing liabilities (continued)

Total non-current interest bearing liabilities	<u>11,000</u>	<u>3,000</u>
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18 Investment property

	2023 \$000	2022 \$000
Balance at 1 April	292	292
Transfer from property, plant and equipment	-	-
Depreciation	-	-
Impairment	-	-
Balance at 31 March	<u>292</u>	<u>292</u>
Cost	-	-
Accumulated depreciation	292	292
Book value	<u>-</u>	<u>-</u>

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.

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.

There was no valuation performed in 2023

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.