NORTHPOWER ELECTRIC POWER TRUST AND SUBSIDIARIES

FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

Consolidated statement of comprehensive income

	Note	Consolidated 2021 $000s	Consolidated 2020 $000s	Trust 2021 $000s	Trust 2020 $000s
Revenue from contracts with customers	2	**364,609**	368,887	**-**	-
Other income		**10,733**	2,258	**1,420**	-
Materials and supplies		**(156,143)**	(165,385)	**-**	-
Employee benefits	6	**(137,025)**	(129,830)	**-**	-
Transmission costs		**(17,320)**	(18,639)	**-**	-
Depreciation and amortisation		**(32,354)**	(28,592)	**-**	-
Other expenses	3	**(3,367)**	(3,625)	**(350)**	(542)
Fair valuation gain/(loss) on derivative		**2,270**	(1,368)	**-**	-
Net Finance cost	4	**(5,968)**	(5,361)	**29**	33
Share of profit in equity- accounted investment, net of tax	22	**1,970**	1,815	**-**	-
Profit before income tax		**27,405**	20,160	**1,099**	(509)
Income tax (expense) / credit	10	**(8,970)**	(4,023)	**8**	97
Profit for the year attributable to the equity holders of the Trust		**18,435**	16,137	**1,107**	(412)
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	17	**(101)**	88	**-**	-
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk	17	**(325)**	(20)	**-**	-
Other comprehensive (loss)/income for the period, net of tax		**(426)**	68	**-**	**-**
Total comprehensive income for the year attributable to the equity holders of the Trust		**18,009**	16,205	**1,107**	(412)

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

These financial statements are authorised for issue on 23 July 2021, for and on behalf of the Board of Trustees:

Ercoli Angelo
Chairman

Paul Yovich
Trustee

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Consolidated balance sheet

	Notes	Consolidated 2021 $000s	Consolidated 2020 $000s	Trust 2021 $000s	Trust 2020 $000s
Assets					
Current assets					
Cash and cash equivalents		**1,354**	2,086	**51**	73
Trade and other receivables	8	**36,312**	54,320	**673**	169
Short term investments		**2,135**	1,575	**2,135**	1,575
Contract assets	2	**29,846**	25,258	**-**	-
Tax receivable		**168**	4,729	**168**	107
Deferred tax asset	11	**-**	-	**8**	-
Derivatives	19	**13**	33	**-**	-
Assets held for sale	12	**155**	-	**-**	-
Inventory	5	**11,276**	9,649	**-**	-
Total current assets		**81,259**	97,650	**3,035**	1,924
Non-current assets					
Intangible assets	13	**18,422**	19,810	**-**	-
Investment in subsidiary	22	**-**	-	**35,989**	35,989
Equity-accounted investment	22	**39,663**	32,461	**-**	-
Derivatives	19	**272**	-	**-**	-
Right of use assets	15	**74,416**	67,582	**-**	-
Assets under construction	13,14	**11,346**	16,750	**-**	-
Property, plant and equipment	14	**362,212**	338,278	**-**	-
Total non-current assets		**506,331**	474,881	**35,989**	35,989
Total assets		**587,590**	572,531	**39,024**	37,913
Liabilities					
Current liabilities					
Trade and other payables	9	**24,607**	38,578	**24**	20
Contract liabilities	2	**9,866**	12,525	**-**	-
Employee entitlements	6	**16,635**	13,844	**-**	-
Provision for tax		**5,910**	-	**-**	-
Derivatives	19	**224**	280	**-**	-
Borrowings	18	**-**	45,000	**-**	-
Total current liabilities		**57,242**	110,227	**24**	20
Non-current liabilities					
Employee entitlements	6	**761**	709	**-**	-
Lease liabilities	15	**76,160**	68,481	**-**	-
Borrowings	18	**82,607**	41,115	**-**	-
Deferred revenue	7	**6,366**	6,024	**-**	-
Derivatives	19	**3,976**	5,613	**-**	-
Deferred tax	11	**53,070**	50,963	**-**	-
Total non-current liabilities		**222,940**	172,905	**-**	-
Total liabilities		**280,182**	283,132	**24**	20
Net assets		**307,408**	289,399	**39,000**	37,893
Equity					
Equity attributable to equity holders of the Trust	17	**307,408**	289,399	**39,000**	37,893
Total equity		**307,408**	289,399	**39,000**	37,893

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

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Consolidated statement of changes in equity

Consolidated	Trust Capital	Retained Earnings	Other Reserves	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Total
	$000s	$000s	$000s	$000s	$000s	$000s
Balance as at 1 April 2020	**35,989**	**236,604**	**325**	**19,311**	**(2,830)**	**289,399**
Profit for the year	**-**	**18,435**	**-**	**-**	**-**	**18,435**
Other comprehensive loss for the year	**-**	**-**	**(325)**	**-**	**(101)**	**(426)**
Total comprehensive income for the year, net of tax	**-**	**18,435**	**(325)**	**-**	**(101)**	**18,009**
Balance as at 31 March 2021	**35,989**	**255,039**	**-**	**19,311**	**(2,931)**	**307,408**
Balance as at 1 April 2019	35,989	220,467	345	19,311	(2,918)	273,194
Profit for the year	-	16,137	-	-	-	16,137
Other comprehensive income for the year	-	-	(20)	-	88	68
Total comprehensive income for the year, net of tax	-	16,137	(20)	-	88	16,205
Balance as at 31 March 2020	35,989	236,604	325	19,311	(2,830)	289,399

Trust	Trust Capital	Retained Earnings	Total
	$000s	$000s	$000s
Balance as at 1 April 2020	**35,989**	**1,904**	**37,893**
Profit for the year	**-**	**1,107**	**1,107**
Other comprehensive income for the year	**-**	**-**	**-**
Total comprehensive income for the year, net of tax	**-**	**1,107**	**1,107**
Balance as at 31 March 2021	**35,989**	**3,011**	**39,000**
Balance as at 1 April 2019	35,989	2,316	38,305
Loss for the year	-	(412)	(412)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year, net of tax	-	(412)	(412)
Balance as at 31 March 2020	35,989	1,904	37,893

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

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Consolidated cash flow statement

	Note	Consolidated		Trust	
		2021	2020	**2021**	2020
		$000s	$000s	$000s	$000s
Operating activities					
Receipts from customers		**373,631**	361,158	**-**	-
Wages subsidy received		**8,438**	-	**-**	-
Interest received		**26**	105	**26**	27
Dividends received		**6,510**	1,322	**921**	1,410
Payments to suppliers		**(192,256)**	(185,604)	**(348)**	(537)
Payments to employees		**(134,182)**	(130,615)	**-**	-
Interest paid		**(5,803)**	(5,299)	**-**	-
Income tax refund/(paid)		**3,608**	(13,439)	**(61)**	12
Net cash inflows from operating activities	16	**59,972**	27,628	**538**	912
Investing activities					
Proceeds from sale of property, plant and equipment		**1,394**	826	**-**	-
Purchase of intangible assets		**(3,141)**	(3,189)	**-**	-
Purchase of property, plant and equipment		**(29,866)**	(33,871)	**-**	-
Investment in equity-accounted investment		**(11,742)**	(6,512)	**-**	-
Purchase of short tem investment		**(560)**	(951)	**(560)**	(951)
Net cash outflows from investing activities		**(43,915)**	(43,697)	**(560)**	(951)
Financing activities					
(Repayment)/drawdown of borrowings		**(3,092)**	25,905	**-**	-
Repayment of lease liabilities		**(13,596)**	(11,091)	**-**	-
Net cash (outflows)/inflows from financing activities		**(16,688)**	14,814	**-**	-
Net decrease in cash and cash equivalents		**(631)**	(1,255)	**(22)**	(39)
Net foreign exchange differences		**(101)**	88	**-**	-
Cash and cash equivalents at the beginning of the year		**2,086**	3,253	**73**	112
Cash and cash equivalents at the end of the year		**1,354**	2,086	**51**	73

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

Notes to the consolidated financial statements

1. General information and significant matters

General information

The Northpower Electric Power Trust (the Trust) was established under the terms of the trust deed dated 29 March 1993. The Trust holds the entire share capital of Northpower Limited on behalf of the power consumers within the network area served by Northpower Limited.

