Northpower

2023
Annual report

financial highlights

$448m revenue
↑38% since 2018

$13m distributions
↑160% since 2018

$38.3m capital expenditure
↑25% since 2018

enabling infrastructure, sustainably

Chair report

If we are to realise New Zealand's social, environmental, and economic aspirations, especially decarbonisation, there needs to be a sharper focus on investment outcomes and a greater recognition of the critical role played by infrastructure.

Electrification of New Zealand's economy is central to these outcomes. The fact that over 80% of our electricity generation comes from renewable sources means we have an enviable starting position. Deploying available geothermal, wind and solar generation will enable near full electrification of New Zealand's economy. This is not just possible, but a realistic and important path to follow.

Deploying the infrastructure to enable this is achievable, but challenging. Work done by Transpower, Concept Consulting and the Boston Consulting Group in recent years has shown just how big it is. Their studies conclude that the country requires unprecedented levels of investment in enabling transmission (over $8 billion) and distribution ($22 billion) infrastructure over the next decade to support this target future. Generation investment would be on top of those values.

Northpower's Board have been upfront with management that we're looking for Northpower Group to scale and be part of that infrastructure construction effort. We expect Northpower's networks to be built out to act as the platform for decarbonisation; we expect our contracting business to invest in building its workforce in support of clients; and we expect to facilitate the necessary investments to enable renewable generation in the North. Our teams are stepping up to that challenge.

We are acutely aware, our teams and the transition at large will fall short without alignment of regulatory and government policy. The Infrastructure Commission, in its New Zealand Infrastructure Strategy which it released last year, cited evidence of persistent underinvestment in the country's infrastructure.

They pointed out that a clear vision, with a focus on action, funding, and capability building, was needed if we were to overcome this problem. These themes illustrate the lift in regulatory leadership required.

Bringing this right down to our business, like all electricity network owners, Northpower is a very long-term investor. A clear regulatory remit and structure is critical to enabling us to contribute to achieving the country's goals in dealing with the challenges ahead.

To do this we need a regulatory environment that incentivises investment, rather than tempering the pace of its rollout as we have now. By way of example:

- Government officials have only just started work on the New Zealand Energy Strategy but it'll be at least two years before implementation begins
- The Electricity Authority's Transmission Pricing Methodology (TPM), that took ten years to confirm, is in our opinion poorly aligned to rapid electrification. It has created uncertainties and conflicts that slow progress. Its removal of the previous peak pricing mechanism has also resulted in additional system stress at times of high demand
- The Authority is now considering applying the same principles at the distribution network level. This will add significant complexity to network management. It will also create inequities by abolishing the existing 'postage stamp' approach to pricing, where infrastructure is considered a common good and costs shared equally (in the same way as roading is paid for)
- As currently drafted, the Natural and Built Environments Bill (designed to replace the RMA) has competing outcomes, making it more complex to progress infrastructure investment. It also proposes additional steps and criteria that must be met prior to projects proceeding, increasing uncertainty and risk for investors. We submitted on the Bill, proposing less 'red tape' and recommending more supportive frameworks for building and upgrading electricity supply infrastructure
- Regulation of distribution networks under the Commerce Act has a strong focus on limiting future investment to 'verifiable' elements based on historical load patterns, past performance and previous investment patterns. This simply slows down progress when what is needed is a step change if we are to decarbonise and upgrade aging networks

Ironically there is already a model for how the needed investment can be made, and one that we're very familiar with: the Ultrafast Fibre Broadband rollout, which Northpower built for the Whangārei and Kaipara regions. It was a great illustration of the clarity possible to enable infrastructure to be deployed at scale and at pace. Crown Infrastructure Partners set the fibre vision for New Zealand, managed markets to develop it, and worked in true partnership with industry to achieve it. After ten years of the programme, New Zealand has world class fibre infrastructure spanning all our key cities and towns.

I encourage Government to set policy and regulatory frameworks to achieve a similar outcome with the electrification of New Zealand's economy.

Mark Trigg
Chair

Enabling infrastructure today

1992 - 1998

Regional EDB

~**200** staff (1995)
3 offices
$59m (1995) revenue
$3.8m (1995) NPAT

Add contracting

1998 - 2010

Electricity and contracting company

950 staff (2005)
8 offices (2005)
$105m (2005) revenue
$11.8m (2005) NPAT

Add fibre

2010 – 2018

Diversified utilities company

1,200 staff (2018)
10 offices
$325m (2018) revenue
$23.4m (2018) NPAT

Galvanise operations

2018 – 2023

Integrated infrastructure company

1,250 staff (2022)
13 offices
$384m (2022) revenue
$26.5m (2022) NPAT

Enabling infrastructure tomorrow

Invest in the skills of our workforce

Become the preferred service provider in our sector

Support New Zealand's energy transition

Establish a renewable energy position

Chief Executive report

The transition to electrification and decarbonisation across Aotearoa has well and truly started, and scaling Northpower to be part of the solution has been a central focus over the year.

As a network owner and one of New Zealand's largest energy construction companies, we are focused on both augmenting the capabilities and capacity of our own networks, and supporting others across the North Island to take that step. The Boston Consulting Group's recent report, 'The Future is Electric,' outlined the scale of transmission and distribution investment needed – cumulatively $30 billion over the next decade alone.

Within this context we welcomed Onno Mulder to our Executive Team as the Chief Operating Officer for Contracting. His appointment is the final step in reshaping our contracting business to support sector growth. Over the past five years we've scaled our delivery capability by close to 50% for our clients and invested heavily in our fleet, facilities, and internal capability. During the year we were awarded the Regional Services Contract 2 (Upper North Island) by Transpower, commenced new arrangements with Powerco on their Western footprint, extended our agreement with Wellington Electricity and refreshed operating delivery with Vector. The message from all of our clients has been consistent – our investment needs are lifting, and we'll need more from our construction partners.

The lift in investment by our construction clients is consistent with the trends we are seeing on our own networks. Over the past five years we have lifted annual investment in our electricity networks by over 100%, and we recently updated our Electricity Asset Management Plan to hold that elevated level of investment steady over the next ten years.

Northland continues to experience one of the highest population growth rates in the country, and when combined with the opportunity of electrification and renewable generation in the region, the case for investing to support those outcomes is undeniable. We also continue to invest in our high-speed fibre networks, another area of critical infrastructure in the region.

Underpinning our plans to invest has been a focus on people, systems and collaboration. We understand that new energy systems require a shift to the way we integrate with and support our clients, and relentless collaboration and sharing across the energy sector to secure the path forward. Cyclone Gabrielle demonstrated that strength of collaboration, with the industry lending their support to reinstating our networks in the North, and our contracting teams playing a vital role in repair works across the North Island. It is that 'let's get the job done together' attitude that is a strength of our sector, and we should take considerable pride and confidence in how that plays out when our communities need it most.

The lift in activity we are seeing across the energy sector has helped us remain strong financially. Excellent performance of our core businesses, increased volumes in support of our contracting clients, and growth on our electricity and fibre networks has seen us deliver an EBITDA result of $74.5m and net profit after tax of $18.7m for the year, a pleasing result given the impact of Cyclone Gabrielle with repairs to the network costing $5.7m. We have also continued to lift our distributions to consumer owners with $13m being distributed by way of posted discount and dividend for the year.

This strength of our financial position is hard earned and gives us the financial resources we need to lift our contribution and do our part. Building the energy system of the future will require more than just an investment in our networks, it will require a material lift in the plant, facilities, and trained personnel that build those networks. We're gearing up to deliver that.

As we look to the future, we're excited to be an enabler of New Zealand's energy transition. Our business strategies and our business plans are designed to double our impact through an increased contracting contribution, supporting renewable generation in the North, and building skills and capabilities to create this new reality. We're privileged to work with clients, in a community and in a sector that shares that vision.

Electrification and decarbonisation has been talked about for a long time, but it is now upon us. It's an exciting time for Aotearoa and we're proud to be part of shaping that change.

Andrew McLeod
Chief Executive

Connecting communities

investing in infrastructure

6,656kms
power network

63,436
electricity connections

23,791
fibre connections

1,965
solar connections

20.2GWh*
renewable electricity generated

*Wairua hydro power station and customer generated electricity

Connecting communities

- **30k** customers without power at peak
- **45k** customers affected in total
- **83%** of feeders damaged
- **100** broken poles
- **250** broken crossarms
- **500** lines down
- **200** field staff on duty
- **$5.7m** repair cost

Cyclone Gabrielle unleashes

Cyclone Gabrielle in February was an unprecedented weather event causing major destruction and outages across our network. Winds of up to 140km/hr caused severe damage, but also prevented our crews initially from working to begin repairs.

Flooding, slips and hundreds of trees through lines were just some of the hazards our teams faced over several days of getting the lights back on across Northland.

The minimal damage to the Northpower Fibre network showcases the resilience of our fibre network infrastructure. This becomes increasingly important as we confront the growing challenges posed by climate change.

Downed powerlines across a field illustrate the ferociousness of Cyclone Gabrielle

Connecting communities

Acting as one

We're tremendously proud of the response of our people, who went above and beyond in living our behaviours of 'act as one'.

So many from right across our business contributed long hours of mahi to reconnect critical infrastructure and our communities as quickly and safely as possible.

We would also like to thank our customers for their patience, understanding and encouragement of our teams during this event.

