

Hawke's Bay Power Consumers' Trust

Financial Statements for the year ended 31 March 2018

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Hawke's Bay Power Consumers' Trust

Income Statement for the year ended 31 March 2018

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
Investment and Other Income			
Dividends Received	7	12,700,000	9,683,200
Interest Received		49,195	114,600
		<u>12,749,195</u>	<u>9,797,800</u>
Expenses			
Audit Fees		8,102	8,040
Conference Expenses		80	-
Consultancy		-	24,081
Distribution Expenses		65,384	51,496
Election Expenses		104,771	-
Energy Efficiency Projects		663,244	305,500
General Expenses		11,915	8,837
Insurance		5,448	5,352
Ownership Review		3,577	-
Public Relations		25,926	24,413
Secretarial & Accounting Fees		51,060	51,060
Trustees Expenses		9,945	9,622
Trustees Remuneration		<u>140,520</u>	<u>140,440</u>
Total Expenses		1,089,972	628,841
Net Income before Tax		<u>11,659,223</u>	<u>9,168,959</u>
Tax Expense	8	-	-
Net Income for the Year		<u><u>11,659,223</u></u>	<u><u>9,168,959</u></u>

Statement of Comprehensive Income for the year ended 31 March 2018

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
Net Income for the year		11,659,223	9,168,959
Other comprehensive income			
Other Comprehensive Income for Year		-	-
Total comprehensive income		<u><u>11,659,223</u></u>	<u><u>9,168,959</u></u>

This Statement is to be read in conjunction with the accompanying Notes

Hawke's Bay Power Consumers' Trust

Statement of Movements in Equity for the year ended 31 March 2018

	<i>This Year</i> \$	<i>Last Year</i> \$
Credits for year:		
Net Income For Year	11,659,223	9,168,959
Distribution Over-provided & Unclaimed Money	373,650	351,900
	<hr/>	<hr/>
	12,032,873	9,520,859
Debits for year:		
Previous Distribution Cheques Presented	100,790	99,005
Distribution to Owners	12,748,316	9,495,430
	<hr/>	<hr/>
	12,849,106	9,594,435
Debit for year	<hr/>	<hr/>
	(816,233)	(73,576)
Opening Credit Balance	65,600,717	65,674,293
Closing Credit Balance	<hr/>	<hr/>
	<u>64,784,484</u>	<u>65,600,717</u>

This Statement is to be read in conjunction with the accompanying Notes and the Accountant's Statement

Hawke's Bay Power Consumers' Trust

Balance Sheet as at 31 March 2018

	<i>Note</i>	<i>This Year</i> \$	<i>Last Year</i> \$
ASSETS			
Current Assets			
Cash and Cash Equivalents		1,254,731	2,171,206
Interest Accrued		10,160	5,413
Payments in Advance		5,429	4,955
		1,270,320	2,181,574
Non-Current Assets			
Unison Networks Limited Shares Held		64,000,000	64,000,000
		65,270,320	66,181,574
LIABILITIES			
Current Liabilities			
Accounts Payable	128,736		207,207
Provision for Distribution	357,100		373,650
		485,836	580,857
EXCESS ASSETS OVER LIABILITIES		64,784,484	65,600,717
EQUITY			
Retained Earnings		(215,516)	600,717
Trust Capital		65,000,000	65,000,000
		64,784,484	65,600,717

For and on behalf of Trustees

Trustee

Trustee

Date _____

Hawke's Bay Power Consumers' Trust

Cash Flow Statement for the year ended 31 March 2018

	<i>This Year</i>	<i>Last Year</i>
	<i>\$</i>	<i>\$</i>
Cash Flows from Operating Activities		
Cash was provided from:		
Dividends Received	12,700,000	9,683,200
Interest Received	44,448	114,188
Taxation Refunds Received	-	34
	12,744,448	9,797,422
 Cash was disbursed to:		
Expenses Paid	1,168,916	540,843
	1,168,916	540,843
 Net Cash Flow from Operations	 11,575,532	 9,256,579
 Cash Flows From Financing Activities		
Cash was disbursed to:		
Previous Distribution Cheques Presented	100,790	99,005
Distributions Paid	12,391,216	9,121,780
	12,492,006	9,220,785
 Net Cash Flow from Financing	 (12,492,006)	 (9,220,785)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (916,474)	 35,794
 Represented By:		
Opening Cash and Cash Equivalents	2,171,206	2,135,412
Net Increase (Decrease) in Cash and Cash Equivalents	(916,474)	35,794
 Closing Cash and Cash Equivalents	 1,254,732	 2,171,206
		-

This Statement is to be read in conjunction with the accompanying Notes

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements **for the year ended 31 March 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The assets and liabilities of the former Hawke's Bay Electric Power Board were vested in a new energy company (Hawke's Bay Power Distribution Limited) on 1 June 1993 in accordance with the Establishment Plan which was approved by the Governor General by Order in Council on the 10th day of May 1993. Hawke's Bay Power Distribution Limited changed its name to Hawke's Bay Network Limited on 19 January 1999 following reorganisation of the business in accordance with the Electricity Reform Act 1998. Hawke's Bay Network Limited changed its name to Unison Networks Limited on the 17 April 2003.