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand.

The Company was formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The financial statements presented are for Northpower Electric Power Trust Group (or "the Group") as at, and for the year ended 31 March 2021. The Group consists of Northpower Electric Power Trust, Northpower Limited, its subsidiaries and its interest in joint ventures. The principal activity of the Trust is to hold shares in Northpower Limited on behalf of consumer beneficiaries. The principal activities of the Company are electricity distribution and contracting. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

The financial statements have been prepared on an historical cost basis except for the revaluation of derivatives, other financial assets, electric distribution network assets, and land and buildings.

The presentation currency is New Zealand dollars ($). All financial information has been rounded to the nearest thousand unless otherwise stated.

The statement of comprehensive income and statement of changes in equity are stated exclusive of GST. All items in the balance sheet and cash flow statement are stated exclusive of GST except for trade receivables, trade payables, receipts from customers, and payments to suppliers which include GST. The Trust is not registered for GST and therefore the Trust financial statements are inclusive of any GST.

Significant accounting policies

Accounting policies, and information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Revenue from contracts with customers (Note 2)
- Trade and other receivables (Note 20)
- Intangible assets (Note 13)
- Property, plant and equipment (Note 14)

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- Financial risk management objectives and policies (Note 20)
- Related parties (Note 22)
- Other income (see below)

Other income

In March 2020, the New Zealand Government announced a wages subsidy scheme which provides government financial assistance to employers to help pay employee salary and wages for a 12-week period. This assistance qualifies as government grant within the scope of NZ IAS 20. The wages subsidy receivable is recognised as an asset when the claim is submitted along with a corresponding liability until the conditions attached to the grant are satisfied. As and when the Group pays the salaries or wages to the employees, the wages subsidy payable is reduced and recognised as other income in the consolidated statement of comprehensive income.

Other income for the Trust relates to dividends received from the Company. Refer to Note 17 and 22.

New accounting standards and interpretations adopted

On 1 June 2020 the Group adopted “COVID-19 Rent Related Concessions” standard. The Group received rental concession for some of its leased properties and therefore it applied the practical expedient under COVID-19 Rent Related Concessions. Accordingly, the concession received was accounted for as negative variable lease.

Standards issued but not yet effective

Certain new accounting standards and amendments have been issued that are not mandatory for the 31 March 2021 financial year and have not been early adopted by the Group. The Group has assessed that these are not likely to have a material effect on its financial statements.

2. Revenue from contracts with customers

		Consolidated	
	Note	**2021**	2020
		$000s	$000s
Revenue recognised over time			
Electricity distribution revenue	i	**66,016**	63,880
Metering	ii	**904**	885
Electricity generation	iii	**1,926**	1,767
Fibre telecommunication services	iv	**2,599**	1,691
Contracting revenue - electricity industry	v	**286,204**	292,582
Contracting revenue - fibre telecommunications industry	vi	**3,078**	4,119
Revenue recognised at a point in time			
Capital contributions	vii	**3,882**	3,963
Total		**364,609**	368,887

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i Electricity distribution revenue

The performance obligation is satisfied over time with the delivery of electricity and payment is generally due within 20 to 45 days from delivery. The Group adopts a practical expedient allowed by NZ IFRS 15 and recognises electricity distribution revenue when the right to invoice arises.

Part of the network charges is based on normalisation, where consumption is estimated to the end of the billing period based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refunds given. These adjustment amounts are not significant compared with total network revenue.

The revenue disclosed above is net of a posted discount of $10.2 million paid during the year to the consumer owners (2020: $10.1 million), refer to Note 17.

ii Metering

The performance obligation is satisfied on reading of end consumer electricity metering equipment and revenue is recognised over time. Payment is generally due days from delivery.

iii Electricity generation

The Group owns and operates an electricity power station at Wairua, Northland. The performance obligation of the supply of generated electricity is satisfied over time and pricing is based on the final electricity industry spot price, as defined by the Electricity Industry Participation Code. Payment is generally due days from supply of the electricity.

iv Fibre telecommunication services

The performance obligation is satisfied over time with the provision of fibre internet connectivity and payment is generally due from provision of the service. Revenue is recognised as the service is provided.

v Contracting revenue – electricity industry

The contracting division provides maintenance and construction services under fixed-price and variable price contracts. Revenue from these services is recognised in the accounting period in which the services are rendered. For fixed-priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual costs incurred relative to the total expected costs.

The Group determined that the input method is the best method of measuring progress of the services because there is a direct relationship between cost incurred and the transfer of service to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

vi Contracting revenue – fibre telecommunications industry

The fibre division provides maintenance and connection services under fixed-price contracts to its joint venture company Northpower Fibre Limited. Revenue related to services to connect end users to the fibre network is recognised when the connection is complete. Revenue for maintenance services is recognised in the accounting period in which the services are rendered because the customer receives and uses the benefits simultaneously

vii Capital contributions

Capital contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the consolidated statement of comprehensive income when the asset is complete.

Contract assets and contract liabilities

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the performance obligations have been completed but not invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The remaining performance obligations at balance date are part of contracts that are estimated to have a duration of one year or less. Hence the Group applied the practical expedient in NZ IFRS 15 in relation to the disclosure of information about remaining performance obligations at balance date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method. The revenue recognised during the year includes the contract liabilities balance at the beginning of the reporting period.

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3. Other expenses

Profit before income tax includes the following specific expenses:

	Note	Consolidated 2021 $000s	Consolidated 2020 $000s	Trust 2021 $000s	Trust 2020 $000s
Fees to Audit New Zealand for:					
- Audit of financial statements		**234**	215	**-**	-
- Special audits required by regulators		**47**	60	**-**	-
Fees to non Audit New Zealand firms for:					
- Audit of financial statements of subsidiary		**22**	27	**-**	-
- Advisory services		**133**	480	**-**	-
- Audit of Trust		**19**	19	**19**	19
Under provision of prior year audit fees		**-**	63	**-**	-
Net loss/(gain) on foreign exchange		**28**	(35)	**-**	-
Directors' fees		**543**	498	**-**	-
Trustees fees and allowances		**219**	220	**219**	220
Other trust expenses		**112**	303	**112**	303
Rental and lease costs		**673**	1,518	**-**	-
Impairment of software	13	**1,281**	-	**-**	-

The rental and lease costs represent short-term leases, leases of low value assets and variable lease costs not included in NZ IFRS 16 costs.