Josie Boyd - Chief Operating Officer (Network) talks with crews during the Cyclone Gabrielle response.

Keeping communities updated

Social media was a key communication and engagement channel for us to help keep communities informed and up-to-date with our storm response.

43 posts

2.4k comments

11k reactions

Thank you - you are all such legends working huge hours for us.

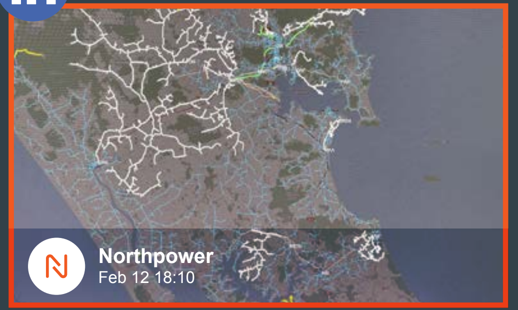
The communication throughout , including the daily updates , have been awesome . When we were without power, it was good to know what was going on and how the work was progressing. Thank you!

Thank you to your team from the cleaner to the CEO and the people in the middle . Each and everyone of you did an amazing job!

You are absolute champions Northpower

Thank you so much for restoring our power. The weather is roaring and it must be the pits being out in it, not to mention dangerous. We have freezers, fish tanks, and stinky teenagers. It could have ended very badly, so thank you all for keeping going .

Must say it's great being able to turn a tap on for water, flick a switch for light, watch the news ...
Your dedication has been second to none.
Thank you Northpower people.



Connecting communities

Investing in Northland's energy future

Northpower's newly updated Asset Management Plan (AMP) outlines the planned investment in our electricity network over the next ten years.

To support our customers in decarbonising and electrifying our economy, we're committed to managing our assets in a prudent way over the long term.

We expect to spend a total of $718 million in operating and capital expenditure, to continue to deliver a reliable network service, as well as supporting the evolving demand of our existing customers, and catering for projected growth in the region.

Planned spend over the next ten years:

$718m investment in our electricity network

$242m on asset renewal

$55.9m supporting regional growth

Connecting communities

Renewing the network

Our 2023 AMP sets out a significant uplift in our expenditure on asset renewal – with forecast expenditure of $242m over the next ten years, a 107% increase on our prior AMP forecast. A large portion of this increase relates to increased investment need in overhead conductors, crossarms and distribution equipment.

"These substation upgrades are essential to ensuring a reliable and safe electricity supply to the community. It is pleasing to see the collective team effort in delivering these projects on time and on budget"

Josie Boyd, Chief Operating Officer - Network

This year has seen the continuation of our substation upgrade programme to replace core network assets before they reach the end of their lives. These staged replacements, ensure a reliable and modern distribution network for our region that's climate change resilient as well as population growth and renewable energy ready.

Hikurangi
New transformers with double the capacity to support growth in the area, and switchboard upgrades

Ngururugu
A new safer building to house safer and more reliable switchboards, and a new 5MW transformer

Ruawai
A new 5MW transformer, new elevated building housing modern switchboards and control equipment

Parua Bay
Upgrades to equipment and a new 5MW transformer to allow for growth to at least 2,500 households

Planned
Design work is also underway for upgrades to our Poroti, Kensington and Kaiwaka substations.

Supporting growth

Over the AMP period, Northpower plans to spend $55.9m on major growth projects, accommodating Northland's growing population.

The majority of this spend is concentrated on the next few years, specifically for the new Mangawhai substation and sub-transmission line to Mangawhai, and Kensington substation upgrade.

Enabling infrastructure for Mangawhai

Mangawhai is one of the fastest growing towns in the Northland region.

We've begun work on constructing a new substation to initially support 1,500 homes and businesses – with capacity for many more as the area continues to develop and grow.

Prior to construction, the site at Mangawhai central was blessed at a ceremony by local hapū Te Uri O Hau. We acknowledge their generosity in guiding us in the process of recognising the history of the site and the changing nature.

Along with electricity network infrastructure, the new substation will house critical Northpower Fibre ultra-fast broadband infrastructure. Centralising this infrastructure increases resilience of the fibre network for the 1,800 homes and businesses in Mangawhai currently connected and allows for future growth provision.

Northpower Fibre has made a significant impact on the lifestyle of many residents. The availability of ultra-fast broadband has given many locals opportunities to live a more flexible lifestyle. Numerous professionals now opt to split their working week between commuting to Auckland city and working from home in Mangawhai thanks to the speed and reliability of our ultra-fast fibre broadband.

It's an example of enabling infrastructure and facilitating sustainable growth for local communities and business in the North.

Representatives from Northpower join with Te Uri O Hau and Kaipara council representatives at the blessing ceremony

Connecting communities

Northpower Fibre - 23,000+ customers and growing

More Northlanders than ever are experiencing the power of ultra-fast broadband and the difference it makes to work, study and play.

We've welcomed over 1,000 new customers in the past year to the Northpower Fibre network, including extending our footprint to 400 new homes as part of our Whangārei extension builds in Tamaterau, Vinegar Hill and Whau Valley.

We are delighted to continue to reduce the rural broadband divide and explore opportunities to enable fibre for more communities as they arise.

Continued innovation and investment

Northpower Fibre recently utilised innovative drone technology for installing fibre in the challenging terrain of Tamaterau. Typically, this process would involve labour-intensive work and traversing private properties and reserves - instead the team's implementation of a drone revolutionised the approach.

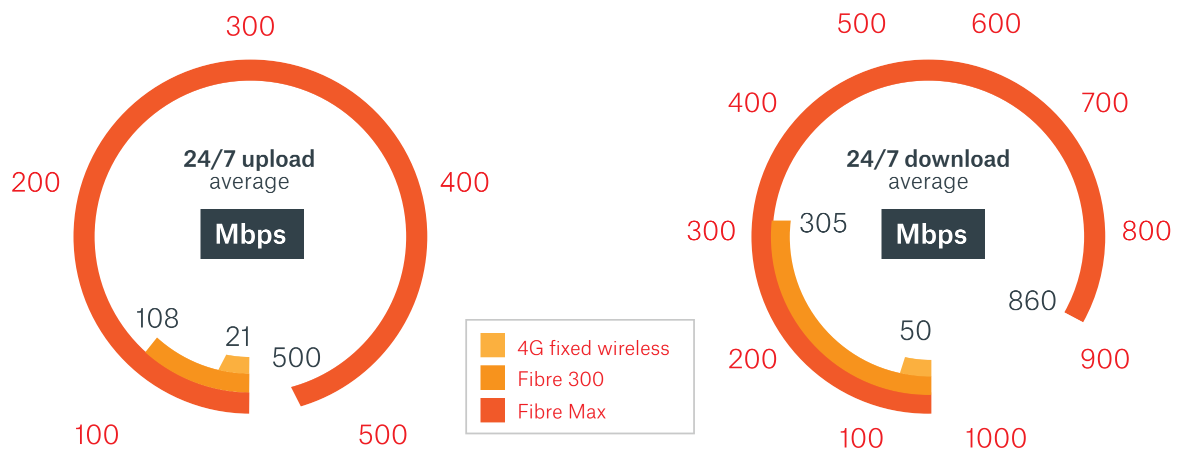
Through meticulous aerial mapping and stringing of aerial fibre between poles, our trucks could efficiently complete the installation. This cutting-edge drone technology method minimises disruption, and has the potential for improved safety and environmental benefits.

Behind the scenes we're continuing to ensure our fibre network remains innovative and ready for growth.

We are forging ahead with a technology refresh for our access network (distribution) with E7 to E9 PON technology conversion that will add capacity, increased throughput and reduced power consumption. We are also investing in Core Switch that will provide full redundancy and increased resiliency to the Northpower Fibre network.

Additionally, we are deploying XGS-PON (10G Fibre network) to improve broadband access and expand the reach of high-speed internet services.

Increasing automation of our network will additionally provide real-time data driven decisions, leading to increased service assurance, network monitoring and robust asset management.

