Central Hawkes Bay
Consumers Power Trust

Consolidated Financial Statements
for the year ended 31 March 2019

Central Hawkes Bay Consumers Power Trust

Contents

Central Hawkes Bay Consumers Power Trust

Statement of comprehensive income

For the year ended 31 March 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Revenue			
Revenue from contracts with customers		**15,738**	15,741
Posted discount accrued	2	**(1,482)**	-
Net revenue from contracts with customers	2	**14,256**	15,741
Other income	2	**220**	361
	2	**14,476**	16,102
Expenses			
Discounts		**-**	(1,336)
Other expenses	3	**(7,871)**	(8,224)
Research & development expense		**(99)**	-
Total operating expenses		**(7,970)**	(9,560)
Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)		**6,506**	6,542
Depreciation and amortisation expense	5	**(2,122)**	(2,108)
Profit before income tax		**4,384**	4,434
Income tax	4	**(1,269)**	(1,253)
Profit for the year		**3,115**	3,181
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains/(Losses) on revaluation of Electricity distribution network	5	**-**	(6,692)
Deferred tax on revaluation		**-**	1,873
		-	(4,819)
Items that may be subsequently reclassified to profit or loss:			
		-	-
		-	-
Other comprehensive income for the year, net of tax		**-**	(4,819)
Total comprehensive income for the year		**3,115**	(1,638)

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 2019

	Notes	Consolidated 2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**2,510**	8,119
Trade and other receivables	8	**1,938**	1,715
Inventories		**375**	276
Investments	7	**5,414**	7,312
Total current assets		**10,237**	17,422
Non-current assets			
Property, plant and equipment	5	**61,253**	57,680
Intangible assets		**85**	79
Total non-current assets		**61,338**	57,759
Total assets		**71,575**	75,181
LIABILITIES			
Current liabilities			
Trade and other payables	9	**2,456**	1,579
Current tax liabilities/(receivables)		**(174)**	342
Employee provisions		**230**	217
Other current liabilities		**83**	-
Contract Liabilities	2	**1,482**	-
Total current liabilities		**4,077**	2,138
Non-current liabilities			
Employee Provisions	10	**47**	46
Deferred tax liabilities	4	**9,385**	9,207
Total non-current liabilities		**9,432**	9,253
Total liabilities		**13,509**	11,391
Net assets		**58,066**	63,790
EQUITY			
Contributed equity	12	**8,000**	8,000
Reserves	13	**866**	866
Retained earnings	13	**49,200**	54,924
Total equity		**58,066**	63,790

For and on behalf of the Trust.

Trustee
26 July 2019

Trustee
26 July 2019

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 2019

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 2018		8,000	866	54,925	63,791
Adjustment on initial application of IFRS 15, net of tax	1(d)	-	-	(1,001)	(1,001)
Balance as at 1 April 2018 (restated)		8,000	866	53,924	62,790
Profit or loss for the year		-	-	3,115	3,115
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	-	-	-
Deferred tax on revaluation		-	-	-	-
Total comprehensive income		-	-	3,115	3,115
Distribution to Beneficiaries		-	-	(7,839)	(7,839)
Balance as at 31 March 2019		8,000	866	49,200	58,066
Balance as at 1 April 2017		8,000	5,685	51,744	65,429
Profit or loss for the year		-	-	3,181	3,181
Other comprehensive income					
Revaluation of Electricity distribution network	5	-	(6,692)	-	(6,692)
Deferred tax on revaluation		-	1,873	-	1,873
Total comprehensive income		-	(4,819)	3,181	(1,638)
Dividends		-	-	-	-
Balance as at 31 March 2018		8,000	866	54,925	63,791

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 2019

	Notes	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		**13,486**	15,253
Contributions from capital works		**548**	384
Interest received		**188**	335
Payments to suppliers and employees		**(7,112)**	(9,230)
Income taxes (paid)/refund		**(1,196)**	(1,199)
Net cash inflow / (outflow) from operating activities		**5,914**	5,543
Cash flows from investing activities			
Proceeds from disposal of investments		**13,346**	23,025
Proceeds from disposals of property, plant and equipment		**33**	21
Purchase and construction of property, plant and equipment		**(5,699)**	(2,327)
Purchase of Investments		**(11,447)**	(21,035)
Net cash inflow / (outflow) from investing activities		**(3,767)**	(316)
Cash flows from financing activities			
Distributions to beneficiaries		**(7,756)**	-
Net cash inflow / (outflow) from financing activities		**(7,756)**	-
Net increase (decrease) in cash and cash equivalents		**(5,609)**	5,227
Cash and cash equivalents at the beginning of the financial year		**8,119**	2,892
Cash and cash equivalents at end of year	6	**2,510**	8,119

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

1 About this report

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

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

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

These consolidated financial statements have been approved for issue by the Trustees on 26 July 2019.