4. Net finance cost

	Consolidated 2021 $000s	Consolidated 2020 $000s	Trust 2021 $000s	Trust 2020 $000s
Interest income	**29**	111	**29**	33
Interest expense	**(3,784)**	(3,813)	**-**	-
Capitalised interest	**200**	241	**-**	-
Interest on leases	**(2,413)**	(1,900)	**-**	-
Net finance cost	**(5,968)**	(5,361)	**29**	33

Interest income and interest expense is recognised using the effective interest method. Eligible borrowing costs were capitalised at an average interest rate of 1.37% (2020: 2.3%).

5. Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory comprises of finished goods. The carrying amount of inventory held for distribution is measured on a weighted average cost basis. Inventory issued of $29.2 million was recognised in the profit or loss during the year (2020: $26.1 million). Inventory written off during the period amounted to $0.3 million (2020: Nil). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

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6. Employee benefits and entitlements

	Consolidated	
	2021	2020
	$000s	$000s
Salaries & wages	**130,607**	126,398
Defined contribution plan employer contributions	**3,575**	4,217
Movement in employee entitlements	**2,843**	(785)
Total employee benefit expenses	**137,025**	129,830

The compensation of the Trustees, Directors and Executives, being the key management personnel of the Group, is set out as below:

	Consolidated		Trust	
	2021	2020	**2021**	2020
	$000s	$000s	$000s	$000s
Short-term employee benefits	**3,601**	3,337	**219**	220
Termination benefits	**129**	-	**-**	-
Total compensation of key management personnel	**3,730**	3,337	**219**	220

	Consolidated	
	2021	2020
	$000s	$000s
Current employee entitlements are represented by:		
Accrued salaries & wages	**4,808**	2,724
Annual leave	**10,897**	10,310
Sick leave	**930**	810
Total current portion	**16,635**	13,844
Non-current employee entitlements are represented by:		
Retirement & long service leave	**761**	709
Total non-current portion	**761**	709
Total employee entitlements	**17,396**	14,553

The Group accrues for employee benefits which remain unused at balance date, and amounts expected to be paid under bonus and other entitlements.

7. Deferred revenue

	Consolidated	
	2021	2020
	$000s	$000s
Balance at 1 April	**6,024**	4,342
Received during the year	**809**	1,930
Income recognised during the year	**(467)**	(248)
Balance as at 31 March	**6,366**	6,024

The Group has received an interest free loan from the Government for construction of fibre network assets and the loan is recognised at its fair value when received, refer to Note 18. The difference between the amount received and the fair value is recognised as government grant in accordance with NZ IAS 20. As the grant relates to the construction of property, plant and equipment it has been included in non-current liabilities as deferred revenue and is recognised in the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred.

8. Trade and other receivables

		Consolidated		Trust	
	Note	**2021**	2020	**2021**	2020
		$000s	$000s	$000s	$000s
Trade receivables		**35,197**	44,397	**665**	164
Less provision for impairment	20	**(574)**	(489)	**-**	-
Wages subsidy receivable	9	**-**	9,008	**-**	-
Prepayments		**1,689**	1,404	**8**	5
Balance as at 31 March		**36,312**	54,320	**673**	169

9. Trade and other payables

		Consolidated		Trust	
	Note	**2021**	2020	**2021**	2020
		$000s	$000s	$000s	$000s
Trade payables		**17,446**	21,099	**24**	20
Accrued payables		**7,162**	9,071	**-**	-
Wages subsidy payable	8	**-**	8,408	**-**	-
Balance as at 31 March		**24,608**	38,578	**24**	20

In 2020 the Group was eligible for $9.0 million of New Zealand Government wages subsidy and it was received in full from the Government in April 2020. Of this amount, $0.6 million was recognised as income in FY20. During the year, the Group repaid $0.6 million of wages subsidy to the Government and recognised the balance amount of $7.8 million as income.

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10. Income tax expense

	Consolidated		Trust	
	2021	2020	**2021**	2020
	$000s	$000s	$000s	$000s
Profit before income tax	**27,405**	20,160	**1,099**	(509)
At New Zealand's statutory tax rate of 33% for Trust (2020: 33%)	**9,044**	6,653	**363**	(168)
Effect of lower tax rate in Company (28%)	**(1,385)**	(1,034)	**-**	-
Plus/(less) tax effect of:				
- Gross up of imputation credit	**-**	-	**182**	-
- Imputation credit attached to dividend received/declared	**-**	-	**(553)**	-
- Non-deductible expense	**207**	222	**-**	-
- Non-taxable income	**(46)**	(97)	**-**	-
- Tax benefit not recognised	**98**	71	**-**	71
- Prior period adjustment	**(219)**	(70)	**-**	-
Adjustment for joint venture	**(552)**	(505)	**-**	-
Deferred tax on buildings due to reinstatement of tax depreciation	**-**	(1,643)	**-**	-
Tax on income not included in accounting profit	**1,823**	426	**-**	-
	8,970	4,023	**(8)**	(97)
The taxation charge is represented by:				
- Current taxation	**7,375**	4,248	**-**	-
- Deferred taxation	**1,814**	154	**(8)**	(97)
- Prior period adjustment relating to current tax	**(512)**	(379)	**-**	-
- Prior period adjustment relating to deferred tax	**293**	-	**-**	-
	8,970	4,023	**(8)**	(97)
Imputation credits available for use in subsequent reporting periods	**59,963**	55,681	**-**	-

Income tax expense comprises current and deferred tax using tax rates and tax laws that have been enacted or substantively enacted at balance date. Current tax is the income tax payable based on the taxable profit for the current year, plus any 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 and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

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11. Deferred tax

Consolidated	Property, Plant & Equipment	Employee entitlements	Other	Total
	$000s	$000s	$000s	$000s
Balance as at 1 April 2020	**(50,449)**	**3,394**	**(3,908)**	**(50,963)**
Charged to profit/(loss)	**(853)**	**139**	**(1,393)**	**(2,107)**
Balance as at 31 March 2021	**(51,302)**	**3,533**	**(5,301)**	**(53,070)**
Balance as at 1 April 2019	(49,943)	3,593	(4,459)	(50,809)
Charged to profit/(loss)	(506)	(199)	551	(154)
Balance as at 31 March 2020	(50,449)	3,394	(3,908)	(50,963)

Trust	Other	Total
	$000s	$000s
Balance as at 1 April 2020	**-**	**-**
Charged to profit/(loss)	**8**	**8**
Balance as at 31 March 2021	**8**	**8**
Balance as at 1 April 2019	(97)	(97)
Charged to profit/(loss)	97	97
Balance as at 31 March 2020	-	-

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at tax rates that are expected to be applied to the temporary differences when they reverse.

12. Assets held for sale

	Consolidated	
	2021	2020
	$000s	$000s
Meters	**155**	-
Balance as at 31 March	**155**	-

The directors approved the sale of all remaining meters within the metering business as part of their decision to exit this part of the business. The metering assets were sold post balance date. In accordance with NZ IFRS 5 the assets held for sale are held at their carrying amount.