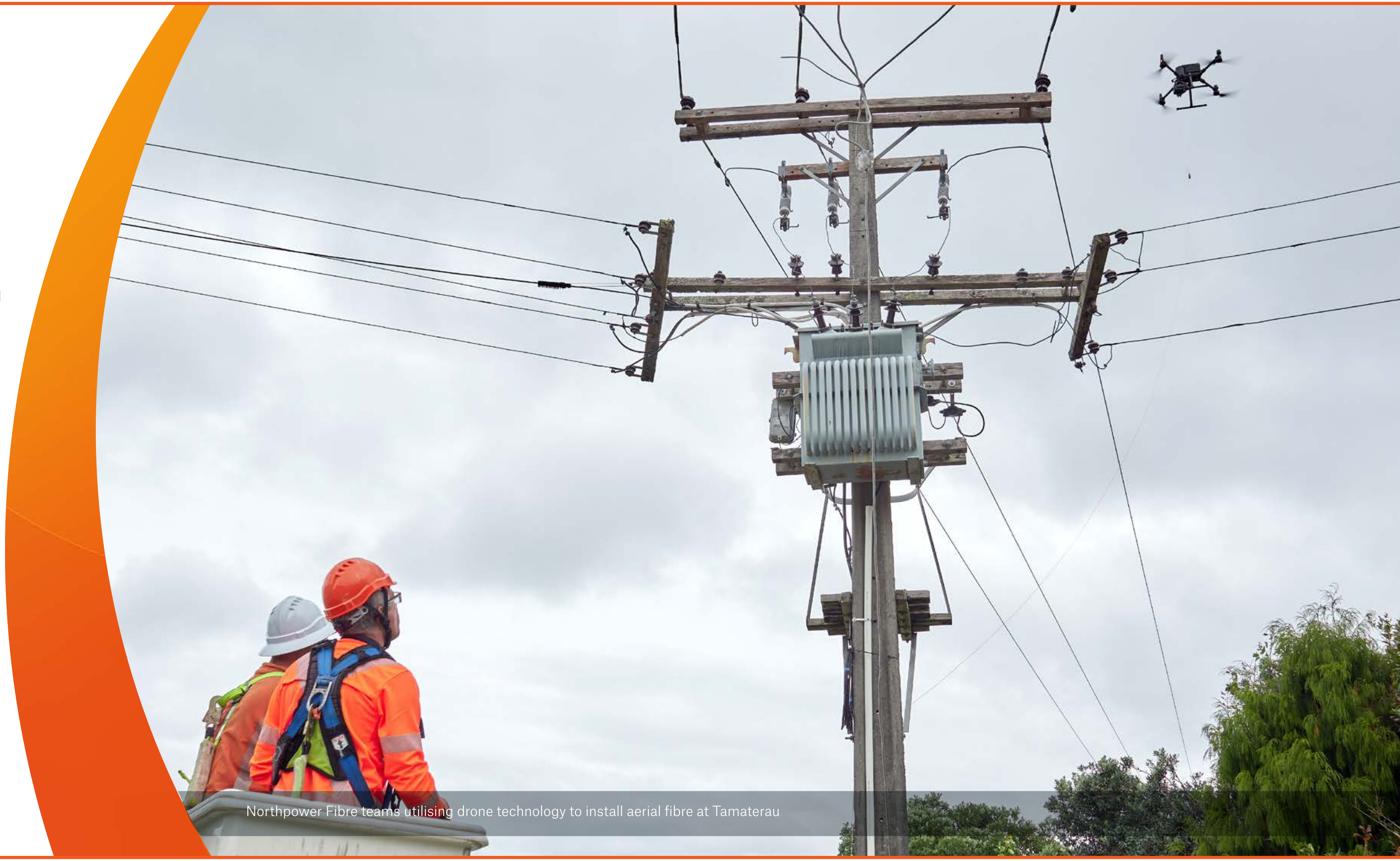


The robustness of fibre

The robustness of fibre is evidenced in the Commerce Commission (ComCom) independent reports in their "Measuring Broadband in New Zealand" programme, comparing different technologies such as broadband, wireless broadband and satellite. The latest report finds:

- **4G Fixed Wireless** - "has the highest latency of all technologies, and also delivers lower download/upload speeds and more frequent dropouts than fibre"
- **LEO satellite** - "while speeds can be expected to handle most applications, including video conferencing and streaming, it is not as consistent as fixed line broadband"

Source: Commerce Commission - "Measuring Broadband New Zealand, Summer Report, May 2023"



Northpower Fibre teams utilising drone technology to install aerial fibre at Tamaterau

Connecting communities

Increasing capability for our customers

As we look to extend our footprint further into the North Island, we recently acquired Taranaki based Linepower, who specialise in electrical, civil and traffic management services to network customers, farmers, developers, commercial and industrial customers across Taranaki and the Manawatū/Whanganui regions.

The Linepower acquisition aligns well with our growth strategy, as we look to double our impact over the coming years and increase our contribution to the decarbonisation and electrification of Aotearoa New Zealand's economy.

We're excited to welcome the Linepower team to our Northpower whānau, and the opportunity to serve our customers in the area more effectively.

"Being located close to our customers gives us the opportunity to grow through the recruitment and development of resources locally to support the regional electricity supply,"

Onno Mulder,
Chief Operating Officer – Contracting

Welcoming the Linepower team to the Northpower whānau at our new Taranaki depot

Connecting communities

Supporting our clients in trying times

Unprecedented weather events in January and February saw our contracting teams swing into action to support our colleagues and partners at multiple electricity networks across the North Island.

During the Auckland floods our teams battled multiple challenges to the Vector network including trees on lines and transformers underwater that needed isolation to be made safe.

We assisted our industry colleagues outside of our contract areas in North and West Auckland and brought in our crews from Whangārei, Warkworth and Hamilton to assist and restore power as quickly as possible for Vector customers.

The widespread devastation across the North Island during Cyclone Gabrielle only a few weeks later saw our crews back in action again.

In addition to supporting our own network in Whangārei and Kaipara, we assisted partners across the North Island with severe damage to their networks.

Our transmission tower refurbishment specialists based in Kāpiti travelled to Hawkes Bay to assist with silt removal and restoration of Transpower's severely damaged Redclyffe substation, working seamlessly alongside our industry colleagues to restore critical electricity infrastructure to the region as quickly as possible.

We're extremely proud of the tireless mahi and impact of our people during these unprecedented weather events to get essential services up and running and the lights back on as soon as possible.

It was an incredible example of our behaviours in action, with teams 'acting as one' both within Northpower and with our colleagues right across the industry.

Teams working to remove silt at Redclyffe substation *(note: this work occurred in a de-energised environment)*

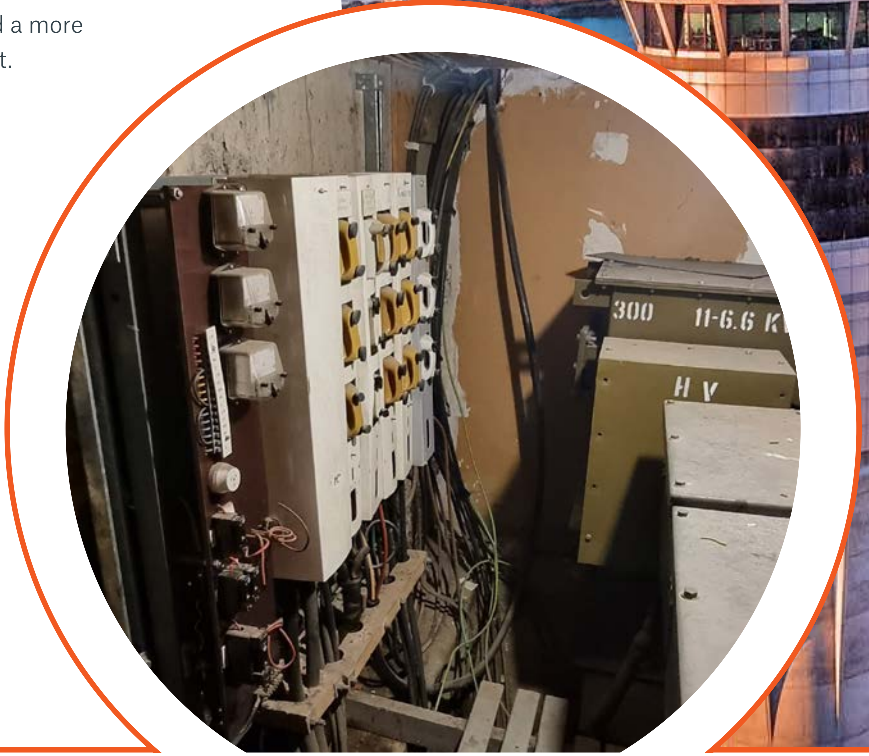
Connecting communities

Improving Auckland CBD's electricity supply

As part of our ongoing relationship with Vector, Northpower's capital works underground team has successfully completed work on Vector's ring main unit (RMU) replacement programme at five challenging sites in Auckland's CBD.

Despite complex excavations, heritage building resource consent requirements, and the need to minimise disruption to the public during working hours, the team installed the new equipment ahead of schedule.

The replacement of oil-filled switchgear means a safer working environment for contractors and a more sustainable outcome for the environment.



Delivering on essential infrastructure projects

Over the past year, we have worked alongside our partners to contribute to the sustainable and resilient growth of Auckland by constructing essential infrastructure.

Examples include providing electricity infrastructure at new Kāinga Ora housing developments, installation of a gas connection at a Ryman healthcare village in West Auckland, and maintenance of the critical electricity connection for the people of Waiheke Island.

These projects prepare for the needs of Auckland's growing and aging population, providing homes and necessary infrastructure.

"The professionalism and work ethics in which the Northpower (GAS) team has executed the works is of high quality.

I deal with a variety of companies on a day to day basis and I can honestly say that dealing with Northpower has been a breeze".

Jonathan Robins,
Building Services Advisor, Ryman Healthcare

Connecting communities

Collaborating for great customer outcomes

Northpower's southern contracting team recently collaborated with Electra in Kāpiti /Horowhenua for works on their transmission network, showcasing their adaptability to ensure the project's success.

The overhead distribution team members embraced the challenge of adapting to new work standards and different network requirements, resulting in a safe and efficient work environment for all.

> "This collaboration is a testament to the power of unity within the electrical industry, and we couldn't be prouder of everyone involved"
>
> Richard Te'o, Operations Manager – Capital Works

It's a great example of our team living our behaviours in action through earning the trust, acting as one and owning the outcome.

