ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2021


KEBAB
ANZ

Vern Dark
Chair

Judy Nicholl
Chief Executive

ON BEHALF OF THE BOARD OF DIRECTORS AND THE EXECUTIVE LEADERSHIP TEAM WE ARE PLEASED TO PRESENT THE ANNUAL REPORT FOR THE 12 MONTHS TO 31 MARCH 2021.

KEY HIGHLIGHTS

- Notable reduction in number of recordable injuries
- Network reliability metrics improved
- Employees did a remarkable job dealing with Covid-19 disruptions
- Revenue increased to $136 million
- EBITDA rose 18% to $47.3 million
- Invested $52.5 million in the network and other assets
- NPAT was a record at $16.3 million

OUR VISION at Counties Power remains to grow the economic wealth, and enable future development in, our network region. Our commitment to the safety and wellbeing of our staff, contractors, and the community we serve is paramount. So, too, is our ability to continue listening to our customer needs, and to continue innovating and adapting new technologies to find improved ways to solve traditional problems.

The continued safety and wellbeing of our staff, contractors, and the community we serve is a high priority for the Board and Management. The number of recordable injuries during the year decreased. TRIFR increased, which correlates to the safety culture that has been built up to report and investigate all injuries to eliminate any unsafe practices. It is pleasing to report that our employees managed to operate under Covid-19 lockdowns with remarkable professionalism and performed their work admirably, continuing to deliver critical infrastructure services to the customers and community we serve.

FY21 has been another significant year for the Company in many aspects with numerous accomplishments. During FY21 the new indoor zone substation at Pokeno was commissioned which signalled the unprecedented growth occurring in the network region. To date this was the largest capital project undertaken by the Company; however, this was soon surpassed in the later stages of the year when the Company commenced work on the new zone substation at Bombay, heralding continued growth and investment in our network for the foreseeable future.

ECL Group continued to transition well under the new ownership structure and they have been successful in securing many new and exciting opportunities for future growth.

WE WOULD LIKE TO THANK ALL EMPLOYEES AND CONTRACTORS FOR THEIR DEDICATION AND CONTRIBUTION DURING THE PAST 12 MONTHS DEALING WITH COVID-19

FY21 continued to be impacted by further Covid-19 lockdowns in the Auckland region that affected both Counties Power and ECL Group's operations. The Board and Management were extremely pleased with how both businesses responded to the Covid-19 situation as events unfolded. In response to the financial hardship faced by a number of Consumers, the Company paid half of its planned Consumer discount early to help alleviate any financial hardship caused by Covid-19.


COUNTIESPOWER
countiespower.com
safe
electricvehicles.govt.nz

In FY21 Counties Power announced its plans to investigate wind farm generation on the network which, encompasses the Company's strategy to grow its business and to align with projects that meet its commitment to the environment and be involved in initiatives linked to renewable energy sources in a growing carbon zero world. Counties Power was also announced as a finalist at the Deloitte Energy Awards for Network Initiative of the Year for its Pokeno Zone Substation project.

Last year the Government announced its long anticipated findings from the Electricity Pricing Review which made several recommendations for the industry to focus on. The Company is committed to working more closely with its customers to achieve better energy outcomes, and to achieve this the Company has been working on several technology initiatives during the year to enable more customer-focused energy solutions. The Company is particularly proud of the developments it has made recently with OpenLoop, which is an eMobility charging platform. The Company is committed to continuing to make developments in this area that focus on customer needs.

The Company continued to be active in the community through its range of community sponsorship programmes in FY21 and the Company worked closely with EECA to help insulate local homes to promote energy efficiency and healthier homes.

FY21 marked the seventh year in a row that the Company either held the distribution component of its lines tariffs unchanged or held the price it charges Consumers as a result of its commitment to provide safe, reliable, and cost-effective electricity distribution to all customers.

Fiscally, FY21 is a record year for both revenue and EBITDA. The underlying performance of the core business remained strong over the last twelve months with new customer connections continuing to grow. ECL Group improved its performance from last year despite the impacts of Covid-19.

The benefits of this performance flow back to the community through the $12.5 million distributed to customers through our annual discount mechanism.

DURING LOCKDOWN THE COMPANY MINIMISED PLANNED SHUTDOWNS WHERE IT WAS ABLE TO DO SO SAFELY TO MINIMISE OUTAGE DISRUPTIONS ON THE COMMUNITY

Aligned to our existing and predicted future growth is our increased levels of investment in capital expenditure to ensure network reliability for both new and existing customers as well as maintaining ongoing investment in continuous network maintenance. As a direct consequence, the Company's capital expenditure in FY21 was $53 million.

Sustainable security of supply and network reliability remain a critical consideration. During FY21 SAIDI and SAIFI improved on the previous year's performance. The focus on unplanned outages remains an ongoing issue to address and, in particular, unplanned outages caused by out of zone trees and vegetation.

REVENUE HAS GROWN TO $136 MILLION. EBITDA INCREASED TO $47.3 MILLION FROM $40.1 MILLION LAST YEAR

Last year the Company strengthened its investment in network reliability and undertook a network wide LiDar survey. The results from that undertaking have now been modelled and initiatives to target certain network areas to help improve reliability due to the effects of vegetation have been identified.

We would like to thank the staff of Counties Power and ECL Group for their ongoing dedication and commitment, and their relentless focus upon safety and reliability, and delivering positive outcomes for our customers pre and post Covid-19.

On behalf of the Board, I would like to thank Doug Troon and Barbara Elliston, who retired as Directors during the year, for the contribution they made to the Company during their time as Directors. I would also like to acknowledge that we are grateful to the Trustees of the Counties Power Consumer Trust for their support, particularly to Judy and her team with whom it has been a pleasure to work.

Vern Dark
CHAIR

Judy Nicholl
CHIEF EXECUTIVE

OUR ENVIRONMENT

As one of the largest companies in the region, we acknowledge our responsibility to provide environmental leadership within the community in which we live and work, recognising that environmental protection and sustainability are important issues facing our community now and in the future. With this in mind, we're continually seeking to implement environmental best practice through all stages of a network asset life cycle, so that we minimise our environmental impact, while maintaining compliance with our legal obligations.

We have identified our Critical Environmental Risks, developing formal training modules that define the expected outcomes with how each critical risk is to be managed such that we minimise our environmental impact.

Over the last year we have undertaken a review of our key emission sources for the period 2017–2019, calculating our carbon emission from each source. This information has provided us with a benchmark from which we can measure improvement. Over the coming year we will be setting objectives and developing initiatives with a clear focus of reducing our emissions, but we also acknowledge that offsetting in some cases may be the only option.

We acknowledge that we have a duty of care to ensure the waste we generate is ethically managed by our nominated recycling or waste disposal suppliers. To provide a level of assurance that this is the case, we will be undertaking a review of our suppliers processes to confirm their practices are aligned with our expectations.

The Counties Power Board of Directors (from left): Vern Dark, David Tompkins, Ben Iosefa, Keith Watson and Hamish Stevens.

COUNTIES POWER is governed by a highly experienced board who brings with them experience across a range of industries. The board continues to focus on investing in the rapidly growing core network, guiding the Leadership Team on sound investments and providing strategic direction to expand the Company's non-regulated offerings nationally. The board also ensures compliance across all safety and regulatory priorities and its objectives as a consumer-owned company. Strategic oversight is provided by the board to drive the Company's network investment strategy to ensure a cost-effective, safe and reliable network, while developing emerging technologies to ensure a future-proofed network and service offerings.

Vern Dark – Chairperson
Vern is currently chair of Invivo Wines New Zealand Limited and a director of Governance & Advisory Limited, Radius Residential Care Limited, Pacific Radiology Group Limited, Marsden Maritime Holdings Limited and related companies, and ECL Group Limited and subsidiaries. Vern's extensive corporate career included senior executive roles in the petro-chemicals industry followed by six years as the Chief Executive of the Northland Cooperative Dairy Company and four years as Chief Executive of the Northland Port Corporation.

Hamish Stevens
Hamish is a chartered fellow of the Institute of Directors and a member of Chartered Accountants Australia New Zealand. He is chair of East Health Services Limited, The Kennedys Limited, Pharmaco (NZ) Limited, and Evolve Education Group Limited. Hamish has extensive experience in corporates and as a company director and chair across many industries.

Ben Iosefa
Ben is a member of the Australian Institute of Company Directors, chair of Galantai Plastics Group and an advisor to Liquid Wind AB (Sweden). He is also a director of Compass Housing Services Co. (NZ), Polaris & Company Limited and Fuso NZ. Ben's extensive corporate career included senior executive and board level responsibilities in the petro-chemicals and energy industry, 14 years of which was spent working in North America and Europe.

David Tompkins
David is a member of the Institute of Directors and Institution of Professional Engineers New Zealand. He is a director of Tutukaka Asset Management Limited. David previously held senior executive positions with Vector Ltd and senior management positions with West Coast Power Ltd (Canada). He was previously a director of the Electricity Networks Association, Electricity Supply Industry Training Organisation and Treescape Ltd. He holds a Bachelor of Applied Science (Civil) degree, a Master of Engineering (Civil) degree and Diplomas in Business Management and International Financial Management.

Keith Watson
Keith brings a breadth of capabilities gained as a chairman, company director and managing director with governance experience in globally listed businesses. He has worked across all major geographic markets – USA, Canada and Latin America, as well as Asia Pacific and Central Europe. He is chair of NZIER and Complete 3D, and director of Acumen Republic Limited, Working Assets Properties Limited and subsidiaries, Dovedale Forests Limited, Cranleigh Forests Limited, Rakon Limited, ECL Group Limited and subsidiaries, and Acumen NZ Limited.

The Trustees during the year were: David Spratt, Christine Rupp (Chair), Don Thomson, Phillip Beston and Alan Eyes.

THE TRUSTEES of Counties Power Trust hold the shares of Counties Power Limited on behalf of all electricity consumers on the network. As a 100 percent consumer-owned company, Counties Power consumers receive an annual discount on their power account generally in December. The discount comes from profit Counties Power makes through a line charge consumers pay to their electricity retailer. The balance of the profit made after the discount is paid to consumers is reinvested into the network. The Trust is overseen by five elected Trustees, with two retiring every second year. The company acknowledges Chair Christine Rupp and Trustees Phillip Beston, Alan Eyes, David Spratt and Don Thomson, as well as Trust Secretary Norman Foote assisted by Sheena O'Flagherty, for their commitment to this important role on behalf of the beneficiaries of the Trust. Norman is retiring this year after four years in this role. He will be missed by all as he came with a wealth of knowledge from his previous role as Chief Financial Officer at Counties Power. We wish him all the best for his second stint at retirement and thank him for his outstanding service.

THE SHARES IN COUNTIES POWER ARE HELD IN TRUST BY THE COUNTIES POWER CONSUMER TRUST FOR THE BENEFIT OF POWER CONSUMERS

The Leadership Team (from left): Dale Carline, Moonis Vegdani, Conrad Harvey, Judy Nicholl, Andrew Toop, Tracey Kay and Paul Blue.

COUNTIES POWER'S Leadership Team has continued to strive for operational excellence across core business while leading the company towards a smarter energy future, with a focus on developing new opportunities in unregulated markets. In the later part of the year, Leadership Team member Vivek Rajendran was appointed as Chief Executive of subsidiary company ECL Group. Previously Head of Emerging Technology and Product Development for Counties Power, Moonis Vegdani stepped into the role of General Manager Technology and Digital for Counties Power.

The energy industry is undergoing major transformation at pace as we move towards a low carbon energy future and digital technologies. Counties Power and ECL Group are well underway on this critical journey to meet these challenges with these appointments signifying a key move in delivering this.

Mr Vegdani has experience in bringing new energy and electric mobility solutions to market through corporate venture building and lean start-up activities. He was instrumental in developing the electric vehicle charging platform OpenLoop. Mr Vegdani has served as the chair of New Generation Network (NGN) and as an executive member at CIGRE NZ.

THE SAFETY of our people and community is paramount. As global pandemic Covid-19 continues to ravage the world, the company has implemented and imbedded a range of initiatives to continually keep our people safe and our community's power flowing.

As the pandemic continued and regional lockdowns were implemented, we continually refined and streamlined our pandemic preparedness and action plans. The company chose to implement stricter conditions than government stipulated, continuing with work bubbles and staggered working times to avoid bubbles crossing paths for field employees. The majority of office workers continued to remote work for extended periods after lockdowns with the company ensuring all were well resourced to successfully complete their roles remotely. A remote working trial was implemented to provide greater flexibility and ensure business continuity when moving between lockdowns and potential future restrictions. Pulse surveys and focus sessions have been used throughout the business to gain employee feedback to aid in finalising the trial with the view to becoming a permanent way of working for some Counties Power employees.