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13. Intangible assets

Intangible assets are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense of intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Easements are deemed to have an indefinite life and are not amortised. There is no intangible asset whose title is restricted.

Software costs have a finite useful life and are amortised over a period of expected future benefit of 3 - 15 years on a straight line basis.

Goodwill is allocated to the Group's cash-generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

The calculation of value in use in calculations for all cash-generating unit is most sensitive to movements in gross margin, discount rates and growth rates. Gross margins are based on the expected results as per next year's budget and future years' forecasts. Discount rates are based on the applicable weighted average cost of capital.

The Directors have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The Directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

Software under construction is subject to impairment testing on an annual basis. Included in assets under construction is software of $3.0 million (2020: $3.2 million).

	Consolidated			
	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
Balance as at 1 April 2020	**4,122**	**33,371**	**453**	**37,946**
Addition	**-**	**3,141**	**-**	**3,141**
Balance as at 31 March 2021	**4,122**	**36,512**	**453**	**41,087**
Accumulated amortisation and impairment				
Balance as at 1 April 2020	**(1,745)**	**(16,391)**	**-**	**(18,136)**
Amortisation for the year	**-**	**(3,248)**	**-**	**(3,248)**
Impairment for the year	**-**	**(1,281)**	**-**	**(1,281)**
Balance as at 31 March 2021	**(1,745)**	**(20,920)**	**-**	**(22,665)**
Net carrying amount as at 31 March 2021	**2,377**	**15,592**	**453**	**18,422**
Cost				
Balance as at 1 April 2019	4,122	32,224	453	36,799
Addition	-	1,147	-	1,147
Balance as at 31 March 2020	4,122	33,371	453	37,946
Accumulated amortisation and impairment				
Balance as at 1 April 2019	(1,745)	(13,079)	-	(14,824)
Amortisation for the year	-	(3,312)	-	(3,312)
Balance as at 31 March 2020	(1,745)	(16,391)	-	(18,136)
Net carrying amount as at 31 March 2020	2,377	16,980	453	19,810

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Allocation of goodwill to cash-generating units

	Consolidated	
	2021	2020
	$000s	$000s
Northern contracting	**877**	877
Central contracting	**1,500**	1,500
Balance as at 31 March	**2,377**	2,377

Impairment of non-financial assets other than inventory and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where the carrying value of an asset exceeds its recoverable amount i.e. the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets or cash- generating unit to which it belongs for which there are separately identifiable cash flows.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase through other comprehensive income.

During the year, software intangible assets were impaired by $1.3 million on the basis of anticipated benefits not being realised and non-utilisation of components of the software (2020: Nil). The impairment loss was recognised as a reduction in the carrying amount of software and as an expense in the profit or loss.

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14. Property, plant and equipment

Consolidated	Freehold Land	Freehold Buildngs	Building Infrastructure	Leasehold Improvements	Distribution Systems	Meters	Fibre	Generation	Plant & Equipment	Motor Vehicles	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Cost or fair value											
Balance as at 1 April 2020	9,633	8,590	3,003	3,344	278,114	5,641	22,210	15,874	48,854	11,304	406,567
Addition	-	2,796	192	423	21,960	102	10,480	5	3,719	581	40,258
Transfers	-	-	31	4	5	-	-	-	(7)	-	33
Disposal	-	-	-	(282)	(29)	-	(70)	-	(7,849)	(6,274)	(14,504)
Transfer to assets classified as held for sale	-	-	-	-	-	(5,453)	-	-	-	-	(5,453)
Balance as at 31 March 2021	9,633	11,386	3,226	3,489	300,050	290	32,620	15,879	44,717	5,611	426,901
Accumulated depreciation											
Balance as at 1 April 2020	-	(280)	(133)	(948)	(7,574)	(5,333)	(2,588)	(10,309)	(32,380)	(8,744)	(68,289)
Depreciation charge for the year	-	(251)	(175)	(263)	(7,966)	(18)	(1,392)	(487)	(3,717)	(395)	(14,664)
Transfers	-	-	(31)	2	(5)	-	-	-	(74)	-	(108)
Disposal	-	-	-	164	14	-	70	-	7,686	5,140	13,074
Transfer to assets classified as held for sale	-	-	-	-	-	5,298	-	-	-	-	5,298
Balance as at 31 March 2021	-	(531)	(339)	(1,045)	(15,531)	(53)	(3,910)	(10,796)	(28,485)	(3,999)	(64,689)
Net carrying amount as at 31 March 2021	9,633	10,855	2,887	2,444	284,519	237	28,710	5,083	16,232	1,612	362,212
Cost or fair value											
Balance as at 1 April 2019	9,633	8,590	2,813	2,766	259,702	5,452	14,735	15,871	43,439	14,513	377,514
Addition	-	-	201	578	18,469	189	7,475	3	5,699	53	32,667
Transfers	-	-	(9)	-		-	-	-	(21)	30	-
Disposal	-	-	(2)	-	(57)	-	-	-	(263)	(3,292)	(3,614)
Balance as at 31 March 2020	9,633	8,590	3,003	3,344	278,114	5,641	22,210	15,874	48,854	11,304	406,567
Accumulated depreciation											
Balance as at 1 April 2019	-	-	-	(745)	-	(5,305)	(1,812)	(9,807)	(29,152)	(11,072)	(57,893)
Depreciation charge for the year	-	(280)	(133)	(203)	(7,584)	(28)	(799)	(502)	(3,464)	(297)	(13,290)
Transfers	-	-	-	-	-	-	-	-	8	(8)	-
Disposal	-	-	-	-	10	-	23	-	228	2,633	2,894
Balance as at 31 March 2020	-	(280)	(133)	(948)	(7,574)	(5,333)	(2,588)	(10,309)	(32,380)	(8,744)	(68,289)
Net carrying amount as at 31 March 2020	9,633	8,310	2,870	2,396	270,540	308	19,622	5,565	16,474	2,560	338,278

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The carrying value that would have been recognised had the following revalued assets been carried under the cost model would be as follows:

Consolidated	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution Systems $000s
2021				
Cost	**6,223**	**13,124**	**3,734**	**366,105**
Accumulated depreciation & impairment	**-**	**(3,349)**	**(1,096)**	**(100,031)**
Net carrying amount	**6,223**	**9,775**	**2,638**	**266,074**
2020				
Cost	6,223	10,410	3,685	343,806
Accumulated depreciation & impairment	-	(3,068)	(985)	(92,037)
Net carrying amount	6,223	7,342	2,700	251,769

Property, plant and equipment (PPE), except revalued assets are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The cost of purchased PPE may include the initial purchase price plus directly attributable material, labour, finance costs, and other overheads incurred for bringing the assets to the location and condition necessary for their intended use. Finance costs incurred during the course of construction that are attributable to a project are capitalised using the finance rate applicable to the funding. Costs cease to be capitalised as soon as an asset is ready for productive use. Included in assets under construction is PPE of $8.3 million (2020: $13.6 million).

Revalued assets

Electric distribution network and land, buildings and building infrastructure assets are revalued after initial recognition and are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance sheet date. Additions between revaluations are recorded at cost. Depreciation on revalued assets is charged to profit or loss. Land is not depreciated.