Winstone Wallboards new Tauranga plant

A new state of the art GIB plasterboard plant is under construction at Tauriko, with Northpower designing and building the internal 11kV reticulation and new 33kV feeder to the Pye's Pa substation.

The plant will have the capacity for future growth and product innovation, contributing to the resilience of Aotearoa New Zealand's construction sector.

Enabling sustainable energy at Tauhara

We're providing services to Unison Contracting Services Limited (USCL) to complete the 11kv line build at Contact Energy's new Tauhara geothermal power station in Taupō.

Tauhara will provide around 3.5% of the country's electricity, displacing around 500,000 tonnes of carbon emissions as it replaces fossil fuel generation.

That's equivalent to removing over 220,000 petrol cars from New Zealand's roads!

Switching at Winstone Wallboards

Contact's new Tauhara geothermal power station in Taupō, due to be operational at the end of 2023

Connecting communities

South Waikato national grid connection

We've constructed a 110kV transmission line connecting Transpower's Arapuni sub-station to Putāruru sub-station on behalf of Powerco.

This $43m, 16-month project included 11.3 kilometres of overhead line, 3.2 kilometres of underground cable at either end of the circuit, along with 76 new overhead structures.

Communities will now remain connected when the single Transpower transmission line they used to rely on experiences a fault or is undergoing maintenance.

The new connection brings reliable, renewable and resilient electricity to power over 11,500 homes and businesses in the South Waikato region now and well into the future.

"The community have an asset that will enable them to decarbonise and provide resilience of supply for the long term. It is both adaptation and mitigation in one hit. What a fantastic effort from all the teams involved to deliver this project safely and ahead of schedule – well done!"

James Kilty, Powerco CEO

The South Waikato National Grid Connection commissioning event at Mangakaretu marae

Aerial cable stringing for the South Waikato national grid connection

Connecting communities

Enhancing electricity resilience on the national grid

August saw the commencement of the Regional Service Contract (RSC2) for maintaining some of the central North Island's transmission substations and line assets, as part of our ongoing partnership with Transpower.

This ten-year contract allows us to increase our presence in the central North Island and contribute to a strong electricity infrastructure for New Zealand.

An example of our contribution is through installing cabling and pre-commissioning testing for Transpower's new T5 220/110kV transformers at their Bombay substation.

These transformers will ensure a reliable electricity supply from the Bombay to Ōtāhuhu section of the national grid.

This project is one of many that improve New Zealand's electricity grid resiliency and enable growth in the Auckland region.

We're maintaining 2,151km of lines and 29 substations of the national grid in the central North Island.

Induction training at the commencement of Transpower's RSC2 contract

~1,250
total
staff

14
trainee
cadets

11
engineering
cadets

5
industry
accolades

Building futures

investing in people

Building futures

Growing future-ready, passionate talent

Northpower is focused on growing and developing a future-ready workforce, while fostering a culture of passionate and engaged individuals who are constantly learning and delivering value.

In June last year we celebrated the graduation of our inaugural Northpower engineering cadets who graduated from Manukau Institute of Technology (MIT), with a NZ Diploma in Engineering (Electrical). In partnership with MIT, Northpower provided paid tuition, accommodation support and work experience during the three-year diploma. The cadets are now all employed full-time in planning, design, and engineering roles across our North Island locations.

Our commitment to developing talent is also evident through our longstanding employment of engineering summer interns, who gain valuable experience working with various Northpower teams, including control operators, asset strategy and planning teams, and operations.

In addition, existing Northpower staff are continually upskilling and gaining qualifications, including line mechanics and cable jointers.

It's all part of our role in assisting security of the future workforce of our industry and building futures for Northland in particular.

Enabling a tech future with fibre

Northpower Fibre is delighted to provide career pathways and progression opportunities for young local tech developers and engineers.

Justin Ryan is one of our graduates who has worked on several exciting development projects since joining us from the Developers Institute, including enhancing Northpower Fibre's Management Console, Contractor Management Console, and Self-Service Console. Justin played a crucial role in the Fibre Boost Initiative, improving the base service for over 13,000 customers in six weeks.

Quentin Sothern, another Developers Institute student, has worked on a Chat Bot project, evaluating potential bots for customer inquiries. After an internship, he joined Northpower Fibre as a Junior Software Engineer in January.

"Stepping out of the classroom and into the workplace has the potential to feel more like stepping out the frying pan and into the campfire, but thankfully I was well supported by both parties, and I now enjoy a role that is as rewarding as it is challenging."

Engineering interns
Pas Mudannayaka and Sora Araki

Northpower engineering cadets celebrating their graduation

Growing our people from within

It's vital we have a future-ready and passionate workforce to meet the challenges and opportunities of our rapidly evolving industry, driven by the decarbonisation and electrification of our economy.

Plans are in place for an innovative industry first approach to the ongoing learning and development of our people through building and sharing of our collective knowledge and expertise. In practical terms this means building futures by providing clear learning pathways for our people, with discussions about career aspirations, learning goals and robust plans to achieve them.

This is Northpower's commitment to our people, supporting and developing them to ensure they are equipped with the skills and ability to grow as we grow.

"He aha te mea nui o te Ao? He tangata, he tangata, he tangata – What is the most precious thing in all the world? It is people, it is people, it is people"

Building futures

Building great careers locally

The electricity supply industry in New Zealand will play a vital role in the future, with exciting career prospects for young talent. We're committed to local youth through trade and engineering cadetship programs that provide pathways to full-time employment.

Northpower recently welcomed a new cohort of trade cadets into our whānau. These cadets were selected via an online application process and an open day, which included speed meet sessions with managers, with shortlisted candidates undergoing face-to-face interviews.

From over 95 applicants, 14 successful cadets have embarked on their employment journey with us.
The Trades Cadets program spans eight weeks and encompasses the NZ Certificate Level 2 in Electricity Supply, along with on-site training and familiarisation with industry best practices.

Te Pūkenga Northtec campus hosts the program, which is facilitated by specialist training partner Lines and Cables Limited. In May, the cadets participated in a cultural competency workshop and a noho marae visit.

After the eight-week program, the cadets will be work-ready to join their teams in June. This program marks the first of many, with a goal of training 50 cadets in 2023 and 100 in the following year.

Additionally, Northpower offers the Engineering Cadets program in collaboration with Te Pūkenga. This program allows cadets to pursue residential study while engaging in on-the-job learning, leading to the achievement of their NZ Diploma in Engineering (Electrical) Level 6. The course is set to commence later in 2024.

> "Poipoia te kakano, kia puawai - Nurture the seed and it will blossom"

Northpower's latest cohort of trade cadets

Building futures

Industry recognition

It is gratifying to see our focus on health and safety, and our broader industry contributions, be recognised through multiple awards from both external entities and our customers in the past year.

- WINNER – **Safeguard New Zealand Workplace Health and Safety Award** in the engagement category for our work to include every employee in the company in the development of our live electricity Critical Risk Control (CRC) programme
- WINNER - **Headfit Awards** (New Zealand's first national workplace mental health awards) of the Vitae Engagement and Communications Excellence award for establishing the kaitiaki network, our volunteer in-house peer-to-peer support network
- WINNER – **Transpower Engineering and Technology Excellence awards** in the 'Investment in our Energy Future' award category for our work in attracting and growing talent for New Zealand's new energy future
- FINALIST – **Transpower Engineering and Technology Excellence awards** in the 'Engineering by Design' category for our tower refurbishment team
- RECIPIENT – **Electricity Engineers' Association Lifetime Membership award** to Russell Watson, Northpower's Principal Engineer for contribution to the electricity supply industry

"We appreciate your holistic approach to considering real-life barriers for people entering the industry and your approach to getting them involved! A standout example of investing in our industry future."

Transpower Engineering and Technology Excellence awards judging panel

(L-R) Arthur Van Resseghem, Vern Rosieur, Lian Passmore, Matt McCormack
Photo: Dave Simpson Photography davesimpson.org


(L-R) Russell Watson, Principal Engineer and wife Ngaoko, Shaun Brown, Distribution Engineering Manager, Josie Boyd, Chief Operating Officer – Network

Matt Iorangi, Group Manager – Capability and Mackenzie Ashby, Capability Manager

Building futures

Be mindful, be present, be safe

One of Northpower's core behaviours is 'be mindful, be present, be safe – He taonga ko tahi manaaki tatou katoa - what is precious to one we must all take care of, protect and treasure. We protect ourselves and look out for those around us'.

We have continued our Critical Risk Control Management (CRCM) programme – which began in 2019 with the 'live electricity' risk. This programme has identified ten critical risks, risks that pose a likelihood to cause serious harm or a fatality. Our programme applies a process to assess each risk, their control, and more specifically the critical controls.

Our focus over this past year has been on the following critical risks:

- **Moving vehicles**
- **Falling objects**
- **Working at height**
- **Public safety** (electricity network contracting)
- **Contractor management**
- **Mental health**

Our National Safety Forum has continued engaging with our people at the point of risk, enabling us to invest and implement industry leading changes through our members. This forum remains a vital piece of our organisational health and safety strategy where members from our local safety forums and other Northpower leaders join to engage and consult on our performance.