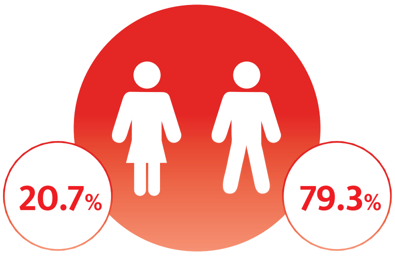
Other health and safety initiatives this year included implementing new head protection with an inbuilt 'Blue Tooth' communications headset. These offer not only better head protection but also voice communication for all those in the team. This is especially useful for the Vegetation team who may be climbing, using chainsaws and using the chipper, which inhibits the team's ability to hear each other.

The company has completed new asbestos awareness training, highlighting the need for additional controls that will assist in future Network Project works as well as day to day interactions with asbestos containing materials (ACM).

OUR TEAM

6.0 years

Average tenure



Female **Male**

Employee progression and learning continues to be a focus, with the company implementing a new employee learning management system called Totara Learn to provide better visibility, management, and training and development opportunities. We have also subscribed to the new EEA digital knowledge network. This will facilitate more enhanced access, to all of our employees, to the rules, publications and technical advice that the Electrical Engineers Association provides. All of this information will be available via desk top, tablet or mobile phone.

Recognising the important role everyone plays in raising a family, a Partner's Leave procedure has been implemented this year, providing for five days paid partner's leave for the individual who is not the primary caregiver. Current Parental Leave legislation does not provide paid provision for this, however Counties Power continues to provide additional benefits for their employees.

The health and wellbeing of all employees continues to be a priority, with the Wellbeing Subsidy continuing for the third year running with great uptake across the business on various health and wellbeing related services. More than $24,000 was reimbursed in FY20, increasing to more than $36,000 in FY21.

We have awarded our second First Foundation Scholarship – the Bob Arvidson Memorial Scholarship, with local Pukekohe High School student Isabella Coughlan starting with us in December 2020. Isabella has been provided with paid work for the next four years during term breaks, providing work experience and a great foundation on which to enter the working world.

> *"The Open Day was a unique opportunity to open the gates and present this project to our community, our wider employees, our contractors, local iwi and our stakeholders before it went 'live'. We thank them for their support and understanding while we completed one of the largest projects in Counties Power's 95-year history."*
>
> ***JUDY NICHOLL,*** *CHIEF EXECUTIVE*

POWERING POKENO INTO THE FUTURE

THIS YEAR Counties Power enlivened a new $25m power supply project to meet the needs of the rapidly growing Pokeno area.   A new indoor 110-22kV substation has been constructed, with additional project works including undergrounding of existing 22kV feeders in the area and new 22kV feeders to meet the needs of Pokeno township, industrial park and the rapidly growing greenfield residential subdivisions.

Counties Power Chief Executive Judy Nicholl says the company is proud to bring a quality power supply to the community that future-proofs the northern Waikato township, industrial park and wider rural area.

"We've worked hard to offer Pokeno the only indoor substation in the region, a building designed to minimise visual impact on our community and deliver a safe and reliable power supply now and into the future. From concept to completion, the project was fast-tracked to keep up with ever-increasing industrial and residential demand. The entire network has been upgraded, with a total of 13km of new high-voltage cabling installed."

A public open day was held for the local community before the substation went live, with around 500 people taking guided tours through the new substation.

The project was recognised as a finalist in the prestigious New Zealand Energy Excellence Awards.

MOVING TOWARDS A SMARTER ENERGY FUTURE

COUNTIES POWER'S focus on a smarter energy future is demonstrated in new initiatives the company is undertaking around vehicle-to-grid technology integrated with solar generation and load balancing.

The company has secured co-funding for two new projects from Energy Efficiency and Conservation Authority (ECCA) to deliver the government's Low Emission Vehicles Contestable Fund, which aims to accelerate the uptake of electric and other low emission vehicles (EVs) in New Zealand.

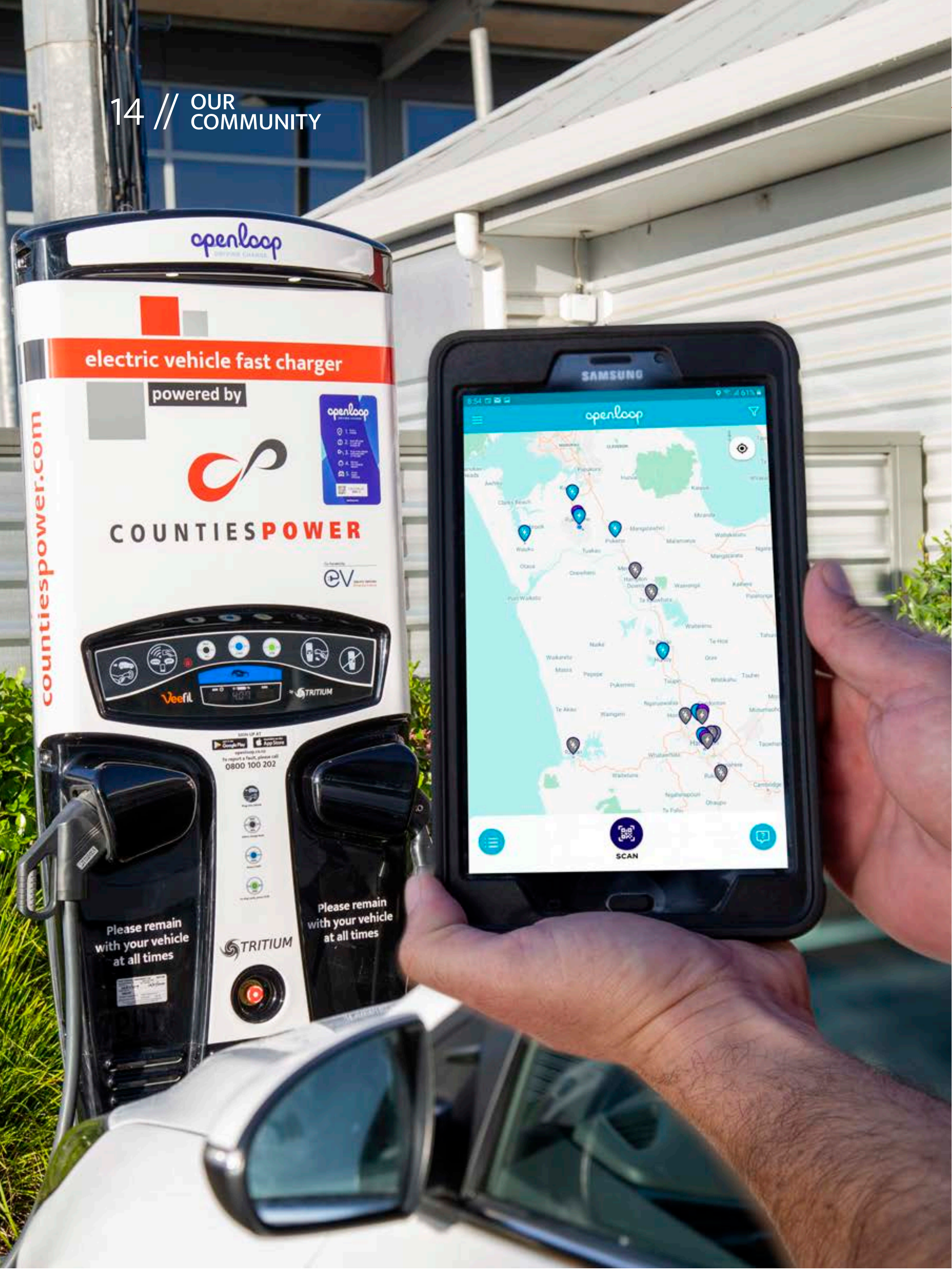
The projects will demonstrate sustainable driving technology and how battery and solar energy solutions can manage peak demand electricity usage cost-effectively, ultimately benefiting the company, local electricity consumers and electric vehicle drivers.

This project, utilising a Nissan Leaf and charger powered by solar, aims to increase EV use and showcase consumer energy independence, energy savings and the optimisation of utilities peak demand management. The solar panels would allow the Nissan Leaf to charge directly using energy from the sun and the smart vehicle-to-grid capability will enable the energy to be released back into the building when required. This transforms electric vehicles into mobile power sources for homes and businesses. Together with a smart vehicle-to-grid technology, a 40kWh Nissan Leaf could power an average household for 13 hours.

As part of the second initiative, Counties Power will install two high-power EV chargers at Mercer on the Waikato Expressway together with a 240kW second-life EV battery system to optimise the use of electricity capacity and demand on the electricity network during peak power usage times. The battery system will use 18 repurposed Nissan Leaf electric vehicle batteries which would otherwise have been discarded to store electricity taken from the network at lower demand periods to use for higher demand EV power charging.

"We're huge supporters of promoting electric vehicle usage within our region, while also investigating how we prepare for the future of electricity distribution using smarter energy technologies. These projects achieve both outcomes, and we're grateful to EECA and the Fund for supporting us in our vision to deliver enhanced energy solutions to our community."

JUDY NICHOLL,
CHIEF EXECUTIVE



"OpenLoop offers users a choice in the market, something we know is a positive for the customer from a service and price perspective. Great service and innovative pricing models will ensure a fair and transparent charging process that encourages greater use of electric vehicles going forward."

JUDY NICHOLL,
CHIEF EXECUTIVE

CHARGING WITH OPENLOOP

LOCAL ELECTRIC vehicle drivers have an exciting new way to charge. OpenLoop, an open charging platform and app that enables a seamless recharging experience across various charging locations, has launched across the company's fast charging stations. Collaborating with their subsidiary ECL Group, Counties Power is changing the electric vehicle charging experience.

The platform aims to improve energy affordability, ease of use and environmental sustainability through the offering of a creative and innovative new service.

Counties Power Chief Executive Judy Nicholl says the initiative demonstrates how electricity distribution companies can pave the way for the electricity industry and ultimately unlocks greater benefits for consumers.

"We're excited to offer a seamless, customer-centric charging service that will benefit drivers and charger owners. We're able to offer users a simpler, better way to incorporate charging into their lives, promote greater uptake of electric vehicles responsibly and develop standards for smarter electricity distribution and flexible energy management – benefiting end-consumers, the environment and New Zealand at large."

POWERING WARMER HEALTHY HOMES

COUNTIES POWER has joined with the Energy Efficiency and Conservation Authority (EECA) to insulate local homes free of charge.

More than 40 homes in Pukekohe, Waiuku, Tuakau, Port Waikato, Drury and southern Papakura have been insulated thanks to the initiative.

The company is proud to participate in the community partnership which ultimately keeps local families healthier.

New Zealand homes are often poorly heated and are consequently often colder than the minimum indoor temperatures recommended by the World Health Organization (18–20ºC). Cold, damp air affects respiratory health, promotes mould growth and supports the survival of viruses. It is particularly important to have a warm home to protect lung health and to prevent hospital admissions for asthma, bronchitis, pneumonia, cardiovascular disease and rheumatic fever.

South Auckland company GreenSide Energy Solutions has worked with Counties Power and EECA to insulate the 43 homes in the Franklin area.

“We’re so proud to be part of the Warmer Kiwi Homes insulation programme making Franklin homes warmer, healthier and drier. This partnership is a natural fit for us as the local electricity distributor. Insulated homes are not only healthier but far easier to heat, reducing power bills and energy poverty within our community.”

JUDY NICHOLL,
CHIEF EXECUTIVE

Safety

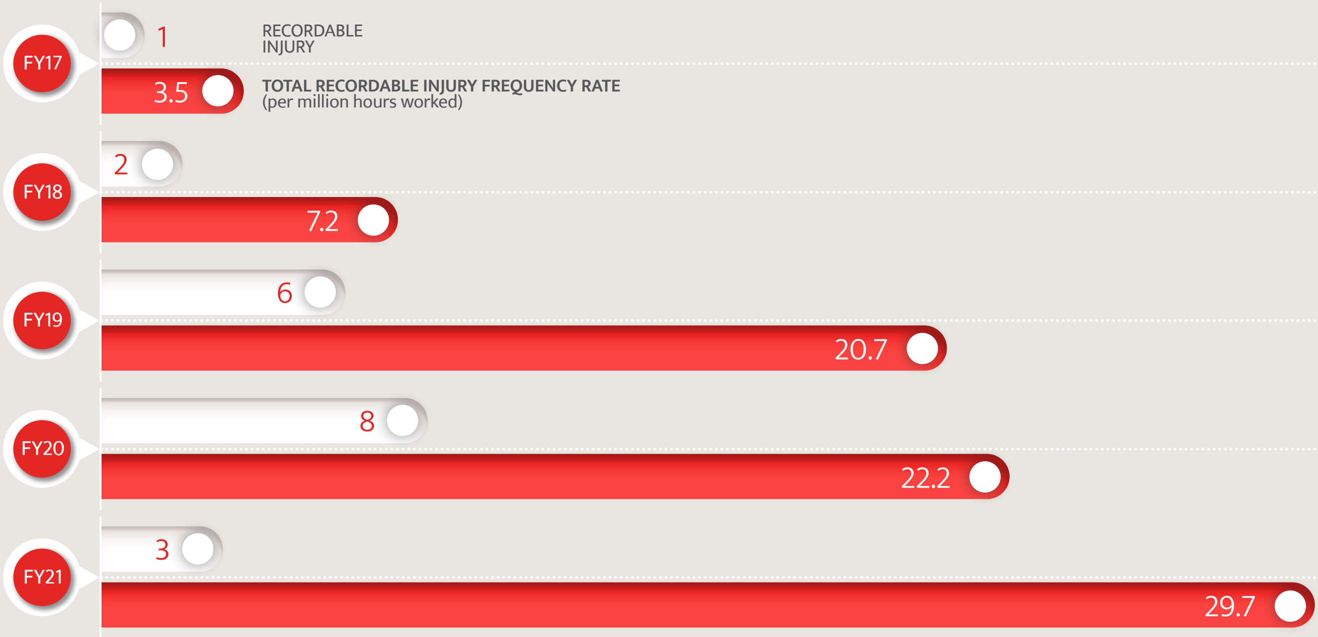
Our goal is to achieve zero harm in the workplace and make continual improvements in our safety systems and processes to create a measurably safer workplace.