Asset revaluation reserve

Any revaluation increment is recorded in profit or loss and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the profit or loss, in which case the increment is recognised in the profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation at the date of the revaluation is transferred to the gross carrying amount of the asset and the asset cost is restated to the revalued amount. When revalued assets are disposed of, the amounts included in the asset revaluation reserve are transferred to retained earnings.

Revaluation

The fair value of the Group's land and buildings is based on market values, being the price that would be received to sell land and buildings in an orderly transaction between market participants at the measurement date. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of the revalued assets.

The most recent valuation for land and buildings was completed at 31 March 2019 by AON Risk Solutions, a registered independent valuer. Fair value was determined by direct reference to recent market transactions on arm's length terms. To establish the valuation of properties, the valuer used a combination of income capitalisation, market comparison and depreciated replacement cost approaches. For the current year, the movement in the fair value of land and buildings was assessed at balance date. Accordingly, the land and buildings assets were not revalued during the year as the carrying value of land and buildings did not differ materially from its fair value.

Electric distribution network assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation for electric distribution network assets to determine the fair value was completed at 31 March 2019 by PriceWaterhouseCoopers, an independent registered valuer. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow methodology. A post tax nominal WACC of 6% was used. The distribution revenue forecast was based on ten year projections in which the fixed and variable revenues are forecast separately for four customer groups (mass market residential, mass market general, commercial and industrial). The quantities are assumed to remain constant for all categories except mass market residential which grow at 1.2% per annum. The fixed prices are assumed to remain constant except for the mass market general category which increase annually by 2.0% and the variable prices are assumed to increase by 2.0% per annum. The FY21 posted discount was also included in the valuation cash flows as it formed part of the contract price.

The valuer estimated a range of values attributable to the Group's electric distribution network assets was between $249.1 million and $270.9 million as at 31 March 2019. The key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% increase/(decrease) in the discount rate i.e. 5.7% or 6.3% would (decrease)/increase the valuation by $7 million. A 5% increase/(decrease) in the distribution revenue indicated the valuation would increase/ (decrease) by $7 million.

In the current year a fair value assessment of the electric distribution network assets value was performed which indicated no material movement between the carrying value at balance date and the fair value. A post tax nominal WACC of 4.85% was used for the DCF assessment. The distribution revenue forecast was based on updated ten year quantity and price projections for the four customer groups. The posted discount was not included in the valuation cash flows for FY22 – FY30 as it only forms part of the contract price once declared. Accordingly, no revaluation adjustments were recognised as the carrying value of the electric distribution network assets did not differ materially from its fair value.

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Depreciation

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Buildings - freehold	10 - 50 years
Buildings - infrastructure	10 - 20 years
Leasehold improvements	2 - 20 years
Distribution system	5 - 70 years
Meters	2 - 20 years
Fibre Assets	5 - 50 years
Generation	5 - 50 years
Plant & equipment	3 - 20 years
Motor vehicles	5 - 15 years

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties for plant and equipment (for plant and equipment), lease terms (for leased assets) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Loss on disposal of PPE

During the year a loss on disposal of PPE of $0.03 million (2020: $0.1 million gain) was recognised in the profit or loss within other income.

15. Leases

NZ IFRS 16 Leases establishes one sole accounting model for lessees, where the amounts in the consolidated balance sheet are increased by the recognition of right of use assets and the financial liabilities for the future payment obligations relating to leases classified previously as operating leases. The right of use asset is initially measured at cost and subsequently at cost less cumulative depreciation and impairment losses; adjustments are made for any new measurement of the lease liability due to the amendment or reassessment of the lease. The right of use asset is subsequently depreciated on a straight line basis from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

The lease liability is measured using the present values of future lease payments. When calculating lease liabilities, the Group applied discount rates (incremental rate), depending on the lease terms.

The Group considers a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining the lease term, the non-cancellable period of the lease agreement and the periods covered by the option to extend the lease are taken into account, if the lessee is reasonably certain that they will exercise this option. Leases entered into and identified by the Group include property leases and vehicle leases.

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The Group has also applied the practical expedient available from NZ IFRS 16 and excluded short-term leases and low value assets. The Group considers leases which has a duration of less than 12 months (unless there is reasonable certainty that they can be extended) as short-term leases.

Right of use assets

	Consolidated		
	Buildings	**Vehicles**	**Total**
	$000s	$000s	$000s
Cost			
Balance as at 1 April 2020	**24,005**	**55,361**	**79,366**
Additions	**7,594**	**13,155**	**20,749**
Disposals	**-**	**(140)**	**(140)**
Remeasurement	**608**	**33**	**641**
Balance as at 31 March 2021	**32,207**	**68,409**	**100,616**
Accumulated depreciation			
Balance as at 1 April 2020	**(2,942)**	**(8,842)**	**(11,784)**
Additions	**(3,685)**	**(10,757)**	**(14,442)**
Other adjustments	**24**	**2**	**26**
Balance as at 31 March 2021	**(6,603)**	**(19,597)**	**(26,200)**
Net book value	**25,604**	**48,812**	**74,416**
Cost			
Balance as at 1 April 2019	13,594	42,621	56,215
Additions	10,084	13,238	23,322
Disposals	-	(269)	(269)
Remeasurement	327	(229)	98
Balance as at 31 March 2020	24,005	55,361	79,366
Accumulated depreciation			
Balance as at 1 April 2019			
Additions	(2,913)	(9,077)	(11,990)
Disposals	-	245	245
Other adjustments	(29)	(10)	(39)
Balance as at 31 March 2020	(2,942)	(8,842)	(11,784)
Net book value	21,063	46,519	67,582

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As lessor in operating leases, the aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Consolidated	
	2021	2020
Non-cancellable operating lease	$000s	$000s
Within one year	**45**	49
After one year but not more than five years	**35**	73
More than five years	**78**	85
Balance of non-cancellable operating lease	**158**	207

16. Cash flow statement reconciliation

	Consolidated		Trust	
	2021	2020	**2021**	2020
	$000s	$000s	$000s	$000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Net profit/(loss) after income tax	**18,435**	16,137	**1,107**	(412)
Adjustments for:				
- Depreciation & amortisation	**32,354**	28,592	**-**	-
- Loss/(gain) on sale of property, plant & equipment	**29**	(106)	**-**	-
- Deferred income release	**(467)**	(248)	**-**	-
- Non cash capital contribution revenue	**(3,882)**	(3,963)	**-**	-
- Fair valuation (gain)/loss on derivative financial instruments	**(2,270)**	1,368	**-**	-
- Capitalised interest	**(200)**	(241)	**-**	-
- Non cash interest	**394**	258	**-**	-
- Impairment of software	**1,281**	-	**-**	-
- Share of profit in equity-accounted investment net of dividends received	**4,540**	(493)	**-**	-
Changes in assets & liabilities				
-(Decrease)/increase in trade & other payables	**(14,105)**	9,691	**4**	(7)
- Less related to property, plant and equipment	**(824)**	919	**-**	-
-Decrease in contract liabilities	**(2,659)**	(2,412)	**-**	-
- Increase in contract assets	**(4,588)**	(1,587)	**-**	-
- Increase/(decrease) in income tax	**10,471**	(9,570)	**(61)**	12
- Decrease/(increase) in trade & other receivables	**18,140**	(9,763)	**(504)**	1,416
- Increase in inventory	**(1,627)**	(323)	**-**	-
- Increase/(decrease) in deferred tax liabilities	**2,107**	154	**(8)**	(97)
- Decrease/(increase) in employee entitlements	**2,843**	(785)	**-**	-
Net cash from operating activities	**59,972**	27,628	**538**	912

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The table below sets out an analysis of the Group's liabilities for which cash flows have been, or will be, classified as financing activities in the cash flow statement.