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 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:

1 About this report (continued)

(a) Basis of preparation (continued)

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

- Valuation of Electrical distribution network (note 5)

- Estimation of useful lives for depreciation (accounting policy)

(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) Changes in accounting policies

The Group has initially applied NZ IFRS 15 (see (i) below) from 1 April 2018. A number of other new standards are also effective from 1 April 2018 including NZ IFRS 9, but they do not have a material effect on the Group's financial statements. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

Due to the transition methods chosen by the Group in applying NZ IFRS 15, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

The effect of initially applying NZ IFRS 15 is mainly attributed to the following:

- timing of the recognition of discounts paid to consumers and the disclosure of this in the statement of comprehensive income.

(i) NZ IFRS 15 Revenue from contracts with customers

NZ IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and related interpretations. Under NZ IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted NZ IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under NZ IAS 18, NZ IAS 11 and related interpretations. Additionally, the disclosure requirements in NZ IFRS 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at 1 April 2018.

	Impact of adopting NZ IFRS 15 at 1 April 2018 $'000
Retained earnings	
Discount paid to consumers for electricity line revenue	(1,001)
	(1,001)

Electricity line revenue discount:

1 About this report (continued)

(d) Changes in accounting policies (continued)

Previously, discounts paid to electricity consumers was recognised as an expense in the statement of comprehensive income in the year that it was paid. Under NZ IFRS 15 an entity recognises revenue that it expects to be entitled in exchange for transferring promised goods or services to a customer. Therefore, under NZ IFRS 15 Centralines is required to recognise as revenue for electricity distribution services the line revenue less the discount expected to be paid to consumers in the following financial year, from revenue earned in the current financial year. The impact of this is that the discount expected to be paid is now accrued and netted off against the revenue earned in the current financial year. This accrued discount is accounted for as a contract liability in the balance sheet.

NZ IFRS 15 did not have a significant impact on the Group’s accounting policies with respect to other revenue streams.

For additional information about the Group’s accounting policies relating to revenue recognition, see note 2.

See note 18 for an analysis of the impact of adopting NZ IFRS 15 on the Group’s balance sheet as at 31 March 2019 and its statement of comprehensive income for the year then ended for each of the line items affected.

(e) New standards and interpretations not yet adopted

There are a number of new standards, amendments to standards and interpretations, which have been issued but are not yet effective. The Group has not yet determined the potential impact of the following standards:

- NZ IFRS 16, 'Leases' (effective for the Group’s 2020 financial statements)

1.1 Summary of CHBCPT's financial performance for the year ended 31 March 2019

	2019 $'000	2018 $'000
Revenue	**179**	8,101
Expenses:	**-**	-
Trustee expenses	**(62)**	(62)
Other expenses	**(133)**	(29)
Net Surplus	**(16)**	8,010

1.2 Summary of CHBCPT's financial position as at ended 31 March 2019

	2019 $'000	2018 $'000
Current assets	**354**	8,103
Non-current assets	**8,000**	8,000
Total assets	**8,354**	16,103
Current liabilities	**123**	18
Net assets	**8,231**	16,085
Equity	**8,231**	16,085

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

2 Revenue

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers is described in note 1(d). Due to the transition method chosen in applying IFRS 15, comparative information has not been restated to reflect the new requirements.

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	
	2019	2018
	$'000	$'000
Net revenue from contracts with customers	**14,256**	15,741
Other income:		
Interest income	**188**	335
Recovery of debt previously written off	**-**	-
Miscellaneous income	**32**	26
Total revenue	**14,476**	16,102

Disaggregation of revenue from contracts with customers

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

	Consolidated	
	2019	2018
	$'000	$'000
Electricity line revenue[1]	**13,104**	14,400
Capital contributions	**548**	384
Contracting revenue	**560**	912
Other	**44**	46
	14,256	15,742

[1] Net of the accrued posted discount of $1,481,845.90 to be paid to consumers connected to the Group's electricity network as at 31 March 2019 and scheduled to be paid to consumers in July 2019.