Building futures

Celebrating lifelong contributions

As two of our longest serving people prepare for a well-deserved retirement, it is timely to reflect on their enormous contribution to the growth of Northpower. Lloyd Richards and Andre Watts have been part of the journey from a regional electricity distribution board in Whangārei with around 200 staff to the Northpower of today, an integrated infrastructure company with 14 locations and 1,300 staff across the North Island.

Lloyd joined Northpower in 1978 as an engineering cadet before moving into the planning office. Things were certainly different in those days says Lloyd, "there wasn't a lot of co-ordination between the office staff and field staff. One of the things I really enjoyed was helping to get the two teams working together – it was like early contractor engagement these days!" he says.

Andre began his career at Northpower as a utility worker in the 'stripping shed', cleaning assets for re-use to go back out into the field. He learned how to drive a truck and got his licence "despite having not much practice!" says Andre. From there he was a trainee linesman and became an integral part of the business.

Northpower's first foray into contracting was in 1995, after lunchroom conversations about seeing the possibilities in venturing outside of Northland, to winning a contract to replace 13km of lines in Taranaki. The team headed down and got stuck into the job despite the freezing Taranaki winter. "It was the first time I had ever seen snow!" recalls Andre.

The team continued, working on the Powerco network in Tauranga and a new subdivision project in Auckland for the Vector network. The opportunity came to bid for Vector's south-eastern zone maintenance contract, and despite an Australian partner pulling out just before the bid deadline, Northpower won. This marked the beginning of Northpower contracting's growth.

Initially, teams travelled from Whangārei to Auckland on a rotation basis before establishing a permanent depot in East Tamaki, led by Lloyd as General Manager - Contracting. They subsequently secured further contracts with Vector, Powerco, Transpower, and Wellington Electricity, resulting in a multi-million dollar business and the establishment of additional depots throughout the North Island.

Andre remained in Whangārei but was heavily involved in works planning and scheduling, and travelled to many of the major customer sites, training up staff and working on-site. "I reckon I've been to most places all over the North Island," says Andre, who also has worked internationally for Northpower in Tonga and Perth.

It is an example of two careers that have taken different paths – into management and technical field excellence - but have both provided options and lifelong opportunities within our industry. Both Lloyd and Andre still occasionally pass by those first poles in Taranaki that are still standing strong, and say it gives them a sense of pride.

Lloyd credits the people and culture at Northpower as the main reason he has enjoyed coming to work over the years. "Supporting people is so important," he says.

He also emphasises the ongoing importance of health and safety in our industry and says he's particularly proud of the work that has been done in recent times on identifying critical risks and putting in place control management to help make a safer workplace for us all. "It's by looking after our people that we get the best results, and the number one way to do this is keep health and safety at the forefront of all we do", says Lloyd.

Andre says he's loved his career.

> "If I had my time over, I'd do it all again. I hope new people coming into the industry understand how much of a career you can have here."

Thank you, Lloyd and Andre, for your tireless service and exceptional leadership over the years, and we wish you all the very best as you hang up your PPE and enjoy your retirement!

"You create lifelong friendships in this industry and customers become your friends too. The team effort to pull things together has been phenomenal"
Lloyd Richards

Vern Rosieur, our longstanding Safety Field Services Manager with Andre Watts and Lloyd Richards

For Northland

enabling economic growth

$1m+
savings through home energy education

$280k
annual sponsorship investment

1,488
customer energy assessments completed

97%
business customer satisfaction

86%
residential customer satisfaction

For Northland

Supporting Northland communities

We returned $13m in distributions back to our consumer owners and the local Northland community in 2022, a total of over $263m since 1993.

Some of the fantastic local initiatives we've sponsored this year include:

- Northland Rescue helicopter
- Girls in Infrastructure events
- EPro 8 schools engineering competition
- Northpower Wild Kiwi multi-sport event
- Whangārei Fringe Festival
- Northland business excellence awards
- Healthy homes Tai Tokerau
- Tai Tokerau Education Trust

Northpower sponsors initiatives that align closely with our own priorities, business goals and values.

We are proud to sponsor organisations and entities that drive economic and social value for Northland, particularly those improving the accessibility, opportunity and prosperity of our communities.

Participants from Kamo Intermediate, winners of the Year 7-8 Northpower EPro-8 challenge

For Northland

Over $1m in energy bill savings

Our highly successful Home Energy Education programme has helped address energy hardship in our region and has saved an estimated $1m per annum in power bills for local residents.

A collaboration with Ecobulb Limited and SEEC funding from MBIE has assisted us in providing free personalised energy advice, free LED lightbulbs and low flow showerheads to local residents.

> "By changing one thing, I've saved $100 a fortnight. This is before I've even tried all of the suggestions made during my assessment"
>
> Jena, mother of five and Home Energy Education participant

> "It's very worthwhile, and I was pleased to get the free lightbulbs and showerhead"
>
> Pauline, Home Energy Education participant

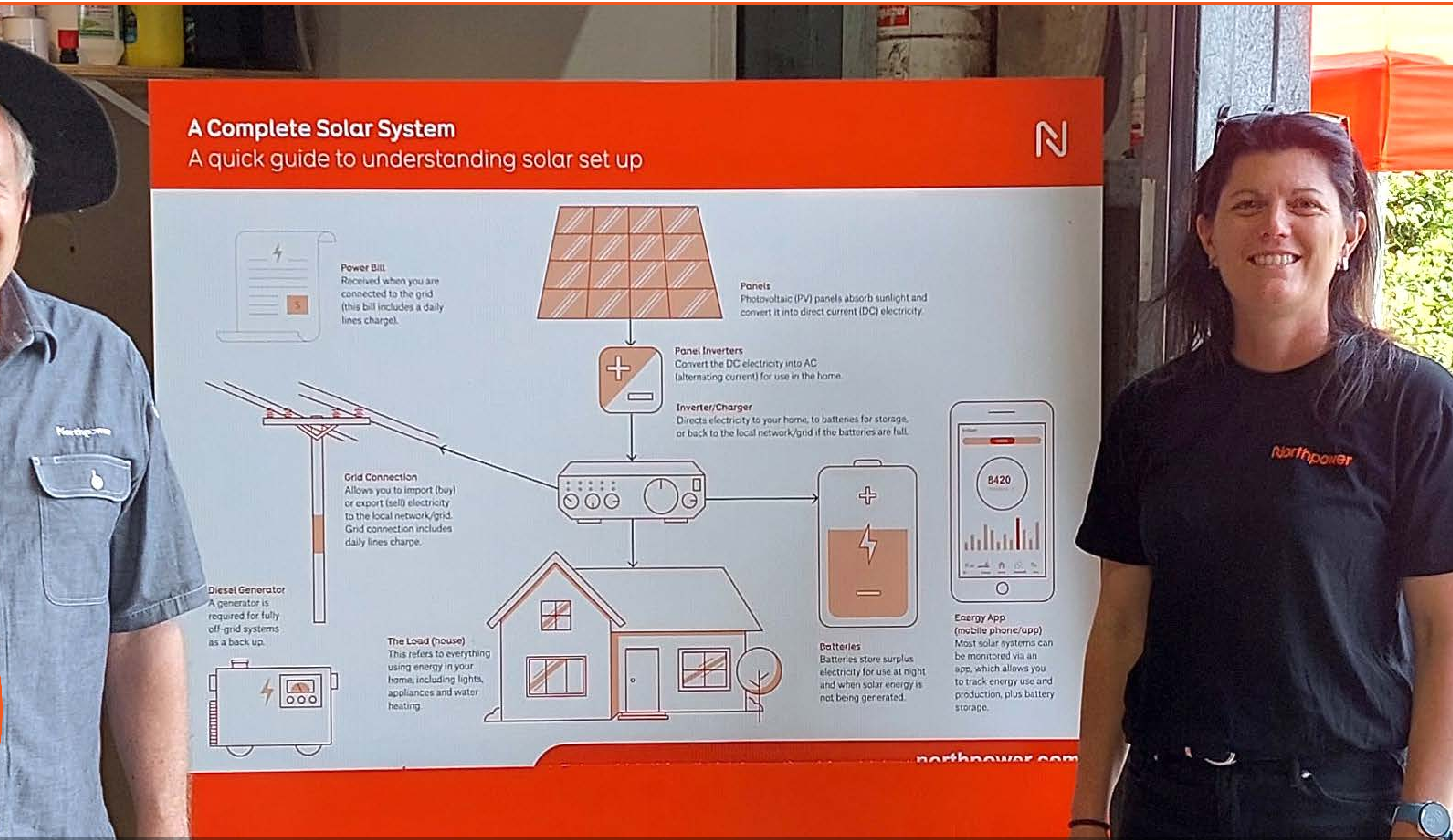
$1,280,000
annual estimated electricity savings

1,488
total energy assessments completed

15,251
free LED lightbulbs provided

1,414
free showerheads provided

Home energy education assessor training in action



Russell Watson, Northpower's Principal Engineer and Arriane Christie, Community Partnerships Lead showcasing solar energy

For Northland

Unlocking the power of data

Northpower and Amazon Web Services (AWS) held a hackathon earlier this year, using AWS technology and architecture expertise to solve a data problem.

Northpower, The Developer's Institute, NGEN Room, Pacsbridge, and Australian asset analytics software provider Modla collaborated alongside AWS to create a solution to improve the speed and accuracy of Northpower's vast asset repository.