Recordable injury includes: lost time injuries, medical treatment and restricted work injuries.

Over the past twelve months there has been a positive trend down in lost time injuries. The injuries that have been sustained have been largely muscular skeletal.

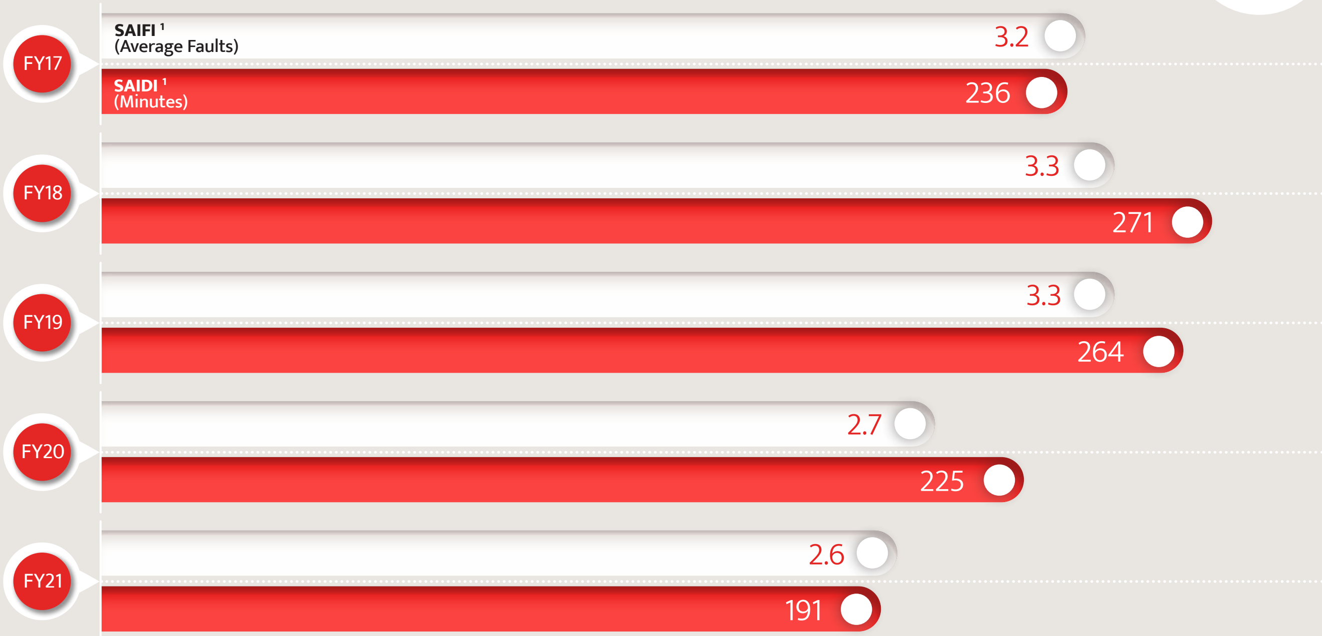
We continue to emphasise the importance of reporting all injuries, including those perceived as minor. This allows for timely intervention, enabling early and proactive treatment before the injury escalates into something more serious.

During the first flush of the COVID-19 pandemic, our focus remained steadfast on the safety of our employees, contractors and community while still maintaining critical works and a full programme of maintenance and construction across the Counties Power network – this focus remains.



Reliability

Network performance was favourable to our targets in FY21.



[1]The SAIDI and SAIFI results were calculated from FY17 onwards in accordance with the 2015-20 DPP normalisation method using information from the Company's non-financial system.

NET PROFIT FOR THE YEAR
$16.3m

2020 EBITDA
$40.1m

2021 EBITDA
$47.3m

COUNTIES POWER'S Group revenue grew 2.9% in the previous twelve months with growth spread evenly across the Group.

In FY21 the Company did not increase its line tariffs charged to Consumers. Continued growth from new customer connections and construction revenue were the main drivers of revenue growth in the distribution business. ECL Group's revenue was impacted by Covid-19 lockdowns during the year and as a consequence revenue fell by 3.3% however, ECL Group maintained its profitability managing to improve performance from the previous year.

FY21 WAS THE SEVENTH YEAR IN A ROW WHERE THE COMPANY EITHER DID NOT INCREASE THE DISTRIBUTION COMPONENT OF ITS LINE PRICES OR THE ELECTRICITY PRICE IT CHARGES TO CONSUMERS.

Overall, operating costs across the Group were lower than last year which improved operating performance of the Group for the year.

EBITDA in FY21 improved 18% above last year's record result, and net profit for the year increased by $10.6 million. EBITDA was $47.3 million and net profit for the year was $16.3 million.

CONSUMERS RECEIVED ANNUAL DISCOUNTS OF $12.5 MILLION INCLUDING GST DURING THE YEAR.

One of the key benefits of consumer ownership of Counties Power through the Counties Power Consumer Trust (CPCT) is the Company's practice of returning a significant lines discount to its Consumers each year in the form of a discount based on individual consumers electricity usage. This year the Company paid a consumer discount of $10.9 million ($12.5 million including GST).

Continued growth in our network area means that our capital expenditure program continues to grow annually in order to ensure that the network can meet the additional demands placed on it to deliver electricity reliably and safely to our Consumers.

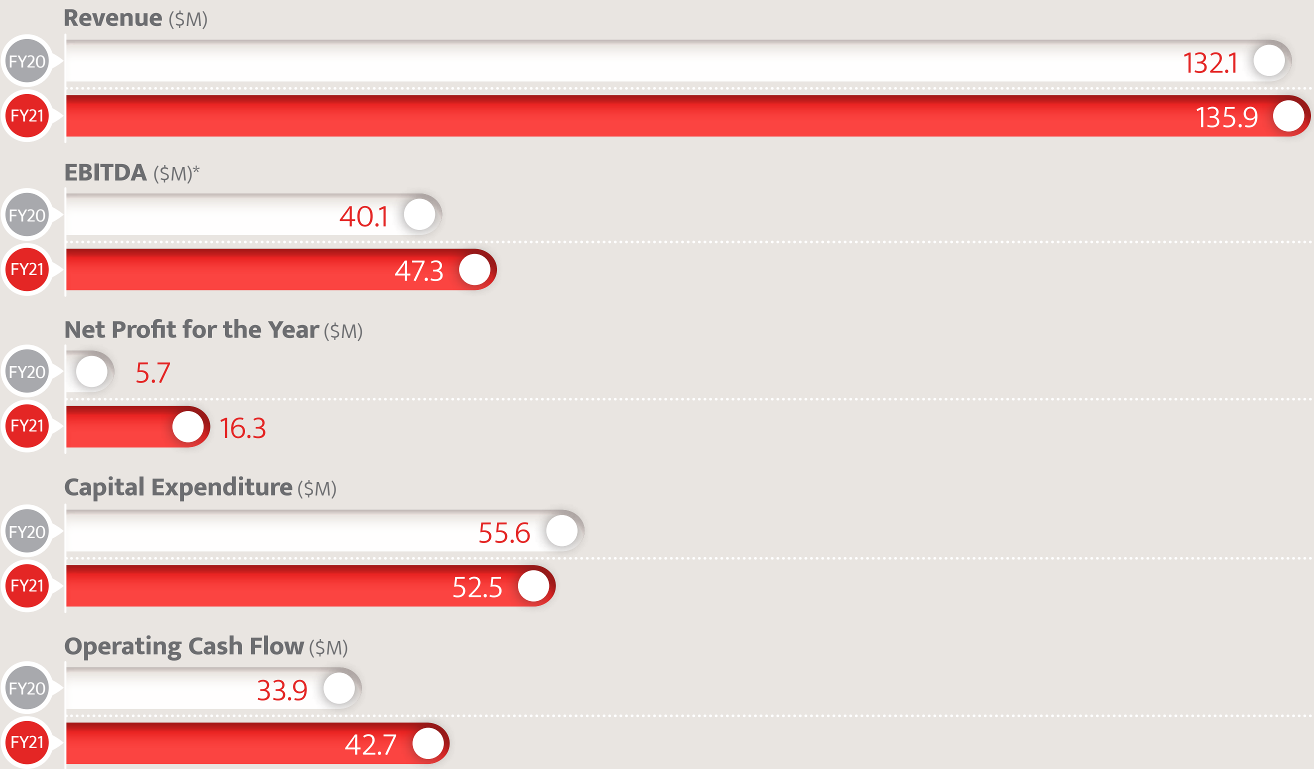
TOTAL ASSETS OF THE GROUP HAVE GROWN TO $460 MILLION FROM $289 MILLION FIVE YEARS AGO.

Our fixed asset base has continued to grow due to increased capital expenditure in recent years. In FY21 the Company spent $52.5 million on renewing, maintaining, and developing the network and associated assets. The Company's investment strategy in new network assets is to continue to robustly analyse capital expenditure decisions to ensure the delivery of the required benefits in the most cost effective and efficient manner.

Debt levels have increased in line with projections and have grown primarily as a result of the Company's increased investment in network assets.

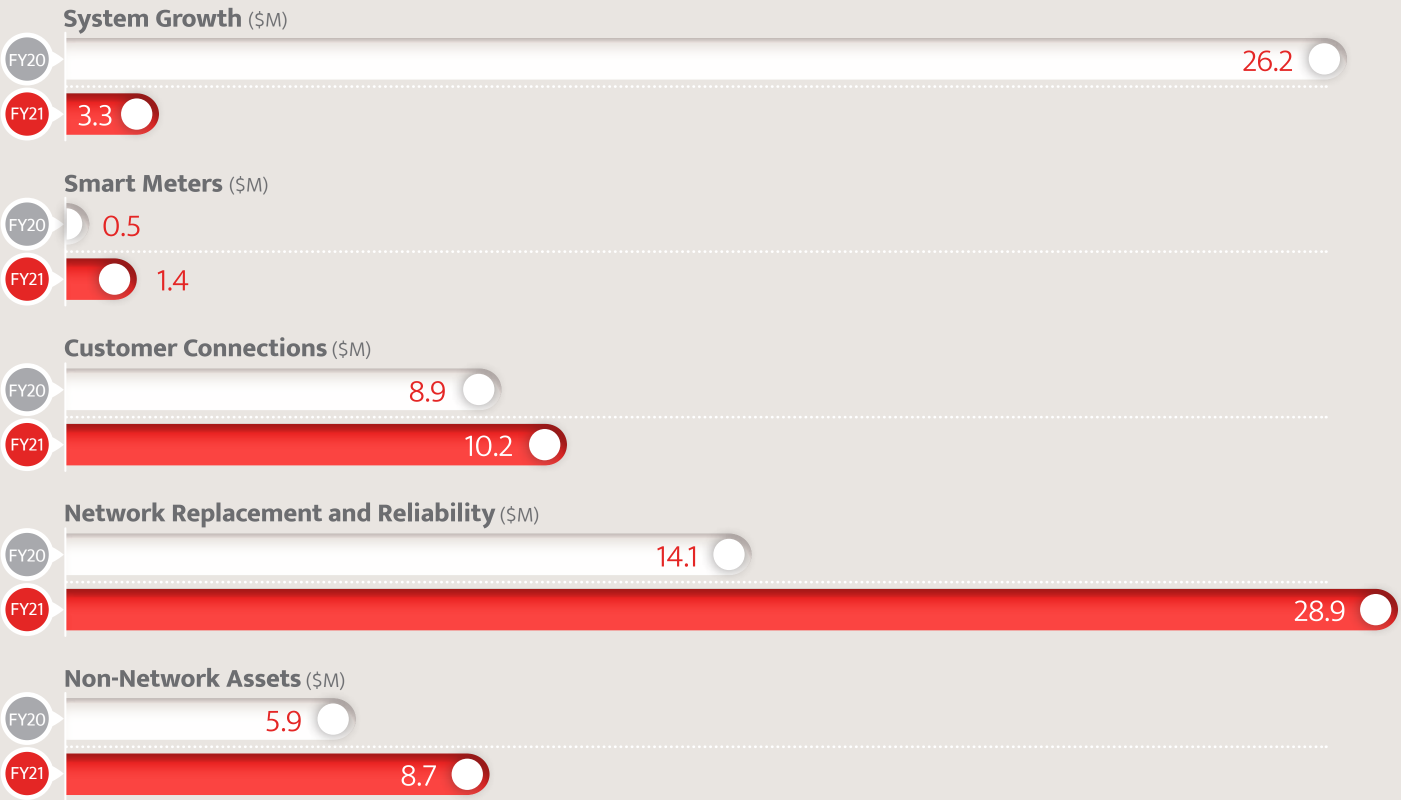
The following pages contain summary financial information. Detailed information is provided in the audited Financial Statements found on pages 24 to 54 of this report.