Contract assets and liabilities

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

	Consolidated	
	2019	2018
	$'000	$'000
Contract Liabilities - posted discount payable to consumers	**1,482**	-
	1,482	-

Significant changes in contract assets and liabilites

The Group has recognised a contract liability for the discount to be paid to consumers following the adoption of NZ IFRS 15. The Group will pay a posted discount of $0.0226 c/kWh to all consumers registered on its electricity network as at 31 March 2019. The discount is calculated using ten months of consumption data from 1 June 2018, and is scheduled to be paid to consumers in the month of July 2019. The minimum discount payable to any consumer is $52.50, and the maximum is $5,575.

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 over time as a result of there being no alternative use to the asset without significant economic losses and the Group having a right to payment for performance completed to date.

(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	
	2019	2018
	$'000	$'000
Other expenses from ordinary activities		
Trustees Fees	**62**	62
Audit New Zealand - audit services	**64**	59
Audit New Zealand - regulatory disclosures	**70**	33
Directors fees	**172**	161
Donations	**1**	1
Employee related expenses	**850**	762
Bad debt expense	**-**	(3)
Transpower charges	**2,934**	3,050
Maintenance costs	**1,617**	1,268
Other operating expenses	**2,101**	2,831
	7,871	8,224

4 Income tax

	Consolidated 2019 $'000	2018 $'000
(a) Income tax expense		
Current tax	**711**	1,114
Deferred tax associated with timing differences	**178**	152
Prior period current tax adjustment	**(9)**	(13)
Prior period discount	**389**	-
Income tax expense	**1,269**	1,253

	Consolidated 2019 $'000	2018 $'000
(b) Reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**4,384**	4,434
Prima facie tax at 28% (2018: 28%)	**1,228**	1,242
Tax effect of:	**-**	-
Permanent differences		
• Income not subject to tax	**50**	24
• Expenses not deductible for tax purposes	**-**	-
• Utilisation of previously unrecognised tax losses	**-**	-
	1,278	1,266
Adjustment in respect of prior years	**(9)**	(13)
Income tax expense	**1,269**	1,253

c Deferred tax liabilities

The balance comprises temporary differences attributable to:	Consolidated 2019 $'000	2018 $'000
Property, plant and equipment	**9,464**	9,288
Employee provisions	**(75)**	(76)
Other provisions	**(4)**	(5)
Total deferred tax liabilities	**9,385**	9,207

A deferred tax asset has not been recognised in relation to losses of $1,470,501 (2018 $1,360,862)

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

	Balance 1 April 2017 $'000	**Recognised in income $'000**	**Recognised in other comprehensive income $'000**	**Balance 31 March 2018 $'000**
Property, plant & equipment	11,001	160	(1,873)	9,288
Employee provisions	(67)	(9)	-	(76)
Other provisions	(6)	1	-	(5)
	10,928	152	(1,873)	9,207

c Deferred tax liabilities (continued)

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

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 2019					
Opening net book amount	54,436	720	1,580	944	57,680
Additions	4,035	-	785	878	5,698
Disposals	-	-	-	(3)	(3)
Depreciation charge	(1,651)	(114)	(20)	(337)	(2,122)
Revaluations	-	-	-	-	-
Closing net book amount	56,820	606	2,345	1,482	61,253
At 31 March 2019					
Cost	4,447	1,345	2,449	4,956	13,197
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	(1,651)	(739)	(104)	(3,474)	(5,968)
Net book amount	56,820	606	2,345	1,482	61,253

5 Property, plant and equipment (continued)

	Electrical distribution network $'000	Fibre Network $'000	Land and buildings $'000	Other assets $'000	Total $'000
Year ended 31 March 2018					
Opening net book amount	61,136	835	1,195	989	64,155
Additions	1,668	-	402	257	2,327
Disposals	-	-	-	(2)	(2)
Revaluation	(6,692)	-	-	-	(6,692)
Depreciation charge	(1,676)	(115)	(17)	(300)	(2,108)
Closing net book amount	54,436	720	1,580	944	57,680
At 31 March 2018					
Cost	412	1,345	1,664	4,309	7,730
Valuation	54,024	-	-	-	54,024
Accumulated depreciation	-	(625)	(84)	(3,365)	(4,074)
Net book amount	54,436	720	1,580	944	57,680

(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 2019, calculated using the Discounted Cash Flow (DCF) method which showed that there was no material difference. On this basis, no revaluation has been recognised.