The Establishment Plan also provided for the establishment of the Hawke's Bay Power Consumers' Trust, the reporting entity for these financial statements, and the allocation of all shares in the Company to the Trustees.

The objective of the Trust is to hold the shares in the company on behalf of the Consumers' and distribute to the Consumers' in their capacity as owners, the benefits of ownership of the shares in the Company and to carry out future ownership reviews involving the public consultation in accordance with the terms of the Deed establishing the Trust.

The Trust is domiciled and registered in New Zealand.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Trust is a for-profit entity. These financial statements have been approved for issue by the Trustees on 25 July 2018.

B. Basis of Preparation

The financial statements of the Trust 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-orientated entities.

Statutory Basis

The financial statements have been prepared in accordance with the requirements of the Electricity Industry Act 2010 and the Financial Reporting Act 2013, and they comply with those Acts.

The financial statements have been prepared on the basis of historical cost, except where otherwise stated.

The financial statements are presented in New Zealand dollars, which is also the Trust's functional currency. The financial statements are rounded to the nearest dollar.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trusts accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes to the Financial Statements.

There are no new standards, interpretations or amendments, which are not yet effective and have

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements **for the year ended 31 March 2018**

not been adopted early in these financial statements, that will or may have a significant effect on the Trust's future financial statements.

C. Goods & Services Tax

The Trust is not registered for GST and therefore the financial statements are prepared on a GST inclusive basis.

D. Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year.

Current tax also includes adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

E. Revenue

Dividends received are recognised as revenue when the right to receive payment is established.

Interest received is recognised as revenue as it is earned.

F. Provision for Distribution

A provision is recognised at the time the distributions become legally payable by the Trust. The provision at balance date represents unclaimed distributions at year-end.

G. Financial Instruments

The Trust initially recognises financial instruments when it becomes a party to the contractual provisions of the instrument.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire.

The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements **for the year ended 31 March 2018**

H. Financial Assets

The Trust classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date. At balance date, the Trust only had financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Trust provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current assets. The Trust's loans and receivables comprise cash and cash equivalents.

I. Cash and Cash Equivalents

Cash and cash equivalents includes deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of one year or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

J. Investments

Investments in Unison Networks Limited are recorded at values placed on them as part of the 1993 Establishment Plan.

K. Accounts Payables

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

L. Consolidation

The Financial Statements of Unison Networks Limited are not consolidated into this financial report of the Trust. A separate set of Consolidated Financial Statements has been prepared and is available on the Trust's website.

M. Changes in Accounting Policies

There have been no significant changes in accounting policies during the current year. Accounting policies have been applied on a basis consistent with prior year.

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements **for the year ended 31 March 2018**

2. AUDIT

These financial statements have been subject to audit, please refer to Auditor's Report.

3. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2017:\$0). In the event of a legitimate claim being made by a Consumer to share in the distribution made in March 1999, December 2004, October 2006, October 2007, October 2008, October 2009, October 2010, August 2011, November 2012, November 2013, August 2014, November 2015 and November 2016 the Trust will settle the claim from general funds.

4. FINANCIAL INSTRUMENTS

The Trust is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, advances, accounts receivable, accounts payable. All financial instruments are recognised in the balance sheet with any movements recognised in either profit or loss or other comprehensive income depending on their classification. The fair values of financial instruments are considered to be their carrying value as disclosed except that the estimated fair value of shares in Unison Networks Limited based upon net tangible assets of the Company at 31 March 2018 is \$343,732,000.

The Trust is exposed to the following financial risks: credit risk and cash flow interest rate risk.

Credit risk is the risk of financial loss to the Trust if a counterparty to a financial instrument fails to meet its contractual obligations. The Trust's exposure to credit risk is in relation to cash and cash equivalents. All cash and cash equivalents are held with registered trading banks with a minimum credit rating of "A". Funds are spread across five trading banks to avoid a concentration of risk.

Cash flow interest rate risk arises through the fluctuation of market interest rates affecting the Trust's return on investment. Funds are held with a variety of trading banks either on call or short term deposits with an original maturity of 12 months or less. The Trust does not rely on the interest income to continue operations and therefore the overall is risk is not considered significant.

5. COMMITMENTS

Hawke's Bay Power Consumers' Trust has commitments as at 31 March 2018 to Butler & Hewitt Limited and Hector Jones Limited for electric blanket testing.

6. RELATED PARTY TRANSACTIONS

Dividends totalling \$12,700,000 (2017 \$9,683,200) were received from Unison Networks Ltd during the year.