	Consolidated 2021				Trust 2021
	Cash	**Lease liabilities**	**Borrowings**	**Total**	**Cash**
	$000	$000	$000	$000	$000
Net debt as at 1 April 2020	**(2,086)**	**68,481**	**92,139**	**158,534**	**(73)**
Cash flows	**631**	**(13,596)**	**(3,092)**	**(16,057)**	**22**
Non cash movements	**101**	**21,275**	**(74)**	**21,302**	**-**
Net debt as at 31 March 2021	**(1,354)**	**76,160**	**88,973**	**163,779**	**(51)**

	Consolidated 2020				Trust 2020
	Cash	**Lease liabilities**	**Borrowings**	**Total**	**Cash**
	$000	$000	$000	$000	$000
Net debt as at 1 April 2019	(3,253)	-	66,224	62,971	(112)
Cash flows	1,255	(11,091)	25,905	16,069	39
Non cash movements	(88)	79,572	10	79,494	-
Net debt as at 31 March 2020	(2,086)	68,481	92,139	158,534	(73)

17. Equity

Trust capital

The total number of shares authorised and issued is 35,981,848 (2020: 35,981,848). Trust capital consists of ordinary shares which are classified as equity. All ordinary shares are issued, fully paid, have no par value and are ranked equally. Fully paid shares carry one vote per share and the right to dividends. The Trust capital was paid by Northpower Limited contemporaneously upon execution of the Trust Deed executed 29th of March 1993.

Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The Australian subsidiaries' functional currency is Australian dollars which is translated to the presentation currency. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

Other reserves

The other reserve is used to record movements in the fair value of derivatives that is attributable to changes in the credit risk, unless the recognition of the effects of changes in the liability's credit risk

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in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. The changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon de-recognition of the financial liability.

Capital management

The Company considers shares, reserves and retained earnings as part of its capital. When managing capital, the Board's objective is to ensure the entity continues as a going concern maintaining adequate working capital, ensuring obligations can be met on time, as well as maintaining returns to shareholders as set out in the statement of corporate intent.

The Group's policy, outlined in the statement of corporate intent, is to distribute to its shareholder all funds surplus to the investment and operating requirements of the Group. During the year fully imputed dividends of $0.66 million and $0.76 million in relation to FY21 and FY20 respectively were declared by the Company and the $0.76 million was paid during the year by the Company to the Trust (2020: $1.4 million paid by the Company to the Trust in relation to 2019 financial year).

During the year, a posted discount of $10.2 million (2020: $10.1 million) was paid to the consumers.

The Group's statement of corporate intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 50%.

18. Borrowings

		Consolidated	
		2021	2020
	Maturity	$000s	$000s
Current	Less than 12 months	**-**	45,000
Non Current			
Unsecured loans	Within 2 yrs	**45,000**	34,000
Unsecured loans	Within 2 & 3 yrs	**28,400**	-
Interest free Crown loan	Beyond 5 years	**9,207**	7,115
Total non current		**82,607**	41,115
Total borrowings		**82,607**	86,115

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The carrying amount of borrowings repayable within one year approximates their fair value.

After initial recognition, borrowings are measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of borrowings.

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 balance date.

At balance date the Group had $125 million of non-current lending facilities with an average rate of interest during the year of 1.4% (2020: 2.2%). Security held by the bank is in the form of a negative

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pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained. The bank covenants have all been met for the years ended 31 March 2021 and 2020.

19. Derivatives

	Consolidated	
	2021	2020
	$000s	$000s
Current		
Forward foreign exchange contracts	**(13)**	(33)
Interest rate swaps	**224**	280
Non-current		
Interest rate swaps	**(272)**	-
Interest rate swaps	**3,976**	5,613

Derivatives are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange on purchases of property, plant and equipment.

In accordance with the Group's treasury policy, derivatives are only used for economic hedging purposes and not as speculative investments. The Group has elected not to apply hedge accounting. Derivatives are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The carrying values of the derivatives are the fair values excluding any interest receivable or payable, which is separately presented in the consolidated balance sheet in other receivables or other payables.

20. Financial risk management objectives and policies

The Group risk management policy approved by the Board provides the basis for overall financial risk management. The Group's treasury policy covers specific risk management and mitigation principles for liquidity risk, credit risk, foreign exchange risk, hedging and interest rate risk. The Group Treasury identifies and evaluates financial risks in accordance with the policies approved by the Board. To monitor the existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its business units.

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Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivatives and contract assets	Aging analysis Credit ratings	Diversification of counter parties, credit limits, performance bonds, prudential arrangements, Treasury Policy limits and Board oversight
Liquidity risk	Borrowings, contract liabilities and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities, Board oversight and Treasury Policy limits
Market risk – interest rate	Floating rate borrowings	Sensitivity analysis	Interest rate swaps
Market risk – foreign exchange	Future commercial transactions, recognised financial assets and liabilities denominated in foreign currency	Cash flow forecasting Sensitivity analysis	Forward foreign currency forwards

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional and translational currency exposures. At 31 March 2021 forward foreign exchange contracts outstanding was $0.4 million (2020: $0.5 million).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates. The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this. Based on the Group's interest rate risk exposure at balance date, an increase (or decrease) of 1% in the interest rates will likely cause a $1.2 million (2020: $1.3 million) increase (or decrease) in the post-tax profit. There would be no effect on other components of equity. The notional value of the outstanding interest rate swap contracts amounted to $61 million (2020: $72 million). The fixed interest rates of interest rate swaps vary from 0.89% to 4.26% (2020: 3.22% to 4.65%).

Credit risk

Credit risk is the risk that a third party will default on its contractual obligation resulting in financial loss to the Group. The maximum exposure to credit risk is the fair value of receivables. The Group does not generally require collateral from customers. The Group places its cash and short-term deposits with high credit quality financial institutions (A1 or better), and limits the proportion of

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credit exposure to any one institution in accordance with Company policy. There is no significant concentration of credit risk. As at 31 March 2021 the aging analysis is as follows:

Consolidated		**2021**			**2020**	
	Gross	Impairment	Net	Gross	Impairment	Net
Trade and other receivables	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	**34,413**	**-**	**34,413**	49,261	-	49,261
Past due 31 - 60 days	**276**	**-**	**276**	2,603	-	2,603
Past due 61 - 90 days	**305**	**-**	**305**	316	-	316
Past due 91 days plus	**864**	**(574)**	**290**	1,225	(489)	736
Total	**35,858**	**(574)**	**35,284**	53,405	(489)	52,916

Trust		**2021**			**2020**	
	Gross	Impairment	Net	Gross	Impairment	Net
Trade and other receivables	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	**665**	**-**	**665**	3	-	3
Past due 31 - 60 days	**-**	**-**	**-**	-	-	-
Past due 61 - 90 days	**-**	**-**	**-**	-	-	-
Past due 91 days plus	**-**	**-**	**-**	161	-	161
Total	**665**	**-**	**665**	164	-	164