The AI-generated solution produced by the teams exposed and combined multiple asset data sets, enabling improved asset maintenance forecasting, and explored new ways of converting unstructured data from legacy paper repositories and PDF documents into open formats.

The event showcased the power of collaboration and cutting-edge technology.

"It was incredible to see teams come together from across different business and community sectors of Northland, who had never worked together, put in long hours of mahi, gain skills and begin an exciting journey towards utilising the power of AI to get true value from our data"

Andreas Astrom,
Head of Technology and Innovation at Northpower

"Technology events like this hackathon can provide a great opportunity for the community to come together to discover the value of data and ways to easily analyse it and build a more data-driven culture. As organisations increase their data maturity, it will transform how they go about solving problems and building customer experiences, which will lead to increased innovation and growth"

Haren Samarasakera,
Head of Greenfield Accounts at AWS New Zealand

Participants in the Northpower x AWS hackathon

Our leadership team

Andrew McLeod
Chief Executive

- BEng (Mech)
- PGDip FA

Andrew joined Northpower as Chief Executive in 2017 and has a background in infrastructure management and construction management, spanning the electricity, oil and gas, and water utility sectors.

Andrew is responsible for ensuring appropriate performance and positioning of Northpower's group of businesses, with a focus on ensuring appropriate returns and outcomes for Northpower's consumer owners.

Josie Boyd
Chief Operating Officer (Network)

- LLB(Hons)
- BA, MInstD

Josie joined Northpower in 2011, was its General Counsel for a number of years and prior to that worked in New Zealand and the UK in a range of private practice and in-house corporate roles in the utilities, construction and professional services industries.

Josie has responsibility for managing Northpower's electricity network, including engineering, asset investment, customer, operational, commercial, and regulatory functions.

Onno Mulder
Chief Operating Officer (Contracting)

- MEngST, NZCE
- FEngNZ, FNZIM

Onno joined Northpower in May 2022 and brings with him his 35 years engineering management experience which includes 16 years as CEO of Citycare, an organisation with deep construction experience across water, civil and infrastructure management.

Onno leads our contracting business and is responsible for the overall performance of the business as we look to grow and diversify over the next decade.

Darren Mason
Northpower Fibre CEO

- BMS
- MInstD

Darren joined Northpower in 1996 and was instrumental in the company securing the Whangārei UFB build. Prior to his appointment as Northpower Fibre CEO in 2011, Darren was Northpower's longstanding Marketing and Fibre Manager.

Darren is responsible for all aspects of Northpower Fibre as Chief Executive.

Ollie O'Neill
Chief Financial Officer

- FCCA

Ollie joined Northpower as Chief Financial Officer in 2018. He has over 20 years of financial and executive experience across infrastructure, construction, agri-business, finance and gaming sectors.

Ollie is responsible for optimising the financial performance of the group and for leading Northpower's finance, risk, legal and procurement functions.

Andrea O'Brien - General Manager People and Capability

- BAppMgt (Human Resources)
- Dip Bus

Andrea joined Northpower in 2009 and took on the role of General Manager People and Capability in 2016. Andrea has over 20 years experience in human resources, safety and quality management, previously working in the timber, forestry and mining industries.

Andrea is responsible for all people related activities including recruitment, training, development, people related performance systems and staff advisory.

Brigitte Colombo - General Manager Strategy and Change (Acting)

- BSurv
- BSc (Computer Science)

Brigitte joined Northpower in 2022 and brings significant experience in business transformation and leading IT, business development and professional services teams to improve performance and deliver customer-focused outcomes.

Brigitte is responsible for ensuring that Northpower is well-positioned to achieve its purpose and ambition by leading the strategy, digital, and change functions.

Our Directors

Mark Trigg (Chair)

- B Eng Chemical and Materials
- Ex officio Audit and Risk, and People and Capability, Investment Committees

Mark brings extensive industry experience with a career in the energy sector encompassing asset management, operations, strategy, market trading and portfolio management, and large-scale project management. He has also held roles in the financial markets industry.

Mark's current directorships include Liquigas, Ngāti Tūwharetoa Holdings Limited and subsidiaries.

Richard Booth

- MBA, Dip Ag
- Audit and Risk Committee

Richard brings a robust governance background to the Northpower board, with previous directorships in the food and dairy industries including Delta Produce, Northland Dairy Co-op, the New Zealand Dairy Board, Kiwi Co-op and Fonterra. He also recently served as a ministerial appointee to the commission governing Kaipara District Council.

Richard additionally has private interests in two dairy farms and an avocado orchard.

Phil Hutchings

- B.Eng. (Hons), Dip Bus Admin
- Investment Committee Chair
- Audit and Risk Committee

Phil, a qualified mechanical engineer with additional business qualifications, has extensive experience in Australia's mining industry. He successfully led the commercial operations of a prominent export-oriented mine and refinery. With ten years as a partner in corporate finance, specialising in energy and resources, Phil's expertise is well-established.

His career also encompasses consulting in the energy and renewable sectors, as well as holding positions as General Manager and CEO, including two years in Europe's renewable sector.

Michael James

- CA, MInstD
- Audit and Risk Committee Chair

Michael's extensive senior executive financial experience in the hi-tech and innovation sector aligns well with Northpower, where he's been a director since 2014.

Michael's previous roles include Chief Financial Officer for Plant and Food Research, Chief Financial Officer for Navman and General Manager Europe for Dynamic Controls.

Michelle Kong

- BA (Hons I), LLB, L.Mus.A
- People and Capability Committee

Bringing extensive experience in infrastructure industries, Michelle's expertise spans strategy, customer insights, market analysis, pricing, corporate finance, and growth ventures in telecommunications, media, building products, waste management, and airport sectors.

Previously, Michelle served as a Future Director at Auckland Airport, an Independent Director at Snakk Media, and currently consults to some early stage companies in the wireless vehicle charging and education sectors.

Laurie Kubiak

- MAICD, GAICD, MInstD
- People and Capability Committee Chair

Laurie's international career encompasses commercial and strategic roles in energy, ICT, telco, aviation, and infrastructure sectors. He has led multi-disciplinary teams in Europe, USA, Africa, and Asia for several FTSE 100 companies.

Laurie is the owner and CEO of Nautech Electronics Ltd, and was formerly the Chief Executive of NZIER and Chair of NZSO and Trustees Executors Limited. Laurie brings a wealth of expertise in commercial strategy, economics, policy, and regulation to the Northpower board.

Kerry Friend

- CAANZ, CMInstD, AICD, BMS
- Audit and Risk Committee
- Investment Committee

Kerry brings extensive financial management, strong governance, and risk management expertise to Northpower's board. Hailing from Whangārei, Kerry began his career with EY before venturing to Asia, holding senior finance positions primarily in the media and entertainment sector.

Kerry is a co-founder and Executive Director of NZX-listed Trade Window Holdings Limited and holds a Bachelor of Management Studies, is a Chartered Accountant, a Chartered Member of the NZ Institute of Directors, and a member of the Australian Institute of Company Directors.

Kevin Drinkwater

- BCom, CA
- People and Capability Committee
- Investment Committee

Kevin brings extensive technology, finance, and supply chain experience to the Northpower board. Born and raised in Northland, he has a deep connection to the region. Much of Kevin's expertise was gained in executive and operational roles with Mainfreight. He was based in New Zealand and the USA, during his 34 year tenure there.

Kevin serves as the Chair of Duffy Books in Homes NZ, a founding board member of Books in Homes USA, and a director of Far North Holdings, and is a past director of SPCA Auckland and TUANZ.

Board of Directors' report

The Board of Directors are appointed by the Northpower Electric Power Trust to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework, and monitors management performance.

Principal activities

The group's principal activities are the distribution of electricity, electrical contracting and telecommunications fibre.

Directors holding office during the year

Northpower Limited, and
Northpower Fibre Limited

M D Trigg (Chair)
R C Booth
K M Drinkwater (appointed 1 July 2022)
K M Friend (appointed 1 July 2022)
M B D James
P G Hutchings
M K Kong
L S Kubiak
E M P A Jacobs (resigned 20 July 2022)

West Coast Energy Pty Limited, and
Northpower Western Australia Pty Limited

P G Hutchings
O M O'Neill
A I McLeod

Results

The group recorded an after tax profit of $18.7 million for the period, as set out in the Consolidated Statement of Comprehensive Income.

Dividend

A fully imputed dividend of $0.6 million was declared for the year.

Donations

The Group made donations of $150,000 to Northland Emergency Services Trust, $35,000 to Taitokerau Education Trust, $40,000 to Healthy Home (Te Kaupapa Mahitahi Hauora-Papa o te Raki Trust and Community Business and Environment Centre) and other sundry donation of $4,600 during the year.

Insurance of Directors

The company has insured all its Directors against liabilities to other parties that may arise from their positions as Directors.

Share dealings

It is not possible for any Director to acquire or dispose of any interest in shares in the Company.