Financial Performance

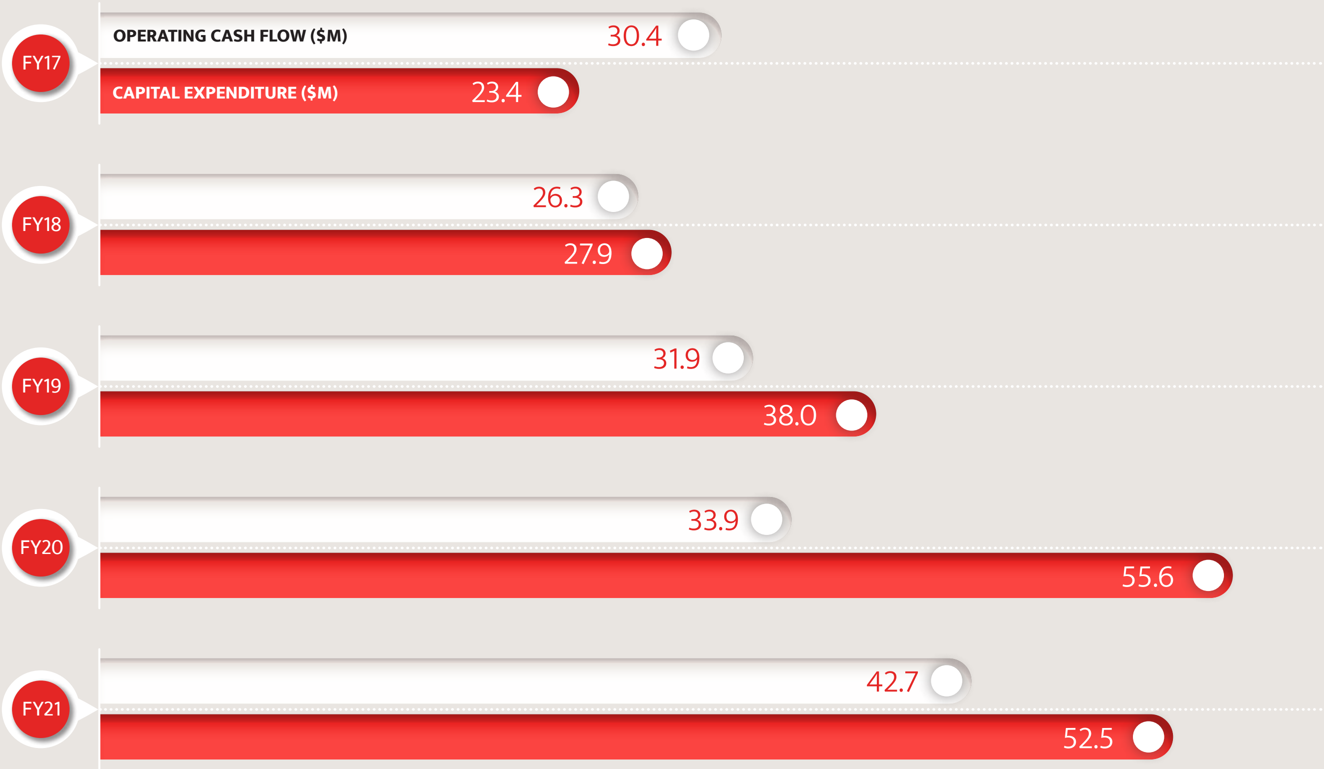


*EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) is calculated using net profit before income tax and adding back Depreciation, Amortisation and Finance Costs as disclosed in note 7 of the Consolidated Financial Statements.

Capital Expenditure



Operating Cash Flow & Total Capital Expenditure



Financial Summary ($'000)

FINANCIAL PERFORMANCE	FY17	FY18	FY19	FY20	FY21
Revenue	67,301	70,908	82,516	132,065	135,883
Discounts	9,835	10,100	10,353	10,560	10,860
EBITDA	29,407	33,140	33,517	40,118	47,349

FINANCIAL POSITION	FY17	FY18	FY19	FY20	FY21
Total equity	226,229	241,127	246,457	251,943	265,388
Total assets	288,654	305,504	382,282	429,536	459,577
Net debt (including lease liabilities)	7,306	9,673	53,335	93,804	106,554

THE BOARD OF DIRECTORS HAS PLEASURE IN PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP AND THE INDEPENDENT AUDITOR'S REPORT, FOR THE YEAR ENDED 31 MARCH 2021.

The Board of Directors of the Group authorised these consolidated financial statements and the statement of service performance presented on pages 24 to 54 for issue on 21 June 2021.

ACTIVITIES

Counties Power Limited operates primarily as an electricity lines company within the Franklin, Papakura, Hauraki and Waikato districts. The construction arm of Counties Power Limited undertakes lines and new services work. ECL Group Limited, a subsidiary, is a leading technical services company specialising in fuel systems and technology solutions in New Zealand.

RESULTS

The profit after taxation of the Group for the year was $16.3 million (2020: $5.7 million). Customer discounts of $10.9 million exclusive of GST (2020: $10.6 million) were paid to customers.

CHANGES IN ACCOUNTING POLICIES

There were no changes in accounting policies for the year ended 31 March 2021.

IMPAIRMENT

Annually, the directors assess the carrying value of major assets. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment, if any, is recognised in the Consolidated Statement of Comprehensive Income. There was no impairment for the year ended 31 March 2021.

REVALUATION

Land was revalued as at 31 March 2021. The revaluation resulted in an increase of $1.5 million to the revaluation reserve.

The distribution system assets were subject to a valuation by Deloitte at 31 March 2021 and a downwards revaluation adjustment of $6.0 million was recorded (2020: $5.1 million).

DONATIONS

During the year Counties Power Limited made no donations (2020: nil).

CHANGES IN CAPITAL

There have been no changes in the Group's capital structure during the year.

DIVIDENDS

An interim dividend of $400,000 was declared on 26 August 2020, and paid on 27 August 2020. In the preceding year a dividend of $300,000 was paid. No final dividend was declared in either financial year.

HEALTH AND SAFETY

A fundamental priority of the Company is to operate its business with no harm coming to its staff, contractors, consumers, and the community in which it operates. The Board reviews on a monthly basis the Company's performance against a range of lead and lag health and safety metrics, including engagement with staff on safety culture and leadership, effectiveness of safety processes and controls, and governance and improvement opportunities. Members of the Board also attend Company safety related training and education events, as well as participate in safety observations.

CORPORATE GOVERNANCE

Directors

The Board is the governing body of Counties Power Limited. The Board as at 31 March 2021 has five members.

The Board is appointed by the Shareholders to oversee the management of the Group and is responsible for all corporate governance matters. The Board endeavours to ensure that the activities undertaken are carried out in the best interests of the Shareholders, while respecting the rights of other Stakeholders. This includes maintaining clear policies in relation to employees, customers and the environment.

No Counties Power Limited directors hold executive positions within the Group. The Board met for ten regular meetings during the year and several informal "working" meetings. The Audit Committee met four times and the Remuneration Committee met three times during the year.

OPERATION OF THE BOARD

Responsibilities

The Board is responsible for the management, supervision and direction of the Group. This includes the long-term strategic financial plan, strategic initiatives, budgets and the policy framework. The Board delegates the day-to-day management of the Group to the Chief Executive. The Board has developed and maintains clear policies which define the individual and collective responsibilities of the Board and management.

CONDUCT

The Board ensures that all matters can be discussed openly, frankly and confidentially. The Board is obliged to identify any potential conflict of interest directors may have with the Group's affairs. Where there is a conflict, the director affected is not permitted to vote on any matters related to the conflict.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing, on behalf of the Board, the financial accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the financial statements and making recommendations to the Board on financial and accounting policies. Committee members currently comprise Mr Hamish Stevens (Audit Committee Chair), Mr Vern Dark and Mr David Tompkins.

REMUNERATION COMMITTEE

The Remuneration Committee is scheduled to meet no less than twice a year. It is charged with setting and reviewing the remuneration policies and practices of the Group on behalf of the Board. It also sets and reviews the remuneration of the Chief Executive, and if directed by the Board, other senior executives. Committee members currently comprise Mr Ben Iosefa (Remuneration Committee Chair), Mr Vern Dark and Mr Keith Watson.

REMUNERATION OF DIRECTORS

Directors' remuneration received, or due and receivable during the year were as follows:

	2021 $'000	2020 $'000
VJ Dark	90	54
HW Stevens	53	49
DN Tompkins	58	54
B Iosefa (from 17 July 2020)	38	–
K Watson (from 17 July 2020)	34	–
DJ Troon (until 31 August 2020)	48	119
BL Elliston (until 17 July 2020)	24	54
	345	**330**

REMUNERATION OF EMPLOYEES

The number of employees (not including directors) who received remuneration and/or other benefits within the following bands is as follows:

$'000	2021	2020
100 – 110	35	42
110 – 120	30	19
120 – 130	21	17
130 – 140	11	4
140 – 150	13	5
150 – 160	1	5
160 – 170	3	3
170 – 180	3	4
180 – 190	6	3
190 – 200	1	–
220 – 230	–	2
230 – 240	1	1
240 – 250	–	1
250 – 260	1	–
280 – 290	2	–
290 – 300	2	–
300 – 310	–	3
560 – 570	1	–
570 – 580	–	1

AUDITOR

The Auditor-General is the Auditor of the Group under section 196(1) of the Companies Act 1993, because Counties Power Limited is a Public Entity within the Energy Companies category listed on Schedule 1 of the Public Audit Act 2001. The Auditor-General has appointed Mark Bramley, a Partner of PricewaterhouseCoopers, to conduct the audit on his behalf.

INTERESTS REGISTER

The following are transactions recorded in the Interests Register for the year.

GENERAL DISCLOSURE OF INTEREST

Several directors are either domestic customers and/or have interests in commercial businesses which utilise line services provided by the Group. Their contractual relationship is with their energy retailer, who in turn has a contractual relationship with Counties Power Limited to provide lines services. All such arrangements are on a normal arms-length basis.

Additional general disclosures of interest, made in writing to the Board, of positions held in other named companies or parties are as follows at 31 March 2021:

VJ DARK	CHAIR	Invivo Wines New Zealand Limited
HW STEVENS	DIRECTOR	Governance & Advisory Limited Radius Residential Care Limited Pacific Radiology Group Limited Marsden Maritime Holdings Limited and related companies ECL Group Limited and subsidiaries
	CHAIR	East Health Services Limited and subsidiaries The Kennedys Limited Pharmaco (NZ) Limited and subsidiaries Evolve Education Group Limited
DN TOMPKINS	DIRECTOR	Tutukaka Asset Management Limited
	CONSUMER	Counties Power electricity consumer
BF IOSEFA	DIRECTOR	Polaris & Company Limited Compass Housing Services Co (NZ) Limited Fuso NZ
	CHAIR	Galantai Plastics Group
	ADVISOR	Liquid Wind AB (Sweden)
RKH WATSON	DIRECTOR	Acumen Republic Limited Working Assets Properties Limited and subsidiaries Dovedale Forests Limited Cranleigh Forests Limited Rakon Limited ECL Group Limited and subsidiaries Acumen NZ Limited
	CHAIR	NZIER Complete 3D

SHARE PURCHASES

There have been no share purchases.

DIRECTORS' LOANS

There were no loans by the Group to the directors.

DIRECTORS' INSURANCE

The Group indemnifies all directors named in this report against liabilities, which arise out of the performance of their normal duties as director, unless the liability relates to conduct involving lack of good faith. To manage this risk, the Group has indemnity insurance.

RELATED PARTY TRANSACTIONS

The Group has disclosed all related party transactions during the year in note 26.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for ensuring in all material respects that the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2021 and its financial performance for the year ended on that date.

The directors consider that the consolidated financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgments and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Reporting Act 2013.

The directors have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

For and on behalf of the Board.