7. DIVIDEND

During the financial year an imputed dividend of \$12,700,000 (\$17,638,889 inclusive of imputation credits) was received in respect to the 2017/2018 financial year (2017: \$13,448,889 fully imputed dividend).

Hawke's Bay Power Consumers' Trust

**Notes to the Financial Statements
for the year ended 31 March 2018**

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
8. INCOME TAX		
a Taxation		
Surplus (Deficit) before Tax	<u>\$11,659,223</u>	<u>\$9,168,959</u>
Prima Facie tax expense @ 33%	3,847,544	3,025,756
Plus/(less) tax effect of :-		
Non-deductible expenses	218,870	100,815
Distributions to Beneficiaries	(4,202,552)	(3,133,484)
Unrecognised Tax Losses	140,558	55,670
Imputation Credit Adjustment	<u>(4,420)</u>	<u>(48,757)</u>
Tax Expense/(Benefit)	<u>\$0</u>	<u>\$0</u>
	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Current Tax	-	-
Deferred Tax	<u>-</u>	<u>-</u>
Tax Expense	<u>-</u>	<u>-</u>
A deferred tax asset has not been recognised in relation to tax losses of \$1,455,366 (2017: \$1,029,434).		
b Taxation Payable/(Receivable)		
Opening Balance	-	(34)
Taxation - Refunds Received	-	34
9. RECONCILIATION OF THE NET SURPLUS AFTER TAXATION WITH THE NET CASH FLOWS FROM OPERATING ACTIVITIES		
Reported Surplus after taxation	<u>11,659,223</u>	<u>9,168,959</u>
	11,659,223	9,168,959
Add (Less) movements in working capital items:		
Increase (Decrease) in accounts payable	(78,469)	88,051
Decrease (Increase) in taxation refund due	-	34
(Increase) Decrease in interest accrued	(4,747)	(412)
(Increase) Decrease in pre-payments	<u>(474)</u>	<u>(53)</u>
Net Cash Flow from Operating Activities	<u>\$11,575,532</u>	<u>\$9,256,579</u>

Hawke's Bay Power Consumers' Trust

Notes to the Financial Statements for the year ended 31 March 2018

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
10. RETAINED EARNINGS MOVEMENT		
Movements in retained earnings were as follows:		
Opening Balance	<u>600,717</u>	<u>674,293</u>
Profit for Year	11,659,223	9,168,959
Distributions to Beneficiaries	(12,748,316)	(9,495,430)
Previous Distribution Cheques Presented	(100,790)	(99,005)
Distribution Over-provided & Unclaimed Money	<u>373,650</u>	<u>351,900</u>
Closing Balance	<u><u>(215,516)</u></u>	<u><u>600,717</u></u>

11. KEY MANAGEMENT PERSONNEL

Key management personnel compensation for the period and financial year are set out below. The key management personnel are the Trustees of the Trust who have the authority for the strategic direction and management of the Trust. Key management services are also provided by Brown Webb Richardson Limited through the provision of secretarial services.

Short Term Benefits	138,000	138,000
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Total	<u><u>\$138,000</u></u>	<u><u>\$138,000</u></u>

The Trust has a contract with Brown Webb Richardson Limited for the provision of secretarial services to the Trust. For the year ended 31 March 2018 the amount of compensation paid or payable to Brown Webb Richardson Limited for the provision of the services was \$51,060. (2017: \$51,060).

12. NOTES SUPPORTING CASH FLOW STATEMENT

Cash and cash equivalents for the purpose of the cash flow statement comprises:

Cash at bank available on demand:		
Westpac Cheque Account	70,719	275,965
Westpac Distribution Account	43,928	63,707
Westpac Online Saver Account	141,840	848,670
ASB Fastsaver	<u>2,291</u>	<u>2,369</u>
	258,778	1,190,711
Short-term Deposits:		
BNZ - Term Deposit	595,953	580,495
Westpac - Term Deposit	<u>400,000</u>	<u>400,000</u>
	995,953	980,495
Total Cash and Cash Equivalents	<u><u>1,254,731</u></u>	<u><u>2,171,206</u></u>

13. SIGNIFICANT EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant reporting events subsequent to balance date.

Hawke's Bay Power Consumers' Trust

Taxation Reconciliation for the year ended 31 March 2018

	<i>This Year</i>	<i>Last Year</i>
	\$	\$
Net Profit - per Statements	11,659,223	9,168,959
Add/ (Less)		
Imputation Credits		
Unison Networks Limited	4,938,889	3,765,689
	<u>16,598,112</u>	<u>12,934,648</u>
Other Adjustments		
Safety - Electric Blankets	10,192	15,674
Insulation Costs	653,052	289,826
	<u>17,261,356</u>	<u>13,240,148</u>
Taxable Income For Year		
Tax Loss Brought Forward	(1,029,434)	(860,736)
	<u>16,231,922</u>	<u>12,379,412</u>
Taxable Income per Return		

This Statement is to be read in conjunction with the accompanying Notes