Use of company information

The Board received no notices during the year from Directors requesting use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Directors' interest

The following Directors have made general disclosures of interest pursuant to Section 140 of the Companies Act 1993 that the named Directors are to be regarded as having an interest in any contract that may be made with the entities listed below:

M D Trigg
Director – Langman Lane Limited
Director – Ngati Tuwharetoa Holdings Limited
Chair – Ngati Tuwharetoa Geothermal Assets Limited
Director – Liquigas Limited

P G Hutchings
Shareholder – Career Engagement Group Limited
Director – West Coast Energy Pty Limited
Director – Northpower Western Australia Pty Limited
Director/Shareholder – Wycliffe Pty Limited
Director/Shareholder – Wycliffe Limited

M B D James
Trustee – Middlemore Clinical Trials Trust
General Manager – Wanaka Medical Centre
Director - OSPRI
Director - Naylor Love Limited
Director - Naylor Love Construction Limited
Director - Naylor Love Enterprise Limited
Director - Naylor Love Properties Limited

M K Kong
Director – The Exponential Agency Limited
Shareholder – Trosk Limited
Chief Commercial Officer – IntDevice

L S Kubiak
Associate – NZIER
Director – Nautec Electronics Limited
Shareholder – Nautec Electronics Limited
Chair – Taxpayers' Union

R C Booth
Panel Member – Far North Holdings Appointments Panel

K M Drinkwater
Director – Far North Holdings
Director – Bay of Islands Marina
Chair – Duffy Books In Homes New Zealand (Alan Duff Charitable Foundation)
Director – Books In Homes USA

K M Friend
Director – Trade Window Holdings Limited
Director – Trade Window Limited
Director – Trade Window Services Limited
Director – Trade Window Nominees Limited
Trustee – Tomodachi No.1 Trust
Trustee – Tomodachi No 2. Trust

Remuneration of employees

The remuneration of employees as reflected in the table below contains severance payments made to some employees.

Bands:	No. of Employees:
$100,000 - $109,999	124
$110,000 - $119,999	125
$120,000 - $129,999	102
$130,000 - $139,999	98
$140,000 - $149,999	62
$150,000 - $159,999	59
$160,000 - $169,999	41
$170,000 - $179,999	30
$180,000 - $189,999	25
$190,000 - $199,999	23
$200,000 - $209,999	15
$210,000 - $219,999	8
$220,000 - $229,999	9
$230,000 - $239,999	3
$240,000 - $249,999	2
$250,000 - $259,999	3
$260,000 - $269,999	4
$270,000 - $279,999	0
$280,000 - $289,999	0
$290,000 - $299,999	1
$300,000 - $309,999	1
$310,000 - $319,999	1
$320,000 - $329,999	1
$330,000 - $339,999	1
$390,000 - $399,999	1
$420,000 - $429,999	1
$430,000 - $439,999	1
$460,000 - $469,999	1
$730,000 - $739,999	1

Directors' remuneration

Directors' remuneration paid during the period was:

Northpower Limited:	
M D Trigg	$140,000
R C Booth	$70,000
E M P A Jacobs	$22,667
M B D James	$75,225
P G Hutchings	$73,975
M K Kong	$70,000
L S Kubiak	$75,225
K M Drinkwater	$53,250
K M Friend	$53,250
S Huband (IoD future director)	$10,000
Northpower Western Australia Pty Limited:	
P G Hutchings	$13,333
	$656,925

For and behalf of the Board

M D Trigg
Chair

Financial statements

Statement of service performance

	Note	FY23 Actual	FY23 Target	FY22 Actual
Financial KPIs				
Net profit after tax/shareholder funds (pre-distribution)	1	8.2%	≥7.5%	6.1%
Debt/capital ratio	2	22.5%	≤40%	23.4%
Debt coverage ratio	3	1.5x	≤4.25x	1.3x
Distribution (posted discount plus dividend)		$13m	$13m	$12.4m
Non- Financial KPIs				
Safety				
Total recordable injury frequency rate (TRIFR)	4	12.2	≤6	13.81
High potential injury frequency rate (HPIFR)		4.4	≤5	5.4
Permanent disability and/or fatality		0	0	0
Northpower Electricity Network				
Network reliability (SAIDI minutes)	5			
Planned		115.6	≤162.1	117.2
Unplanned		124.7	≤93.3	101.2
Average number of faults per 100km of line		22.6	≤10	11.6
Network interruptions (SAIFI)	6			
Planned		0.44	≤0.72	0.48
Unplanned		3.41	≤2.28	2.41
Customer satisfaction (residential)		86%	≥85%	95%
Customer satisfaction (commercial)		97%	≥85%	91%
Northpower Fibre Network				
Network availability (max downtime minutes)	7			
Layer 1		3.2	≤120 min	14.1
Layer 2		0.8	≤30 min	29.4
Faults (max downtime)				
Layer 1		100.0%	99% within 48 hrs	100%
Layer 2		100.0%	99% within 12 hrs	100%
Service level performance	8			
Residential		95%	≥95%	95%
Commercial		95%	≥95%	95%

Group financial KPIs

The Group achieved the targets for all financial measures. The total distribution was on target for current year at $13 million comprising of a posted discount of $12.4 million paid to consumers as well as a $0.6 million dividend declared for the current year. The debt/capital ratio and debt coverage ratios are well within the targeted levels reflecting the sound financial and balance sheet health of the Group.

Safety

High potential injury frequency rate (HPIFR) was in line with target. The outcome reflects sustained focus on management of Critical Risks i.e. risks that can cause death or severe injury.

Total recordable injury frequency rate (TRIFR) was higher than our target range, however the pattern of injuries were at the low severity end of the scale (sprains and strains) as well as lower than the previous financial year.

Electricity network

Cyclone Gabrielle impacted normal SAIDI/SAIFI data recording processes between the period 12 February 2023 to and including 19 February 2023 (eight days). The Group applied to the Commerce Commission in May 2023, seeking an exemption from providing accurate SAIDI and SAIFI data for cyclone related outages. Unplanned normalised SAIDI and SAIFI was estimated during those eight days using operations captured automatically in SCADA from circuit breakers and reclosers. The normalised SAIDI/ SAIFI data for the year remains materially accurate and enables comparison with prior years.

Customer satisfaction continues to be strong.

Fibre network

Fibre network performance was in line with target for the period.

Statement of service performance (continued)

Notes to the statement of service performance

1. Net profit after tax/shareholders' funds (Equity) is calculated pre-discount and excluding fair value adjustments as this reflects the underlying operational performance before distributions.
2. Debt/capital ratio is (Net debt)/(Net debt + Equity)
3. Debt coverage ratio (Net debt/EBITDA)
4. The total recordable injury frequency rate (TRIFR) per million man hours is calculated as:

$$\frac{\text{number of lost time injuries + medical treatment injuries + restricted treatment injuries}}{\text{hours worked x 1,000,000 hours}}$$

5. SAIDI is the system average interruption duration index i.e. the average duration of interruptions to consumers in the year, and is calculated as:

$$\frac{\text{sum of (number of interrupted consumers x interruption duration)}}{\text{average number of connection customers}}$$

6. SAIFI is the system average interruption frequency index i.e. the average number of interruptions to consumers in the year. An interruption means a cessation of supply to consumers for a period of more than one minute. During the interruption to supply, some customers may be temporarily restored, as supply is restored for a short period due to switching operations carried out in the course of locating a fault. This is because, until the fault has been located and addressed, supply has not properly been restored. A subsequent permanent fix following a temporary repair is treated as a further interruption. This is because supply which had been restored, is then interrupted again to undertake the planned works. The treatment of successive interruptions in FY23 is consistent with that of FY22.
7. Fibre network availability measure reports the average time in minutes that the fibre network is unavailable to an end user over the 12 month period to end of March 2023. The formula is:

$$\frac{\text{sum of downtime for all end users in the previous 12 months caused by a fault in the Layer 1 or Layer 2 service}}{\text{average total number of end users over that 12 month period.}}$$

   - Layer 1 refers to the fibre network infrastructure and the availability is mainly affected by unplanned faults. Layer 2 refers to the electronic component of the network and availability is mainly affected by planned outages for the purpose of upgrading infrastructure or software.

   Estimated minutes are measured as follows:

   - Unplanned faults are measured by the minutes an incident ticket is open in the faults system. Due to the manual process of closing the tickets, the open minutes are adjusted when it is established that the ticket was not closed when the service was restored.
   - Planned outage minutes are modelled in the test environment by a technical expert and this is the basis of estimation for network unavailability during an outage.

   Notified maximum minutes are measured as follows:

   - Unplanned faults minutes recorded by the faults system, unadjusted for process delays in closing the incident in the system.
   - Planned outage minutes are the outage duration minutes notified to the retail service providers on the outage notification multiplied by the number of end users in the areas affected by the outage.
8. Service level performance measures the percentage of customers connected within target timeframes.