VJ Dark
Chair

21 June 2021

HW Stevens
Deputy Chair

21 June 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2021	Note	2021 $'000	2020 $'000
Operating revenue	5	135,883	132,065
Customer discount	5	(10,860)	(10,560)
Net revenue		**125,023**	**121,505**
Other income and gains	6	243	156
Expenses, excluding finance costs	7	(98,925)	(100,660)
Impairment of goodwill	14	–	(8,000)
Finance costs	7	(3,483)	(2,666)
Net profit before income tax		**22,858**	**10,335**
Income tax expense	8	(6,536)	(4,658)
Net profit for the year		**16,322**	**5,677**
Net profit for the year is attributable to:			
Owners of Counties Power Limited		15,900	5,326
Non-controlling interest		422	351
Net profit for the year		**16,322**	**5,677**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2021	Note	2021 $'000	2020 $'000
Net profit for the year		**16,322**	**5,677**
Items that may be subsequently reclassified to profit:			
Cash flow hedges – net of tax		**317**	**(326)**
Items that will not be reclassified to profit:			
Loss on the revaluation of the distribution system	13	(6,000)	(5,076)
Deferred tax on revaluation of the distribution system	9	1,680	1,421
Gain on the revaluation of land and buildings	13	1,526	4,605
Deferred tax on the revaluation of land and buildings	9	–	(15)
Items that will not be reclassified to profit		**(2,794)**	**935**
Total comprehensive income for the year		**13,845**	**6,286**
Total comprehensive income for the year is attributable to:			
Owners of Counties Power Limited		13,423	5,935
Non-controlling interest		422	351
Total comprehensive income for the year		**13,845**	**6,286**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021	Note	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	10	724	2,283
Trade and other receivables	11	18,340	14,874
Inventories	12	3,961	5,439
Total current assets		**23,025**	**22,596**
Non-current assets			
Property, plant and equipment	13	392,703	360,251
Intangible assets	14	32,150	32,843
Right of use assets	23	11,699	13,846
Total non-current assets		**436,552**	**406,940**
Total assets		**459,577**	**429,536**
LIABILITIES			
Current liabilities			
Trade and other payables	16	22,413	17,106
Employee benefits	17	3,838	3,288
Borrowings	18	15,200	894
Deferred income		1,339	1,568
Lease liabilities	23	1,997	2,806
Tax payable		138	755
Total current liabilities		**44,925**	**26,417**
Non-current liabilities			
Trade and other payables	16	1,242	2,025
Borrowings	18	80,000	81,200
Deferred income		762	1,232
Lease liabilities	23	10,081	11,187
Derivative financial instruments	15	194	634
Financial liabilities	2 (x)	6,500	6,500
Deferred tax liabilities	9	50,485	48,398
Total non-current liabilities		**149,264**	**151,176**
Total liabilities		**194,189**	**177,593**
Net assets		**265,388**	**251,943**
EQUITY			
Share capital	20	30,797	30,797
Retained earnings		206,472	190,972
Revaluation reserve		29,740	32,534
Cash flow hedge reserve		(140)	(457)
Other reserves		(6,500)	(6,500)
Total equity attributable to the owners of Counties Power Limited		**260,369**	**247,346**
Minority interest		5,019	4,597
Total equity		**265,388**	**251,943**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021	Note	Share capital $'000	Revaluation reserve $'000	Cash flow hedge reserve $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non controlling interest $'000	Total equity $'000
Opening balance as at 1 April 2019		**30,797**	**31,599**	**(131)**	**(6,000)**	**185,946**	**242,211**	**4,246**	**246,457**
Net profit for the year		–	–	–	–	5,326	5,326	351	5,677
Revaluation of the distribution system (net of tax)		–	(3,655)	–	–	–	(3,655)	–	(3,655)
Revaluation of land and buildings (net of tax)		–	4,590	–	–	–	4,590	–	4,590
Other comprehensive loss		–	–	(326)	–	–	(326)	–	(326)
Total comprehensive income		**–**	**935**	**(326)**	**–**	**5,326**	**5,935**	**351**	**6,286**
Transactions with owners in their capacity as owners									
Dividends paid	26	–	–	–	–	(300)	(300)	–	(300)
Put option arrangement	2 (x)	–	–	–	(500)	–	(500)	–	(500)
Closing balance as at 31 March 2020		**30,797**	**32,534**	**(457)**	**(6,500)**	**190,972**	**247,346**	**4,597**	**251,943**
Opening balance as at 1 April 2020		**30,797**	**32,534**	**(457)**	**(6,500)**	**190,972**	**247,346**	**4,597**	**251,943**
Net profit for the year		–	–	–	–	15,900	15,900	422	16,322
Revaluation of the distribution system (net of tax)		–	(4,320)	–	–	–	(4,320)	–	(4,320)
Revaluation of land		–	1,526	–	–	–	1,526	–	1,526
Other comprehensive income		–	–	317	–	–	317	–	317
Total comprehensive income		**–**	**(2,794)**	**317**	**–**	**15,900**	**13,423**	**422**	**13,845**
Transactions with owners in their capacity as owners									
Dividends paid	26	–	–	–	–	(400)	(400)	–	(400)
Put option arrangement	2 (x)	–	–	–	–	–	–	–	–
Closing balance as at 31 March 2021		**30,797**	**29,740**	**(140)**	**(6,500)**	**206,472**	**260,369**	**5,019**	**265,388**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2021	Note	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		121,800	121,013
Payments to suppliers and employees		(66,738)	(77,908)
Net GST paid		(5,372)	(3,494)
Interest received	6	–	20
Interest paid		(3,483)	(2,666)
Income taxes paid		(3,509)	(3,047)
Net cash inflows from operating activities	21	**42,698**	**33,918**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(52,454)	(55,602)
Purchase of intangible assets - computer software	14	(2,407)	(2,675)
Proceeds from sale of property, plant and equipment		183	237
Acquisition of business		–	196
Net cash outflows from investing activities		**(54,678)**	**(57,844)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		35,000	34,149
Repayment of borrowings		(21,894)	(8,000)
Lease repayments		(2,285)	(2,250)
Dividends paid to the shareholders	26	(400)	(300)
Net cash inflows from financing activities		**10,421**	**23,599**
Net decrease in cash and cash equivalents		(1,559)	(327)
Cash and cash equivalents at the beginning of the year		2,283	2,610
Cash and cash equivalents at end of the year	10	**724**	**2,283**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS >>

For the year ended 31 March 2021

1. GENERAL INFORMATION

Counties Power Limited ('the Group') owns and operates an electricity distribution network for the conveyance of electricity, supplies electrical equipment, and provides electrical contracting services in the Counties region of New Zealand. ECL Group Limited, a subsidiary, is a leading technical services company specialising in fuel systems and technology solutions in New Zealand.

The Group consists of limited liability companies incorporated and domiciled in New Zealand. The address of its registered office is 14 Glasgow Road, Pukekohe. These consolidated financial statements were approved by the Board of Directors for issue on 21 June 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with New Zealand generally accepted accounting practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable New Zealand Financial Reporting Standards as appropriate for profit oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards ('IFRS').

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Entities reporting

The consolidated financial statements for the 'Group' are for the economic entity comprising Counties Power Limited, its subsidiaries and joint arrangements. The Company and Group are designated as profit oriented entities for financial reporting purposes.

Statutory base

Counties Power Limited is a company registered under the New Zealand Companies Act 1993 and an Energy Company under the Energy Companies Act 1992. The consolidated financial statements of the Group have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Energy Companies Act 1992, and the Companies Act 1993. In accordance with the Energy Companies Act 1992 because consolidated financial statements are prepared and presented for Counties Power Limited and its subsidiaries, separate financial statements for Counties Power Limited are no longer required to be prepared and presented.

Historical cost convention

The consolidated financial statements are prepared under the historical cost convention, and where appropriate, modified by the revaluation of financial assets and liabilities and certain classes of property, plant and equipment.

Comparative Information

Certain comparatives have been reclassified to conform with current year presentation.

(b) Basis for consolidation

The Group consolidates its subsidiaries as these are the entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions and balances between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Information on the Group's subsidiaries can be found in note 24.

(c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services (including lines charges) provided in the normal course of business, net of customer discounts and Goods and Services Tax. Customer discounts are annual power account discounts returned to consumers and recognised when paid.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

i) Lines revenue

The Group provides lines services to customers allowing connection to the wider distribution network. Such services are recognised as a series of distinct goods or services and are one performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis. Customer discounts represents the annual power discounts returned to the consumers and recognised when paid.

Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line service in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the customer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the customer. Revenue will be recognised over time.

ii) Metering revenue

Revenue received from the rental of meters is recognised in accordance with the relevant agreements.

iii) Capital contributions revenue

The Group provides electrical connection services to customers to support and provide a connection to the wider distribution network. Such contracts are considered to have an enforceable right to payment for the performance obligation for key milestones achieved as specified in the agreement. This single performance obligation is satisfied over time.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work and is based on the level of cost required to enable a connection.

iv) Interest income

Interest income is recognised using the effective interest method.

v) Rental income

Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

vi) Sales of goods

Revenue from sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment of goods to the customer.

vii) Sales of services

Contracted maintenance services include preventative maintenance (e.g. periodic inspections), corrective maintenance (e.g. repair / replacement of components on an as needed basis) and customer service support (e.g. help line access).

The contract duration is typically 1–5 years and revenue is recognised over time as service is rendered. The customer pays a fixed amount over the contract term in accordance with the payment frequency specified in the contract.

viii) Financing components

The Group does not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money as this is considered to not have a material impact.

ix) Contract revenue

The Group provides contracting services to customers ancillary to its electricity distribution business. Such contracts have an enforceable right to payment for the performance obligation for key milestones specified in the agreement. There is one single performance obligation and it is satisfied over a period of time.

Pricing is determined with reference to the labour and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

Contract revenue is recognised over the period of the contract by reference to stage of completion. The construction contract accounting policy requires estimates to be made of the outcome under each contract, which requires assessments and judgements to be made on a range of factors, such as: recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defect liabilities, and changes in costs.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Contract costs are recognised as an expense by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is only recognised to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where the costs incurred plus recognised profit (less recognised costs) exceeds progress billings; a contract represents a liability where the opposite is the case.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer, conditioned on something other than the passage of time, if the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

A contract asset is recognised for the earned consideration that is conditional. The contract assets of the Group include retentions relating to services already performed, but where the right to consideration is dependent on acceptance by the customer. These balances were classified as part of trade receivables on the Consolidated Statement of Financial Position.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services, a contract liability is recognised. Contract liabilities are recognised as revenue when the Group performs under the contract. These balances were presented as deferred income on the Consolidated Statement of Financial Position.

(e) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Goods and Services Tax (GST)

The Consolidated Statement of Comprehensive Income is prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Consolidated Statement of Financial Position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

The Group recognises lifetime expected credit loss for trade receivables (see details on note 3 [b]).

(j) Inventories

Merchandise, raw materials, consumables and work in progress are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first-in-first-out basis.

(k) Property, plant and equipment

Land, buildings and distribution assets are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation (excluding land). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. At the end of each reporting period between the triennial period the valuation is reviewed to ensure that the carrying value of the distribution network is recorded at fair value.

All other property, plant and equipment are stated at historical cost less depreciation. 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 Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings and distribution assets are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same assets are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged against profit or loss.

When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

Land is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using either straight-line (SL) or the diminishing value (DV) method. The following estimated useful lives are used in the calculation of depreciation.

Distribution system	5–60 years SL
Buildings	40–100 years SL
Leasehold improvements	1–40 years SL
Meters and relays	10–15 years SL
Plant and vehicles	1–15 years DV
Fibre network	10–11 years SL

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

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Consolidated Statement of Comprehensive Income.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(l) Intangible assets

i) Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis (one to seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

ii) Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. They have an infinite useful life and are tested for impairment annually.

iii) Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives (10 years).

iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of a business is included in intangible assets.

Goodwill acquired on business combination is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(m) Leases

Leases are accounted for in accordance with NZ IFRS 16 Leases. The Group recognises the right of use assets and lease liabilities, except for the leases with a lease term of less than 12 months on adoption and low value leases. Right of use assets are depreciated on a straight-line bases over the remaining term of the leases. Interest on the leases are calculated using the Group's incremental borrowing rates. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Group has defined the threshold for capitalising interest as any assets taking longer than three months to construct or greater than $500,000.

All other borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the period in which they are incurred.

(p) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(q) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the effective interest method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

Retirement benefit obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where this is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

(s) Share capital

Ordinary shares are classified as equity.

(t) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

(u) Financial assets

The Group classifies its investment in the following categories in accordance with NZ IFRS 9 Financial Instruments: assets at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under NZ IFRS 9 is generally based on the business model in which the financial assets are managed and its contractual cash flows characteristics.

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI and FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL.

- if it is held with the objective to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely for the payments of principal and interest on the principal amount being outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocable elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(v) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are classified as current or non-current based on the effective date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income within 'other income and gains'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Comprehensive Income within 'other income and gains'.