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

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

The value in use calculation uses the following key assumptions

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

The valuation model uses the board approved budget for the 2019/20 year as the base year for line revenue. The model then uses the current Commerce Commission’s revenue cap model as the basis for modelling an estimated price reset in 2020/21, using the 2019 AMP update for key Opex and Capex inputs, the most recent RBNZ forecasts for CPI inflation (as allowed under the Commerce Commissions default price-quality paths for electricity distributors), and the WACC assumptions noted below.

- Weighted Average Cost of Capital (WACC) for regulated revenue calculation: The model for the calculation of regulated revenue uses a Vanilla WACC (67th percentile) of 5.04%.

- A post tax discount rate of 5.96% per annum (2018: 6.5%).

A sensitivity analysis of the key assumptions shows that the biggest impact on the NPV of the future cash flows for Centralines' electrical distribution network is the post tax discount rate used. An increase of 0.5% to the post tax discount rate would decrease the network's fair value by $2.3m.

(b) Capital work in progress

Capital work in progress as at 31 March 2019 of $495,630 (2018: $412,074) is included in Electrical distribution network additions.

(c) Capital commitments

The value of contractual capital commitments as at 31 March 2019 is estimated at $Nil (2018: Nil).

5 Property, plant and equipment (continued)

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	3-10 years
- Office furniture and equipment	5-15 years
- Information technology	3-10 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

	Consolidated	
	2019	2018
	$'000	$'000
Cash at bank and in hand	**1,708**	2,240
Deposits at call	**802**	5,879
	2,510	8,119

6 Cash and cash equivalents (continued)

(a) Deposits at call

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

The range of interest rates on deposits on call were 0.75% - 1.30% (31 March 2018: 0.10% - 0.75%).

7 Investments

	Consolidated 2019 $'000	2018 $'000
Short term deposits held with registered banks	**5,414**	7,312
	5,414	7,312

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

Short term bank investments were 3.25% - 3.52% (31 March 2018 3.40% - 3.60%)

8 Trade and other receivables

	Consolidated 2019 $'000	2018 $'000
Trade receivables	**1,920**	1,647
Provision for doubtful receivables	**(14)**	(17)
	1,906	1,630
Sundry Receivables and Accruals	**25**	76
	25	76
Prepayments	**7**	9
Total trade and other receivables	**1,938**	1,715

(a) Impaired receivables

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

	Consolidated 2019 $'000	2018 $'000
At 1 April		
Opening balance	**(17)**	(20)
Provision for impairment recognised during the year	**(3)**	-
Receivables written off during the year as uncollectible.	**3**	-
Amounts recovered during the year.	**3**	3
At 31 March	**(14)**	(17)

8 Trade and other receivables (continued)

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.

The Group does not hold any collateral in respect of the balances above.

9 Trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Trade creditors	**2,162**	776
Sundry creditors and accruals	**297**	803
Other payables	**(3)**	-
	2,456	1,579

Short term payables are recorded at the amount payable.

10 Employee provisions

	Consolidated	
	2019	2018
	$'000	$'000
Retirement gratuities	**47**	46
	47	46

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

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

11 Financial risk management

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

(a) Fair value estimation

	Consolidated	
	2019	2018
	$'000	$'000
Fair value of financial assets at amortised cost		
Cash and cash equivalents	**2,510**	8,119
Investments	**5,414**	7,312
Trade receivables	**1,938**	1,708
	9,862	17,139
Fair value of financial liabilities at amortised cost		
Trade and other payables	**2,543**	1,579
	2,543	1,579

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 (2018: loans and receivables). Financial assets at amortised cost are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate less any impairment. Amortisation or impairment losses are recognised in the profit or loss.

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

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

The short term deposits are bearing fixed interest rates between3.25% and 3.52% (2018: between 3.40% to 3.60%). These deposits have a remaining maturity between 47 days and 173 days (2018: between 3 days and 167 days).

(b) Market risk

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

Sensitivity

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

	Impact on post tax profit	
	2019	2018
	$'000	$'000
Interest rates – increase by 50 basis points	**27**	36
Interest rates – decrease by 50 basis points	**(27)**	(36)

11 Financial risk management (continued)

(c) Credit risk

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

(a) Liquidity risk

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

12 Contributed equity

	2019 $'000	2018 $'000
Issued and fully paid (no par value)	**8,000**	8,000

Ordinary shares are classified as equity.