			Consolidated			
		2021			**2020**	
	Gross	Impairment	Net	Gross	Impairment	Net
Contract assets	$000s	$000s	$000s	$000s	$000s	$000s
Not past due 1-30 days	**23,696**	**-**	**23,696**	13,257	-	13,257
Past due 31 - 60 days	**2,556**	**-**	**2,556**	4,974	-	4,974
Past due 61 - 90 days	**873**	**-**	**873**	1,682	-	1,682
Past due 91 days plus	**2,721**	**-**	**2,721**	5,345	-	5,345
Total	**29,846**	**-**	**29,846**	25,258	-	25,258

The Group maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the debtors' portfolio. Movements in the allowance for expected credit losses of trade receivables and contract assets are as follows:

	Consolidated	
	2021	2020
	$000s	$000s
Balance as at 1 April	**489**	169
Additions	**224**	482
Bad debts written off	**(139)**	(162)
Balance as at 31 March	**574**	489

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Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank funding facilities. The Group has a maximum amount that can be drawn against its lending facilities of $125 million (2020: $100 million). There are no restrictions on the use of the facilities. The Company also has in place a credit card facility with a combined credit limit over all cards issued of $1 million (2020: $1 million).

Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The risk implied from the values shown in the following tables, reflects management's expectation of cash outflows. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash flow maturity profile

	Consolidated									
	2021					2020				
$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities										
Trade payables	22,168	-	-	-	22,168	36,471	-	-	-	36,471
Lease liabilities	15,636	14,394	22,937	31,839	84,806	14,308	12,376	20,472	30,410	77,566
Interest bearing loans	-	278	55,086	20,287	75,651	45,260	-	34,976	-	80,236
Interest free Crown loan	-	-	-	15,579	15,579	-	-	-	13,071	13,071
Derivative financial (assets)/liabilities										
Forward exchange contracts inflow	(383)	-	-	-	(383)	(561)	-	-	-	(561)
Forward exchange contracts outflow	370	-	-	-	370	528	-	-	-	528
Net settled derivatives										
Interest rate swaps	224	600	2,909	195	3,928	280	599	2,657	2,357	5,893
Total Contractual cash flows	38,015	15,272	80,932	67,900	202,119	96,286	12,975	58,105	45,838	213,204

	Trust									
	2021					2020				
$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Trade payables	24	-	-	-	24	20	-	-	-	20

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21. Recognised fair value measurements

Financial assets and financial liabilities

The Group classifies its financial assets and financial liabilities into the following categories depending on the purpose for which the asset or liability was acquired.

	Consolidated		Trust	
	2021	2020	**2021**	2020
	$000s	$000s	$000s	$000s
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	**13**	33	**-**	-
Interest rate swaps	**272**	-	**-**	-
Balance of financial assets at fair value through profit or loss	**285**	33	**-**	-
Financial assets at amortised cost				
Cash & cash equivalents	**1,354**	2,086	**51**	73
Trade & other receivables	**34,623**	52,916	**665**	164
Short term investments	**2,135**	1,575	**2,135**	1,575
Total financial assets at amortised cost	**38,112**	56,577	**2,851**	1,812
Financial liabilities at fair value through profit or loss				
Interest rate swaps	**4,200**	5,893	**-**	-
Financial liabilities measured at amortised cost				
Borrowings	**82,607**	86,115	**-**	-
Lease liabilities	**76,160**	68,481	**-**	-
Trade & other payables	**22,168**	36,471	**24**	20
Total financial liabilities at amortised cost	**180,935**	191,067	**24**	20

Financial assets at amortised cost

Financial assets at amortised cost consist of cash and cash equivalents and trade & other receivables. These are initially measured at fair value and subsequently at amortised cost. Due to the short-term nature of these receivables the carrying value of receivables approximates their fair value. Trade and other receivables and contract assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less an allowance for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss consist of derivatives. Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value at the date of the contract and subsequently measured at fair value at each balance date with the resulting gain or loss recognised in the profit or loss except the portion attributable to credit risk that is recognised in other comprehensive income. Fair value is calculated as the present value of the estimated future cash flows based on observable interest yield curves. Foreign currency transactions (including those for which forward foreign

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exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables, lease liabilities and borrowings. These are measured initially at fair value and subsequently at amortised cost using EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The fair value is materially similar to amortised cost. Due to the short-term nature of the payables, no discounting is applied.

Impairment of financial assets

The Group recognises a lifetime loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Fair value hierarchy

A number of assets and liabilities included in the Group's financial statements require measurement at fair value and/or disclosure of fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. The Group's financial assets and liabilities measured at fair value are classified as Level 2 on the fair value hierarchy unless specified otherwise. The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

There have been no transfers between Level 1 and Level 2 during the year (2020: Nil).

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Fair value hierarchy of non-financial assets

The Group obtains independent valuations for its electric distribution network assets and land and buildings at least every three years. Valuation techniques are based on the following hierarchy.

The following table summarises the fair value measurement hierarchy of the non-financial assets that are recognised and measured at fair value in the financial statements.

Consolidated	**Level 2**	**Level 3**	**Total**
	$000s	$000s	$000s
Property, Plant & Equipment			
Distribution systems	**-**	**284,519**	**284,519**
Freehold land	**4,104**	**5,529**	**9,633**
Freehold buildings	**3,415**	**7,440**	**10,855**
Building infrastructure	**2,126**	**761**	**2,887**
Balance as at 31 March 2021	**9,645**	**298,249**	**307,894**

	Level 2	**Level 3**	**Total**
	$000s	$000s	$000s
Property, Plant & Equipment			
Distribution systems	-	270,540	270,540
Freehold land	4,104	5,529	9,633
Freehold buildings	3,760	4,550	8,310
Building infrastructure	2,176	694	2,870
Balance as at 31 March 2020	10,040	281,313	291,353

22. Related parties

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by the Trust. All subsidiaries have a 31 March balance date and are wholly owned. The Trust holds 100% of the voting rights in all entities reported as subsidiaries. The Trust's investment in subsidiary relates to shares held in Northpower Limited.

Northpower LFC2 Limited and Northpower Solutions Limited are incorporated in New Zealand. During FY20 Northpower Solutions Limited was fully amalgamated with Northpower Limited.

Northpower Western Australia Pty Limited and its non-trading wholly owned subsidiary West Coast Energy Pty Limited are incorporated in Western Australia.

The financial statements of subsidiaries are reported in the financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation.

All transactions with the related parties are made at arm's length both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

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Interest in joint venture

Joint ventures are arrangements where parties to the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investment in its joint venture Northpower Fibre Limited (NFL) is accounted for using the equity method. NFL has a 30 June balance date. NFL's accounting policies align with the Group's accounting policies.

At balance date, the Group held 87.6% (2020: 69.5%) of the shareholding in NFL with the remaining held by the other shareholder Crown Infrastructure Partners Limited (CIP). The concession period ended on 13 December 2020 which triggered immediate conversion of B shares and A shares into ordinary shares.