(w) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

For the non-controlling interests, the Group elected to recognise its proportionate share of the acquired net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(x) Put option arrangements

The Group has written put options over the equity of its subsidiary ECL Group Limited which permit the holder to put their shares in the subsidiary back to the Group at their fair value on specified dates over a six year period if ECL Group Limited's EBITDA for the previous financial year is at least $7,200,000.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount as non-current financial liability with a corresponding charge directly to equity. The liability is subsequently accreted through finance charges up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

3. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

i) Foreign exchange risk

The Group manages exposure in forecasted foreign currency exposure arising out of the capital expenditure programme in accordance with treasury policy. The Group treasury risk management policy is to hedge up to 100% of anticipated cash flows, in each major foreign currency for the subsequent 12 months. In this respect, the Group has hedged the forecasted foreign currency exposure arising out of the capital expenditure programme through forward exchange contracts. There is no exposure to foreign currency risk at year end.

ii) Cash flow and fair value interest rate risk

As the Group has no significant variable rate interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Group policy currently, for non-core debt, is to maintain a funding facility that provides the appropriate flexibility for the fluctuating requirements at the lowest cost.

Hedging arrangements using swaps, collars or options for up to 70% of the exposure are permitted.

Where operational activities lead to the creation of a core level of borrowings, between 30% and 40% of this debt will be hedged by an interest rate swap with the remainder placed in at least two facilities with maturity periods aligned to optimise risk and value.

iii) Sensitivity analysis

Interest rate swap contracts hedging the forecasted variability in cash flows arising out of variable interest rates on borrowings are treated as cash flow hedges. Any changes in variable interest rates would have no material impact on profit or loss in relation to the portion of borrowings hedged, as changes in the fair value of these interest rate swap contracts are taken through other comprehensive income where the hedge is an effective hedge.

A 100 basis points increase or decrease in interest rates is used for the interest rate sensitivity analysis. The impact of this movement on profit or loss and equity for 2021 and 2020 is immaterial.

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Otherwise, management assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

The maximum exposure to credit risk is best represented by the carrying value of cash and cash equivalents, and trade and other receivables as indicated in note 19.

The Group incurs credit risk from transactions with trade debtors and financial institutions in the normal course of business. At reporting date the Group had a significant concentration of credit risk relating to the amount receivable from Electricity Retailers. The Group has a programme to manage this risk concentration, including monitoring the credit status of the major debtors, adhering to specific credit policy requirements and having the contractual ability to require security to be provided by these customers under certain circumstances.

The Group does not generally require collateral or security to support financial instruments other than as outlined above, due to the quality of the financial institutions dealt with.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Group applies the NZ IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses , trade receivables have been grouped based on days past due. The expected credit loss rates are based on the payment profiles over a 12 month period before 31 March 2021 and the corresponding historical credit losses during the period, adjusted for any significant amounts that are not receivable (note 11[b]).

(c) Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long term commitments of the Group as they arise in an orderly manner. Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow. The Board of Directors approve all new borrowing facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 March 2021				
Trade and other payables	22,413	1,242	–	–
Lease liabilities	1,997	1,918	3,291	4,872
Bank loans	15,200	–	80,000	–
Derivative financial instruments (fair values)	–	194	–	–
Total non-derivatives	**39,610**	**3,354**	**83,291**	**4,872**
At 31 March 2020				
Trade and other payables	17,106	737	1,288	–
Lease liabilities	2,806	2,490	3,396	5,301
Bank loans (refer note 18)	894	81,200	–	–
Derivative financial instruments (fair values)	–	–	634	–
Total non-derivatives	**20,806**	**84,427**	**5,318**	**5,301**

(d) Fair value estimation

The Group has discounted long term receivables and payables at the implicit rate for finance leases receivable, and at the incremental borrowing rate. This balance is presented net in Trade and other payables in the Consolidated Statement of Financial Position.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial assets and financial liabilities are recognised on the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

NZ IFRS 13, Fair Value Measurement: Disclosures requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer note 3(a) (ii)). Credit risk is incorporated into the valuation of derivatives.

Distribution system assets and land and buildings are classified within level 3 of the fair value hierarchy. The valuation techniques and assumptions for distribution system assets and land and buildings measured at fair value are disclosed in note 13.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

(e) Capital risk management

The Group manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the existing structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2021 and 2020.

The Group monitors its compliance with banking covenants as required by its banker, ASB Bank Limited (note 18). There have been no breaches during the year.

The Group monitors equity using a gearing ratio (a non-GAAP measure), which is net debt divided by total equity plus debt. The Group includes within net debt borrowings less cash and cash equivalents.

The gearing ratios are as follows:	**Note**	**2021 $'000**	**2020 $'000**
Borrowings	18	95,200	82,094
Lease liabilities	23	12,078	13,993
Less: cash and cash equivalents	10	(724)	(2,283)
Net debt		**106,554**	**93,804**
Equity		265,388	251,943
Equity plus net debt		**371,942**	**345,747**
Gearing ratio		29%	27%

4. CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimates, which are dealt with below).

i) Electricity line revenue recognition

Part of the line revenues are based on normalisation, where consumption is estimated to the end of the billing period based on historical actual electricity usage. Occasionally historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue (refer to note 5).

ii) Construction contracting and capital contributions

The Group recognises revenue for construction contracting and capital contributions as performance obligations are met. This method requires the Group to review key milestones specified in the agreement to determine the level of completion.

Contract liability – capital contributions	**Notes**	**2021 $'000**	**2020 $'000**
Opening Balance		**4,278**	**4,407**
Amount of transaction price received for unsatisfied performance obligations		15,375	8,287
Revenue recognised from performance obligations satisfied	5	(11,732)	(8,416)
Closing Balance	16	**7,921**	**4,278**

The above table pertains to contract liability in relation to capital contributions and is presented as a deferred capital contribution liability in note 16.

Contract liability – deferred income	**Notes**	**2021 $'000**	**2020 $'000**
Opening Balance		**2,800**	**2,913**
Amount of transaction price received for unsatisfied performance obligations		10,768	9,661
Revenue recognised from performance obligations satisfied		(11,467)	(9,774)
Closing Balance		**2,101**	**2,800**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

iii) Valuation of network distribution system
The Group estimates the fair value of the distribution network using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation has therefore been determined using the discounted cash flow method. The major inputs that are used in the valuation model that require management judgement include load growth and pricing, projected capital expenditure profiles and discount and inflation rates.

iv) Valuation of buildings and land
In accordance with its accounting policy, the Group revalues its properties at least once every three years. The valuations, which are performed by independent valuers, involve estimates and judgements as detailed in note 13.

v) Depreciation
Judgements have been made in relation to the Group's depreciation rates as per note 2.

vi) Goodwill
The Group assesses at the end of each reporting period whether there is any indication that goodwill may be impaired. The Group estimates the recoverable amount for each Cash Generating Unit, and should an impairment exist, adjusts the carrying value to that amount. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement (note 14).

5. REVENUE

	2021 $'000	2020 $'000
Electricity line revenue – gross	61,724	60,273
Customer discount	(10,860)	(10,560)
Net electricity line revenue	**50,864**	**49,713**
Metering revenue	4,038	3,959
Construction contract revenue	3,875	3,025
Capital contributions	11,732	8,416
Fixed price service revenue (ECL Group Limited)	13,352	14,945
Cost plus (maintenance) revenue (ECL Group Limited)	16,252	16,349
Projects revenue (ECL Group Limited)	11,467	9,774
Other revenue (ECL Group Limited)	13,443	15,324
Total	**125,023**	**121,505**

6. OTHER INCOME AND GAINS

	2021 $'000	2020 $'000
Loss on disposal of fixed assets	45	(2)
Interest income	–	20
Rent income	198	138
Total	**243**	**156**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

7. EXPENSES

	2021 $'000	2020 $'000
Expenses, excluding finance costs, included in the Consolidated Statement of Comprehensive Income		
Employee benefits expense	40,468	41,848
Depreciation and amortisation expense	21,008	19,117
Transmission costs	10,989	13,587
Raw materials and consumables used	21,662	20,436
Other expenses	5,909	5,794
Land valuation	–	730
Rental rebates	(1,111)	(852)
	98,925	**100,660**

Depreciation (notes 13 and 23)		
Plant and vehicles	3,414	3,406
Buildings	236	223
Leasehold improvements	65	60
Distribution system	9,580	8,515
Meters and relays	2,048	1,968
Managed network	48	24
Right of use assets	2,517	2,397
Total depreciation	**17,908**	**16,593**
Amortisation (note 14)		
Customer goodwill	1,050	1,050
Computer software	2,050	1,474
Total amortisation	**3,100**	**2,524**
Total depreciation and amortisation	**21,008**	**19,117**
Finance costs		
Borrowings	2,856	2,100
Lease interest	627	566
Total finance costs	**3,483**	**2,666**

Remuneration of auditors and other advisors

During the year the following fees were paid or payable for services provided by the auditor of the entity, its related practices and non-related audit firms.

AUDIT SERVICES		
Auditing the Financial Statements	302	360
Audit of Regulatory Statements	49	47
Total audit services	**351**	**407**
OTHER SERVICES		
Regulatory advice and software licence	–	9
Advisory – non-related firms	335	464
Total other services	**335**	**473**
Total	**686**	**880**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

8. INCOME TAX EXPENSE

(a) Income tax expense

	2021 $'000	2020 $'000
Current tax	2,892	3,441
Deferred tax	3,644	1,217
Total	**6,536**	**4,658**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2021 $'000	2020 $'000
Profit from continuing operations before income tax expense	**22,858**	**10,335**
Income tax expense attributable to taxable profits @ 28%	6,400	2,894
Non-deductible expenses	11	2,797
Reintroduction of building depreciation*	–	(988)
Prior year adjustments	125	(45)
Income tax expense	**6,536**	**4,658**

* This is a result of the Covid-19 Response (Taxation and Social Assistance Urgent Measures) Bill enacted on 25 March 2020 which impacted the deferred tax as shown in note 9.

(c) Imputation credit account

The value of imputation credits available for subsequent reporting periods as at 31 March 2021 is $33.8 million (2020: $30.4m).

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

i) Imputation credits that will arise from the payment of the amount of the provision for income tax;

ii) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

iii) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

9. DEFERRED TAX LIABILITIES

	2021 $'000	2020 $'000
Opening deferred tax liability	48,398	48,713
Charged to income tax expense	3,644	4,747
Reintroduction of building depreciation	–	(3,530)
Cash flow hedges	123	(126)
Deferred tax recognised on revalued assets	(1,680)	(1,406)
Closing balance at 31 March	**50,485**	**48,398**

Deferred income tax assets	(1,136)	(841)
Deferred income tax liabilities	51,621	49,239
Closing balance	**50,485**	**48,398**

	Revaluation of property, plant and equipment $'000	Depreciation $'000	Other $'000	Total $'000
Deferred tax liabilities				
At 31 March 2019	**25,523**	**19,767**	**3,423**	**48,713**
Charged to income tax expense	–	4,747	–	4,747
Reintroduction of building depreciation	–	(3,530)	–	(3,530)
Cash flow hedges	–	–	(126)	(126)
Charged directly to equity	(1,406)	–	–	(1,406)
At 31 March 2020	**24,117**	**20,984**	**3,297**	**48,398**
Charged to income tax expense	–	4,844	(1,200)	3,644
Cash flow hedges	–	–	123	123
Charged directly to equity	(1,680)	–	–	(1,680)
At 31 March 2021	**22,437**	**25,828**	**2,220**	**50,485**

10. CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Bank balances	**724**	**2,283**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

11. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Trade receivables	9,104	9,114
Accrued revenue	8,429	5,208
Provision for impairment	(277)	(321)
Net trade receivables	**17,256**	**14,001**
Other receivables and prepayments	1,084	873
Total receivables	**18,340**	**14,874**

(a) Bad and doubtful trade receivables

The Group has written off $209,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2021 (2020: $137,000). The movement has been included in "Expenses" in the Consolidated Statement of Profit and Loss.

(b) Credit risk

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3 (b).