13 Reserves and retained earnings

	Consolidated	
	2019 $'000	2018 $'000
(a) Reserves		
Asset revaluation reserve	**856**	856
Other reserves	**10**	10
	866	866

	Consolidated	
	2019 $'000	2018 $'000
Movements:		
Asset revaluation reserve		
Opening balance	**856**	5,675
Revaluation - Electricity distribution network	**-**	(6,692)
Deferred tax	**-**	1,873
Balance at 31 March 2019	856	856

Movements in retained earnings were as follows:

Opening balance	**53,924**	51,743
Profit/(loss) for the year	**3,115**	3,181
Dividend distributed	**(7,839)**	-
Closing balance	**49,200**	54,924

14 Related party transactions

(a) Company Structure

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

A fully imputed dividend of $161,194 was paid by Centralines Limited to CHBCPT during the financial year.

Related parties include:

- Central Hawkes Bay Consumers Power Trust

- Centralines Limited

(b) Key management and personnel compensation

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

	Consolidated	
	2019	2018
	$'000	$'000
Short-term employee benefits	**62**	60
Post-employment benefits	**-**	-
Long-term benefits	**-**	-
	62	60

(c) Transactions with other related parties

The group purchased $10k of goods and services were made to entities that Trustees were directors/shareholders in. A balance of $10k was outstanding at 31 March 2019.

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

No provisions for doubtful debts have been raised.

(d) Outstanding balances

As at 31 March 2019 no amount was owing to any related party (2018: Nil).

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

	Consolidated	
	2019	2018
	$'000	$'000
Current receivables (sales of goods and services)		
• Trustees	**10**	40
	-	-
	10	40

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, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased property, plant and equipment are expensed to the statement of financial performance in equal instalments over the lease term.

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

	Consolidated	
	2019	2018
	$'000	$'000
No later than 1 year	**1**	4
Later than 1 year and no later than 5 years	**-**	2
Later than 5 years	**-**	-
Total	**1**	6

16 Contingencies

As at 31 March 2019 the Group had no contingent liabilities or assets (2018:$Nil).

17 Events occurring after the reporting period

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

18 Impact of adoption of NZ IFRS 15

Impact of change in accounting policy on balance sheet

The following tables summarise the impacts of adopting NZ IFRS 15 on the Group's balance sheet as at 31 March 2019 and its statement of comprehensive income for the year then ended for each of the line items affected. There was no material impact on the Group's statement of cash flows for the year ended 31 March 2019.

Impact on the balance sheet

	As at 31 March 2019 (without adoptionof NZ IFRS 15) $'000	Adjustments $'000	As at 31 March 2019 (as presented) $'000
ASSETS			
Cash and cash equivalents	2,510	-	2,510
Trade and other receivables	1,938	-	1,938
Inventories	375	-	375
Investments	5,414	-	5,414
	10,237	-	10,237
Property, plant and equipment	61,253	-	61,253
Intangible assets	85	-	85
	61,338	-	61,338
Total assets	71,575	-	71,575
LIABILITIES			
Current liabilities			
Trade and other payables	2,456	-	2,456
Current tax liabilities	(174)	-	(174)
Provisions	230	-	230
Other current liabilities	83	-	83
Contract liabilities	1,482	-	1,482
	4,077	-	4,077
Non-current liabilities			
Provisions	47	-	47
Deferred tax liabilities	9,385	-	9,385
	9,432	-	9,432
Net assets	58,066	-	58,066
EQUITY			
Contributed equity	8,000	-	8,000
Reserves	866	-	866
Retained earnings	49,200	-	49,200
Total equity	58,066	-	58,066

18 Impact of adoption of NZ IFRS 15 (continued)

Impact on the statement of comprehensive income

	For year ended 31 March 2019 (without adoption of NZ IFRS 15) $'000	Adjustments $'000	For year ended 31 March 2019 (as presented) $'000
Revenue	15,958	(1,482)	14,476
Discounts	(2,872)	2,872	-
Other expenses	(7,871)	-	(7,871)
Research & development expense	(99)	-	(99)
Depreciation and amortisation expense	(2,122)	-	(2,122)
Total expenses	(12,964)	2,872	(10,092)
Profit before income tax	2,994	1,390	4,384
Income tax	(888)	(381)	(1,269)
Profit for the year	2,106	1,009	3,115

Impact of change in accounting policy on statement of comprehensive income

Discounts are no longer classified as an expense under NZ IFRS 15, these are recognised as negative revenue.

Under NZ IAS 18, two discounts would have been recognised being the discretionary amount paid in August 2018 and the non-discretionary amount included in the 2018/19 price schedule. The recognition point has changed on the adoption of NZ IFRS 15 as it requires earlier recognition of the variable consideration. As a result, the prior period discount has been recognised through an adjustment to retained earnings (refer to).