The Group determined that it does not have control over NFL at balance date. The investment was therefore, classified as a joint venture at balance date because each party shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns. The Shareholders' Agreement states that the Reserved Matters listed in the agreement require unanimous agreement. The powers are very significant as they cover off major decisions relating to the operation of NFL. Neither party can determine these matters unilaterally.

The Shareholders' Agreement includes exercise of a Partner Call Option when CIP shareholding in NFL is reduced to 25% or less. At balance date CIP shareholding was below 25%, hence it was assessed whether the Partner Call Option was a substantive right in determining whether the Group had control over NFL at balance date. Due to the conditions attached to exercising the Partner Call Option, it was concluded that it was not a substantive right taking into account all facts and circumstances. The Group fully acquired NFL (with the exception of one golden share held by the Crown) on 1 April by buying out the remaining shareholding by negotiation from CIP.

	Consolidated	
	2021	2020
	$000s	$000s
Transactions during the year		
Sales to joint venture	**5,937**	9,493
Purchases from joint venture	**423**	577
Dividend received from joint venture	**6,510**	1,322
Purchase of shares in joint venture	**11,742**	5,054
Outstanding balances as at 31 March		
Payable to joint venture	**31**	175
Receivable from joint venture	**632**	656

	Trust	
	2021	2020
	$000s	$000s
Transactions during the year		
Dividends income from Northpower Limited	**1,420**	-
Outstanding balances as at 31 March		
Receivable from Northpower Limited	**660**	161

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Movements in the carrying amount of the Group's joint venture

	Consolidated	
	2021	2020
	$000s	$000s
Beginning balance	**32,461**	25,456
Additional investment made	**11,742**	6,512
Share of profit after income tax	**1,970**	1,709
Unrealised profit adjustment	**65**	167
Realised profit adjustment	**(65)**	(61)
Dividend received	**(6,510)**	(1,322)
Balance as at 31 March	**39,663**	32,461

At balance date, the Group's equity accounted investment in NFL was assessed for impairment by applying the recent purchase price paid by Northpower Limited for the acquisition of the remaining shareholding in NFL. The assessment indicated there was no impairment required (2020: Nil).

Summarised financial information

	Consolidated	
	2021	2020
	$000s	$000s
Extract from the joint venture balance sheet:		
Cash and cash equivalents	**3,874**	4,401
Other current assets	**1,875**	1,614
Non-current assets	**44,369**	45,933
Current liabilities	**2,277**	1,853
Non-current liabilities	**1,590**	1,584
Net assets	**46,251**	48,511
Share of joint venture net assets	**40,497**	33,715
Extract from the joint venture statement of comprehensive income:		
Revenue	**12,004**	10,373
Depreciation	**(2,641)**	(2,535)
Interest income	**2**	28
Tax	**(1,037)**	(922)
Net profit after tax	**2,667**	2,369

Transactions between the Company and key management personnel

Certain Directors and key management of Northpower Limited are also directors of the subsidiaries. There are close family members of key management personnel employed by the Group. The terms and conditions of these arrangements are no more favourable than the Group would otherwise have adopted if there were no relationships to key management personnel.

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A summary of trading activities with related parties is as below:

Key management Personnel	Related party	Position	Purchases from related parties $000s		Amounts owing to related parties $000s	
			2021	2020	**2021**	2020
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	**2,671**	2,415	**275**	27
Ercoli Angelo Trustee of Northpower Electric Trust	Strada Eleven Limited	Director/ shareholder	**5**	4	**-**	-
	Ngatiwai Trust Board and DOC	Partnership	**-**	1	**-**	-
Josie Boyd General Manager Network	Electricity Engineers Association	Board member	**81**	75	**-**	-
Nikki Davies-Colley Ex-Chair of the Northpower Board	Farmlands Trading Society Limited	Ex-Director	**10**	8	**1**	-

23. Guarantees and contingencies

	Consolidated	
	2021	2020
	$000s	$000s
Performance bonds in relation to contract work	**27,576**	31,554
Balance as at 31 March	**27,576**	31,554

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and off-shore. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower Limited is a participant in the DBP Contributors Scheme (the "Scheme") which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers or a number of employers ceased to participate in the Scheme, Northpower Limited could be responsible for the entire deficit of the Scheme or an increased share of the deficit. As at 31 March 2020, the Scheme had a past service deficit of $2.8 million (4.1% of the liabilities). March 2021 information was not available at the time the financial statements were authorised for issue.

24. Commitments

The future aggregate minimum lease payments payable for non-cancellable low value operating leases which are exempted under NZ IFRS 16 Leases are as follows:

	Consolidated	
	2021	2020
	$000s	$000s
Within one year	**51**	127
After one year but not more than five years	**2**	49
Total non-cancellable operating leases	**53**	176

Capital commitments contracted at balance date was $5.1 million including software of $0.5 million (2020: $5.7 million including software of $0.5 million).

25. Events after balance date

On 1 April 2021, the Group purchased the remaining 12.4% shareholding in Northpower Fibre Limited (NFL) from Crown Infrastructure Partners Limited (CIP) for $8.8 million, refer to Note 22. The acquisition allows the Group to continue investing in the fibre network and growing its consumer base. The financial effects of this transaction have not been recognised in these financial statements. The operating results and balance sheet of NFL will be consolidated in the next financial year. At the time the financial statements were authorised for issue, the Group had not yet completed the acquisition accounting for NFL. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Metering assets were sold to FCL Metering Limited during April 2021 for $0.3 million.

On 1 May 2021, two of the Group entities, Northpower LFC2 Limited and Northpower Fibre Limited were amalgamated to become Northpower Fibre Limited.

26. COVID-19 impact disclosures

On 25 March 2020, New Zealand entered Government directed Alert Level 4 lockdown resulting in the shutdown of all but essential services until 27 April 2020. At the commencement of the financial year, the country was in lockdown at Alert Level 4 until 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 3 and 4, staff worked remotely and services were limited to essential services (including electricity distribution and emergency response) and the Group suspended routine maintenance programme and capital works.

There was no significant impact on supply under Levels 3 and 4. Although staff were working remotely, this did not affect response times to emergency repairs.

The subsequent Level 3 lockdowns imposed in Auckland during August 2020, February 2021 and March 2021 did not materially affect the Group.

The Group assessed the current and future potential effects on the business caused either directly or indirectly by COVID-19. The effect on the overall results for FY21 on the individual divisions was not material because of the very short period of the lockdown. The Group was eligible for and received $9.0 million of New Zealand Government wage subsidy in April 2020, and the Group repaid $0.6 million.

In the current environment, it is challenging to predict its potential future effects. The Group believes that any potential negative effects would likely be limited, unless there is a sustained economic downturn.

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INDEPENDENT AUDITOR'S REPORT
TO THE BENEFICIARIES OF NORTHPOWER ELECTRIC POWER TRUST

Opinion

We have audited the consolidated financial statements of Northpower Electric Power Trust ("the Trust") and its subsidiary (together, "the Group"), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit services, partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interest in, the Trust or its subsidiary.

Other Information

The Trustees are responsible for the other information. The other information obtained at the date of this auditor's report is information contained in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/.

This description forms part of our auditor's report.

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Northland

BDO Northland
Kerikeri
New Zealand
23 July 2021