31 March 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	3%	14%	26%	2%
Gross carrying value – trade receivables ($'000)	15,741	656	491	645	17,533
Loss Allowance ($'000s)	**25**	**18**	**68**	**166**	**277**

31 March 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0%	0%	7%	37%	2%
Gross carrying value – trade receivables ($'000)	12,851	369	332	770	14,322
Loss Allowance ($'000s)	**10**	**–**	**24**	**287**	**321**

12. INVENTORIES

	2021 $'000	2020 $'000
Merchandise	4,595	4,424
Provision for obsolescence	(872)	(760)
Work in progress	–	1,128
Goods in transit	238	647
Total	**3,961**	**5,439**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold buildings $'000	Plant and vehicles $'000	Leasehold improvements $'000	Meters and relays $'000	Distribution system $'000	Managed network $'000	Total $'000
Year ended 31 March 2020								
Opening net book value	15,155	9,658	13,260	285	12,492	268,608	826	320,284
Additions	1,850	994	3,178	69	527	49,208	135	55,961
Change in WIP	–	–	(359)	–	–	–	–	(359)
Disposals	–	–	(220)	(1)	(17)	–	–	(238)
Revaluation gain/(loss)	3,823	52	–	–	–	(5,076)	–	(1,201)
Depreciation charge (note 7)	–	(223)	(3,406)	(60)	(1,968)	(8,515)	(24)	(14,196)
Closing net book value	**20,828**	**10,481**	**12,453**	**293**	**11,034**	**304,225**	**937**	**360,251**
At 31 March 2020								
Cost	20,828	10,481	26,789	1,259	22,633	304,225	2,186	388,401
Accumulated depreciation	–	–	(14,336)	(966)	(11,599)	–	(1,249)	(28,150)
Net book value	**20,828**	**10,481**	**12,453**	**293**	**11,034**	**304,225**	**937**	**360,251**
Year ended 31 March 2021								
Opening net book value	20,828	10,481	12,453	293	11,034	304,225	937	360,251
Additions	660	2,952	3,726	–	1,397	42,438	–	51,173
Change in WIP	–	–	1,281	–	–	–	–	1,281
Disposals	–	–	(128)	–	(9)	–	–	(137)
Revaluation gain/(loss)	1,526	–	–	–	–	(6,000)	–	(4,474)
Depreciation charge (note 7)	–	(236)	(3,414)	(65)	(2,048)	(9,580)	(48)	(15,391)
Closing net book value	**23,014**	**13,197**	**13,918**	**228**	**10,374**	**331,083**	**889**	**392,703**
At 31 March 2021								
Cost	23,014	13,393	29,257	1,259	24,012	331,083	2,186	424,204
Accumulated depreciation	–	(196)	(15,339)	(1,031)	(13,638)	–	(1,297)	(31,501)
Net book value	**23,014**	**13,197**	**13,918**	**228**	**10,374**	**331,083**	**889**	**392,703**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

Distribution system assets

Distribution system assets were subject to an independent valuation as at 31 March 2021. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using discounted cash flow methodology. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgement is required. The valuation was based on revenue and cost assumptions applied against a combination of WACC and CPI inflation rates that are generally in the mid-point of the range. The valuation range determined by Deloitte was $316m to $350m using the following assumptions:

Assumptions	Valuation assumptions adopted	Low	High	Valuation impact $'m
Capital expenditure	$259m[1]	90%	110%	-/+1.0
WACC	4.5%	4.0%	5.0%	-/+17.0
RAB Multiple	1.01x	0.96x	1.06x	-/+3.4

[1]This amount represents capital expenditure over ten years, as shown in the Company's asset management plan, excluding terminal capital expenditure.

The valuation was updated and reviewed by Deloitte at 31 March 2021. The Board determined that a revaluation adjustment of $6.0m was required to reduce the carrying value to $331.1m to fall within the valuation range.

Land and buildings

The network land and buildings were revalued upwards by $3.8m as at 31 March 2020 (Revaluation reserve uplift $4.6m, devaluation of $0.7m to the Consolidated Statement of Profit or Loss). This three yearly valuation was prepared by JLL, independent valuers and property consultants. These valuations were carried out in accordance with PINZ Practice Standards and New Zealand equivalent to International Accounting Standard IAS 16. The valuations were determined based on discounted cash flow, capitalisation of net income, sales comparison and depreciated replacement cost approaches and on the basis of continued use. The valuations took into account the nature of the property, age and conditions of the buildings.

In March 2021, JLL revisited the valuation prepared for land to assess the impact of market changes. An uplift of $1.5m was booked to reflect the higher valuation.

Land and buildings – historical cost

If distribution network, land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2021 $'000	2020 $'000
Deemed cost – distribution network	422,063	379,625
Accumulated depreciation	(89,839)	(80,259)
Net book value	**332,224**	**299,366**
Deemed cost – land	5,648	4,988
Deemed cost – buildings	12,754	9,802
Accumulated depreciation – buildings	(2,280)	(2,044)
Net book value	**16,122**	**12,746**

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

14. INTANGIBLE ASSETS

	Brands $'000	Customer goodwill $'000	Goodwill $'000	Computer software $'000	Total $'000
Year ended 31 March 2020					
Opening net book value	3,400	10,500	23,752	3,237	40,889
Additions	–	–	–	1,881	1,881
Acquisition of business	–	–	(196)	–	(196)
Change in WIP	–	–	–	794	794
Disposals	–	–	–	(1)	(1)
Amortisation charge (note 7)	–	(1,050)	–	(1,474)	(2,524)
Impairment	–	–	(8,000)	–	(8,000)
Closing net book value	**3,400**	**9,450**	**15,556**	**4,437**	**32,843**
At 31 March 2020					
Cost	3,400	10,500	23,556	8,292	45,748
Accumulated amortisation/impairment	–	(1,050)	(8,000)	(3,855)	(12,905)
Net book value	**3,400**	**9,450**	**15,556**	**4,437**	**32,843**
Year ended 31 March 2021					
Opening net book value	3,400	9,450	15,556	4,437	32,843
Additions	–	–	–	2,999	2,999
Change in WIP	–	–	–	(592)	(592)
Amortisation charge (note 7)	–	(1,050)	–	(2,050)	(3,100)
Closing net book value	**3,400**	**8,400**	**15,556**	**4,794**	**32,150**
At 31 March 2021					
Cost	3,400	10,500	23,556	9,181	46,637
Accumulated amortisation	–	(2,100)	(8,000)	(4,387)	(14,487)
Net book value	**3,400**	**8,400**	**15,556**	**4,794**	**32,150**

Policies

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets of an acquired subsidiary.

Goodwill is carried at cost less accumulated impairment losses.

Allocation of goodwill

For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ('CGU'), which at 31 March 2021 is identified as 1 CGU as opposed to 2 CGUs as at 31 March 2020. Following the legal amalgamation on 1 December 2020, the previously identified 2 CGUs have now been combined due to business operational changes. The identification of CGU and operating segment at 31 March 2021 has been performed in line with guidance in NZ IAS 36 Impairment of assets and NZ IFRS 8 Operating segments, including how the Group makes decisions about resource allocation and how it reviews operating results and assesses performance.

Critical estimates and judgements

To assess impairment, management must estimate the future cash flows of the CGU. This entails making judgements including:

- the expected rate of growth of revenues;
- the terminal growth rate;
- the level of future expenditure required to support these outcomes; and
- the appropriate discount rate to apply when discounting future cash flows.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

Impairment

Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which it has been allocated or when there is an indication that the assets may be impaired.

An asset is impaired if the Carrying Amount of the CGU is less that the Recoverable Amount at the Measurement Date. The Recoverable Amount of the CGU is defined as the higher of Fair Value Less Costs of Disposal (FVLCD) and its Value in Use (VIU).

At 31 March 2021, there was no impairment of goodwill (2020: 8.0 million).

Assumptions

The recoverable amount attributed to the CGU is calculated based on VIU. The VIU was calculated based on cash flows discounted using the applicable WACC rate.

Future cash flows are forecast based on actual results and strategic business plans. A five-year plan as approved by the Board of Directors has been used.

The table below sets out the key assumptions for the CGU:

Revenue growth, COGs and Direct wages (% annual increase – FY22)	12.8%
Revenue growth (% annual increase – average FY23 to FY26)	3.2%
COGS and direct wages (% annual increase – average FY23 to FY26)	2.0%
WACC rate	9.6%
Terminal growth rate	1.7%

Revenue is driven by a combination of organic growth and large project works. New market segments have been identified which are expected to provide significantly high mid-term and long-term growth prospects. The business has proven capability within these market segments and the capacity to scale as required as new customers are brought on.

COGS and wages can be scaled up or down to the level of business growth with pricing set on a sustainable basis.

WACC rates take into account the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Group using the capital asset pricing model. The cost of debt takes into account incremental borrowing rates for the Group.

The terminal growth assumption is based on the current implied inflation rates, calculated as the difference between inflation adjusted and vanilla government bond yields at the valuation date.

Sensitivity to changes in key assumptions

The following summarises the effect on goodwill of a reasonably possible change in the key assumptions for the CGU with all other assumptions remaining constant:

	$'000
Revenue growth (1% decrease year on year from FY23 to FY26)	(11,500)
COGS and direct wages (1% increase year on year from FY23 to FY26)	(10,300)
WACC (0.5% increase)	(5,500)
Terminal growth (1% decrease)	(7,200)

The recoverable amount of the CGU could equal its carrying amount if the key assumptions were to change as follows:

	From	**To**
Revenue growth	1% decrease	1.45% decrease
COGS and direct wages	1% increase	1.65% increase
WACC	0.5% increase	2.3% increase
Terminal growth rate	1% decrease	No impact

Any further impact to the above key assumptions would trigger an impairment.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 $'000	2020 $'000
Interest rate swap	194	634
Net derivative financial instruments	**194**	**634**

The Group had outstanding interest rate swaps of $25,000,000 at 31 March 2021 (2020: $25,000,000).

The Group had no forward foreign exchange contracts at 31 March 2021 (2020: $USD206,000).

16. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current trade and other payables		
Trade payables	10,441	8,314
Sundry accruals	3,268	3,731
Deferred capital contributions liability	7,921	4,278
Non-interest bearing liabilities	783	783
Total current trade and other payables	**22,413**	**17,106**
Non-current trade and other payables		
Non-interest bearing liabilities	1,242	2,025
Total trade and other payables	**23,655**	**19,131**

17. EMPLOYEE BENEFITS

	2021 $'000	2020 $'000
Employee benefits	880	649
Holiday pay	2,842	2,532
Other leave	116	107
Total provisions	**3,838**	**3,288**

Provision is made for annual leave, bonuses and superannuation payments due to employees.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

18. BORROWINGS

	2021 $'000	2020 $'000
Unsecured – interest bearing		
Bank loan – current	15,200	894
Bank loan – non-current	80,000	81,200
Total borrowings	**95,200**	**82,094**

(a) Interest rate risk exposures
Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 3.

(b) Financing arrangements
Unrestricted access was available at reporting date to the following lines of credit:

	2021 $'000	2020 $'000
Credit standby arrangements		
Facilities		
Counties Power Limited	**150,000**	**100,000**
ECL Group Limited	**17,900**	**17,900**
Total facilities	**167,900**	**117,900**
Used at reporting date		
Bank loans	**95,200**	**82,094**
Unused at reporting date		
Bank loans	**72,700**	**35,806**

Counties Power Limited
The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $150.0 million (2020: $100.0 million) and expires on 22 May 2025. There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

ECL Group Limited
The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $17.9 million and expires on 31 December 2021. There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

Borrowings are subject to restrictive covenants imposed by ASB. The principal covenants are as follows:

- The ratio of EBIT to interest in respect of each period of twelve months ending on an annual or half-yearly balance date of the Group shall not be less than three times.
- Shareholder's funds are not less than 50% of adjusted total tangible assets at any time during the continuance of the facility.

The weighted average interest rate on borrowings was 2.51% (2020: 3.31%). The Distribution System assets include capitalised borrowings costs of $300,000 (2020: $297,000).

(c) Fair value
The fair value of current borrowings equals their carrying amount, as all borrowings are at floating interest rates.

(d) Foreign currency risk exposure
All of the Group's borrowings are denominated in New Zealand dollars.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

19. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per Consolidated Statement of Financial Position	Amortised Cost $'000	Total $'000
At 31 March 2021		
Trade and other receivables	17,256	17,256
Cash and cash equivalents	724	724
	17,980	**17,980**
At 31 March 2020		
Trade and other receivables	14,001	14,001
Cash and cash equivalents	2,283	2,283
	16,284	**16,284**

Liabilities as per Consolidated Statement of Financial Position	Liabilities through other comprehensive income $'000	Financial liabilities at amortised cost $'000	Total $'000
At 31 March 2021			
Derivative financial instruments	194	–	194
Borrowings	–	95,200	95,200
Trade and other payables	–	23,655	23,655
Lease liabilities	–	12,078	12,078
	194	**130,933**	**131,127**
At 31 March 2020			
Derivative financial instruments	634	–	634
Borrowings	–	82,094	82,094
Trade and other payables	–	19,131	19,131
Lease liabilities	–	13,993	13,993
	634	**115,218**	**115,852**

20. SHARE CAPITAL

	2021 $'000	2020 $'000
Share capital		
Ordinary shares	30,797	30,797
Total share capital	**30,797**	**30,797**

Ordinary shares

At 31 March 2021 there were 15,000,000 fully paid ordinary shares. (2020: 15,000,000).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held.

All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

All shares have no par value.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

21. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOWS FROM OPERATING ACTIVITIES

	2021 $'000	2020 $'000
Net profit after tax	**16,322**	**5,677**
Depreciation and amortisation	21,008	19,117
Impairment	–	8,000
Land valuation	–	730
Changes in deferred tax	3,644	1,216
Net (gain)/loss on sale of assets	(46)	2
	24,606	**29,065**
Increase in trade and other receivables	(3,466)	(630)
Decrease/(Increase) in inventories	1,478	(1,184)
Increase in trade and other payables	4,524	190
(Decrease)/Increase in income tax payable	(617)	395
Decrease in deferred income	(699)	(113)
Increase in employee benefits	550	518
	1,770	**(824)**
Net cash inflows from operating activities	**42,698**	**33,918**

22. COMMITMENTS

Capital commitments

The Group had $4,547,000 committed for property, plant and equipment at 31 March 2021 (2020: $9,096,000).

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

23. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The leases for buildings relate to office and warehouse space throughout New Zealand. Distribution system assets are used exclusively by the Group.

	Buildings $'000	Plant and vehicles $'000	Distribution system $'000	Total $'000
Year ended 31 March 2020				
Opening net book value	–	–	–	–
Adoption of NZ IFRS16	10,178	4,201	1,864	16,243
Depreciation charge (note 7)	(837)	(1,418)	(142)	(2,397)
Closing net book value	**9,341**	**2,783**	**1,722**	**13,846**
At 31 March 2020				
Cost	10,178	4,201	1,864	16,243
Accumulated depreciation	(837)	(1,418)	(142)	(2,397)
Net book value	**9,341**	**2,783**	**1,722**	**13,846**
Year ended 31 March 2021				
Opening net book value	9,341	2,783	1,722	13,846
Additions	9	361	–	370
Depreciation charge (note 7)	(947)	(1,428)	(142)	(2,517)
Closing net book value	**8,403**	**1,716**	**1,580**	**11,699**
At 31 March 2021				
Cost	10,187	4,562	1,864	16,613
Accumulated depreciation	(1,784)	(2,846)	(284)	(4,914)
Net book value	**8,403**	**1,716**	**1,580**	**11,699**

	2021 $'000	2020 $'000
Lease liabilities		
Current	1,997	2,806
Non-current	10,081	11,187
	12,078	**13,993**

	2021 $'000	2020 $'000
Lease liabilities		
Opening value	13,993	–
NZIFRS16: Leases Transition	–	16,243
Additions	370	–
Lease interest (note 7)	627	566
Lease Payments	(2,912)	(2,816)
Closing Value	**12,078**	**13,993**

Right of use assets are depreciated on a straight-line basis over the life of the lease. The current rates are:

Buildings	5–50%
Plant and vehicles	20–90%
Distribution system	6–14%

Right of use assets that had a lease term of less than 12 months or were low value leases were not material in 2021 or 2020.

» NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

24. INVESTMENTS IN SUBSIDIARIES

Subsidiaries

Name of entity	Country of incorporation	Interest held by entity 2021	Interest held by entity 2020
ECL Group Limited	New Zealand	75%	75%
CPL Network Limited	New Zealand	100%	100%

On 1 February 2019, the Group acquired a 75% shareholding in ECL Group Limited. The 25% minority interest is held by Optima Investment Group Limited.

Effective 28 April 2021, CPL Network Ltd has changed its name to Counties Energy Limited.

25. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Name of entity	Place of Business/Country of incorporation	% of Ownership Interest	Nature of Relationship	Measurement Method
SmartCo Limited	New Zealand	14.29%	Joint Venture	Equity
Ampli Limited	New Zealand	31.58%	Associate	Equity

In 2010, the Group acquired a 14.29% joint venture investment in SmartCo Limited. Due to the nature of the contractual rights and obligations, SmartCo Limited is classified as a joint venture for accounting purposes and accounted for using the equity method.

In 2017, the Group acquired a shareholding of 30.0% in Ampli Limited (incorporated on 18 December 2017) at nil consideration. The company is no longer trading.

There were no changes during the year.

26. RELATED PARTY TRANSACTIONS

(a) Parent

The Group is 100% owned by the Counties Power Consumer Trust.

(b) Transactions with related parties

The following transactions occurred with related parties:

	2021 $'000	2020 $'000
Counties Power Consumer Trust (Parent)		
Dividends paid (2 cents per share)	400	300
SmartCo Limited (Joint Venture)		
Contribution to operating costs	6	6
Optima Investment Group Limited		
Financial liabilities (note 2(x))	6,500	6,500
Counties Power Consumer Trust		
The Group has agreed to advance $1,133,000 (2020 – $1,133,000) on 30 June 2021 for the purchase of land. The loan is repayable by 30 June 2024 and will incur interest at the ASB borrowing rate for Counties Power Limited (note 18).		

(c) Key management personnel compensation

	2021 $'000	2020 $'000
Directors' fees – Parent Company	345	330
Directors' fees – ECL Group Limited	148	144
Salaries and short term employee benefits	2,201	2,144
Total salaries and short term employee benefits	**2,694**	**2,618**

Key management personnel have been defined as the Leadership Team.

27. EVENTS OCCURRING AFTER THE REPORTING DATE

The ASB banking facility for ECL Group Limited was extended in June 2021 for a further three years to 30 June 2024.

STATEMENT OF SERVICE PERFORMANCE

The table below sets out the performance targets included in the Statement of Corporate Intent for 2020.

For the year ended 31 March	2021		2020	
	Target	Actual	Target	Actual
Earnings before customer discounts, interest and tax expressed as a percentage of total average capital employed	8.1%	10.1%	9.4%	6.7%
Profit or loss before customer discounts and after tax expressed as a percentage of average consolidated shareholders' funds	7.3%	8.9%	7.8%	4.8%
Average minutes without electricity per customer: (SAIDI)				
• Unplanned outages	140	120.81	110	137.73
• Planned	90	70.12	90	87.13
Average number of unplanned faults per customer (11kV and above) (SAIFI)	2.70	2.55	2.80	2.71

Financial targets were exceeded in 2021.

Unplanned outages, as measured by SAIDI (average minutes without electricity per customer), were better than the target by 19.19 minutes (13.7% favourable). The main categories of faults were Third Party Interference (33.29 minutes), Defective Equipment (32.02 minutes) and vegetation (23.61 minutes).

Planned SAIDI was favourable, being 19.88 minutes (22.1% favourable) under the year's target.

SAIFI performance was favourable, being 0.15 (5.6% favourable) under the year's target.

The SAIDI and SAIFI results were calculated in accordance with the 2015-20 DPP normalisation method using information from the Company's non-financial systems. The SAIDI long term target for Unplanned outages remains 110. However, the annual targets have been revisited, and amended on a reducing scale, to a level that better reflects the improvements being undertaken on the network to achieve the long term target.

Health and Safety Measures

Health and safety continues to be the most important aspect of what the Company does and why it does it. It's the first core business agenda item at each Board meeting and is supported by key information from all corners of the Counties Power Group of businesses. Counties Power is an active member of the Business Leaders' Health and Safety Forum whose prerequisite for membership is a pledge to Zero Harm. Within the reporting period, Counties Power's Safety Management System was externally audited and retained certification. Like many other companies, Counties Power continues to assess key critical risks and the management thereof, with increasing insight being put on the health component of health and safety.

	2021		2020	
	Target	Actual	Target	Actual
Lost time injuries (LTIs)	–	3	–	4

AUDITOR'S REPORT

For the year ended 31 March 2021

Independent Auditor's Report

To the readers of Counties Power Limited's Group Consolidated Financial statements and Statement of Service performance for the year ended 31 March 2021.

The Auditor-General is the auditor of Counties Power Limited Group (the Group). The Auditor-General has appointed me, Mark Bramley, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the consolidated financial statements and the statement of service performance of the Group on his behalf.

Opinion on the consolidated financial statements and the statement of service performance

We have audited:

- the consolidated financial statements of the Group on pages 24 to 53, that comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on pages 54.

In our opinion:

- the consolidated financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to the International Financial Reporting Standards; and
- the statement of service performance of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2021.

Our audit was completed on 21 June 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the consolidated financial statements and the statement of service performance, we comment on other information, and we explain our independence.

AUDITOR'S REPORT

For the year ended 31 March 2021

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the consolidated financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the Group for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.
The Board of Directors is also responsible on behalf of the Group for preparing statement of service performance that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare consolidated financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the consolidated financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements and statement of service performance.

For the target information reported in the statement of service performance, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements and the statement of service performance.

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

AUDITOR'S REPORT

For the year ended 31 March 2021

pwc

- We identify and assess the risks of material misstatement of the consolidated financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported statement of service performance within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements and the statement of service performance, including the disclosures, and whether the consolidated financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the consolidated financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and statement of service performance. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

AUDITOR'S REPORT

For the year ended 31 March 2021

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 23 but does not include the consolidated financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the consolidated financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

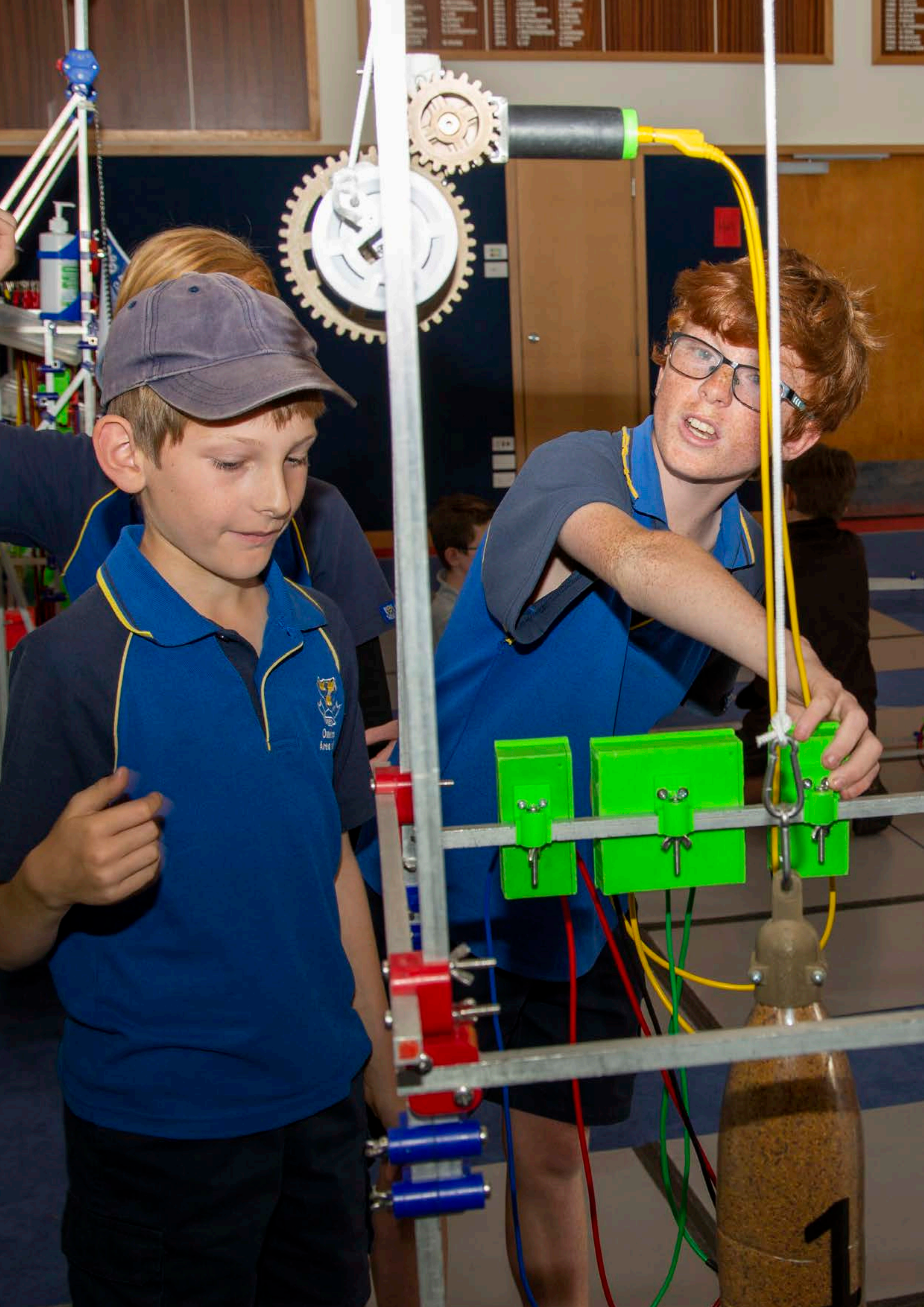
In addition to the audit, we have carried out assignments in the areas of compliance with then Electricity Distribution (Information Disclosure) Determination 2012.This assignment was compatible with the Auditor-General's independence requirements. Other than this assignment, we have no relationship with or interests in the Group.

Mark Bramley

Mark Bramley
On behalf of the Auditor-General
Auckland, New Zealand

PricewaterhouseCoopers

PricewaterhouseCoopers


1

Robinhood
Robinhood
Robinhood
STARS
STARS
STARS
ANZ