Consolidated statement of comprehensive income

	Note	2023 $000s	2022 $000s
Revenue from contracts with customers	2	447,954	384,381
Other income	3	1,922	1,030
Materials and supplies		(201,836)	(163,244)
Employee benefits	7	(154,164)	(145,834)
Transmission costs		(17,929)	(16,339)
Depreciation and amortisation		(40,951)	(37,306)
Other expenses	4	(3,225)	(4,084)
Fair value gain on derivatives		1,790	4,440
Finance cost	5	(7,213)	(6,227)
Gain on remeasurement of existing interest/share of net profit in associate		-	14,718
Net profit before tax		26,348	31,535
Income tax expense	11	(7,637)	(5,072)
Net profit after tax for the year		18,711	26,463
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	18	-	(8)
Items that will not be reclassified to profit or loss			
Net gain on revaluation of property, plant & equipment, net of tax	14,18	-	33,163
Other comprehensive income/(loss) for the year, net of tax		-	33,155
Total comprehensive income for the year attributable to the owners of the parent		18,711	59,618

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

Consolidated statement of financial position

	Note	2023 $000s	2022 $000s
Assets			
Current assets			
Cash and cash equivalents		1,115	749
Trade and other receivables	9	50,499	48,865
Contract assets	2	25,778	23,805
Derivatives	20	88	-
Inventory	6	17,027	16,472
Total current assets		94,507	89,891
Non-current assets			
Intangible assets	13	25,907	27,564
Derivatives	20	2,235	1,028
Right of use assets	15	64,145	69,705
Property, plant and equipment	14	512,839	491,940
Total non-current assets		605,126	590,237
Total assets		699,633	680,128

These financial statements are authorised for issue on 28 June 2023, for and on behalf of the Board

Mark Trigg
Chair

Michael James
Audit and Risk Committee Chair

	Note	2023 $000s	2022 $000s
Liabilities			
Current liabilities			
Trade and other payables	10	31,232	25,489
Contract liabilities	2	17,630	15,286
Employee entitlements	7	18,745	18,347
Provisions	16	1,460	2,374
Provision for tax		2,851	4,507
Borrowings	19	18,800	22,500
Deferred income	8	248	237
Derivatives	20	-	108
Total current liabilities		90,966	88,848
Non-current liabilities			
Employee entitlements	7	1,101	1,065
Provisions	16	-	1,941
Lease liabilities	15	66,959	72,266
Borrowings	19	84,683	79,452
Deferred income	8	6,452	6,682
Derivatives	20	10	396
Deferred tax	12	68,777	66,904
Total non-current liabilities		227,982	228,706
Total liabilities		318,948	317,554
Net assets		380,685	362,574
Equity			
Equity attributable to owners of the parent	18	380,685	362,574
Total equity		380,685	362,574

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

Consolidated statement of changes in equity

	Note	Ordinary shares $000s	Retained earnings $000s	Other reserves $000s	Asset revaluation reserve $000s	Foreign currency translation reserve $000s	Total $000s
Balance as at 1 April 2022		35,989	277,207	-	52,317	(2,939)	362,574
Profit for the year		-	18,711	-	-	-	18,711
Total comprehensive income for the year, net of tax		-	18,711	-	-	-	18,711
Dividend declared	23	-	(600)	-	-	-	(600)
Balance as at 31 March 2023		35,989	295,318	-	52,317	(2,939)	380,685
Balance as at 1 April 2021		35,989	251,257	-	19,311	(2,931)	303,626
Profit for the year		-	26,463	-	-	-	26,463
Revaluation gain on property, plant and equipment		-	157	-	33,006	-	33,163
Other comprehensive income for the year		-	-	-	-	(8)	(8)
Total comprehensive income for the year, net of tax		-	26,620	-	33,006	(8)	59,618
Dividend declared/paid		-	(670)	-	-	-	(670)
Balance as at 31 March 2022		35,989	277,207	-	52,317	(2,939)	362,574

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

Consolidated cash flow statement

	Note	2023 $000s	2022 $000s
Operating activities			
Receipts from customers		443,670	379,090
Leave support income		315	91
Interest received		119	15
Income tax received		553	551
Payments to suppliers		(220,632)	(186,341)
Payments to employees		(154,045)	(144,067)
Interest paid		(7,499)	(6,011)
Income tax paid		(7,973)	(7,437)
Net cash inflows from operating activities	17	54,508	35,891
Investing activities			
Proceeds from sale of property, plant and equipment		133	941
Purchase of intangible assets		(1,940)	(2,152)
Purchase of property, plant and equipment		(36,512)	(34,255)
Acquisition of a subsidiary		-	(4,906)
Net cash outflows from investing activities		(38,319)	(40,372)
Financing activities			
Drawdown of borrowings		519,378	619,736
Repayment of borrowings		(518,200)	(600,600)
Principal repaid on lease liability		(16,331)	(14,541)
Dividends paid to owners of the parent	23	(670)	(660)
Net cash (outflows)/inflows from financing activities		(15,823)	3,935
Net increase/(decrease) in cash and cash equivalents		366	(546)
Net foreign exchange differences		-	(8)
Cash and cash equivalents at the beginning of the year		749	1,303
Cash and cash equivalents at the end of the year		1,115	749

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

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 Limited Group (or "the Group") as at, and for the year ended 31 March 2023. The Northpower Electric Power Trust is the sole shareholder of the Company. The Group consists of Northpower Limited and its subsidiaries. The principal activities of the Company are electricity distribution and contracting services. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

The consolidated financial statements ("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 a historical cost basis except for the revaluation of derivatives, distribution system assets, and land and buildings.

The presentation currency is New Zealand dollars (NZD), which is the company's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated. The consolidated statement of comprehensive income and consolidated statement of changes in equity are stated exclusive of GST. All items in the consolidated statement of financial position and consolidated cash flow statement are stated exclusive of GST except for trade receivables, trade payables, receipts from customers, and payments to suppliers which include 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 21)
- Intangible assets (Note 13)
- Property, plant and equipment (Note 14)
- Financial risk management objectives and policies (Note 21)
- Related parties (Note 23)

Standards issued and effective

A number of new standards and interpretations are effective from 1 April 2022, but they do not have a material effect on the Group's financial statements.

Standards issued but not yet effective

Certain new standards and interpretations are effective for annual periods beginning on or after 1 April 2023 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these financial statements. The new or amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

2. Revenue from contracts with customers

	Note	2023 $000s	2022 $000s
Revenue recognised over time			
Electricity distribution revenue	i	67,289	66,477
Metering		-	11
Electricity generation	ii	1,724	1,984
Fibre telecommunication services	iii	15,538	13,646
Contracting revenue - electricity industry	iv	355,284	294,011
Contracting revenue - fibre telecommunications industry	v	177	90
Revenue recognised at a point in time			
Capital contributions	vi	7,942	8,162
Total		447,954	384,381

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 $12.4 million paid during the year to the consumer owners (2022: $11.7 million), refer to Note 18.

ii 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 20 to 45 days from supply of the electricity.

iii Fibre telecommunication services

The performance obligation is satisfied over time with the provision of fibre internet connectivity and payment is generally due 20 to 45 days from provision of the service. Revenue is recognised as the service is provided.

iv 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.

v Contracting revenue – fibre telecommunications industry

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 on the basis that the customer receives and uses the benefits simultaneously.

vi Capital contributions

Capital contributions represents third party contributions towards the construction of distribution system and fibre network assets. Capital contribution revenue is recognised in the consolidated statement of comprehensive income when the asset is completed. Capital contribution revenue also includes capacity charges revenue, which is recognised when the invoice is issued.

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 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-completion method. The revenue recognised during the year includes the contract liabilities balance at the beginning of the reporting period.

3. Other income

Other income includes $0.3 million (2022: $0.1 million) of income from the Government leave support scheme and short term absence assistance payments to help pay salary and wages of employees impacted by COVID-19.

4. Other expenses

Net profit before tax includes the following specific expenses:

	2023 $000s	2022 $000s
Fees to Deloitte:		
- Audit of financial statements	332	265
- Special audits required by regulators	212	59
Under provision of prior year audit fees	37	-
Net loss on foreign exchange	50	-
Directors' fees	657	586
Rental and lease costs	1,347	1,488
Fair value loss on asset revaluation	-	1,505

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.

5. Net finance cost

	Note	2023 $000s	2022 $000s
Interest income		119	15
Interest expense		(5,584)	(3,979)
Capitalised interest	14	641	205
Interest on leases	15	(2,389)	(2,468)
Net finance cost		(7,213)	(6,227)

Interest income and interest expense is recognised using the effective interest method. The gross interest costs of bank facilities excluding the impact of interest rate swaps was $4.8 million (2022: $2.2 million). Eligible borrowing costs were capitalised at an average interest rate of 4.7% (2022: 1.7%).

6. 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 $32.1 million was recognised in the profit or loss during the year (2022: $31.6 million). Inventory written off during the period amounted to nil (2022: nil). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

7. Employee benefits and entitlements

	2023 $000s	2022 $000s
Salaries & wages	149,701	140,186
Defined contribution plan employer contributions	4,029	3,632
Movement in employee entitlements	434	2,016
Total employee benefit expenses	154,164	145,834

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

	2023 $000s	2022 $000s
Short-term benefits	4,300	4,188
Termination benefits	-	392
Total compensation of key management personnel	4,300	4,580

Employee entitlements are represented by:	2023 $000s	2022 $000s
Current		
Accrued salaries & wages	5,152	4,644
Annual leave	12,620	12,767
Sick leave	973	936
Total current portion	18,745	18,347
Non-current		
Retirement & long service leave	1,101	1,065
Total non-current portion	1,101	1,065
Balance as at 31 March	19,846	19,412

The Group accrues for employee benefits which remain unused at balance date, and amounts expected to be paid under bonus and other entitlements. A liability for employee benefits is recognised when it is probable that settlement will be required and the amount is capable of being measured reliably.

8. Deferred income

	2023 $000s	2022 $000s
Balance as at 1 April	6,919	6,366
Received during the year	122	338
Income recognised during the year	(341)	215
Balance as at 31 March	6,700	6,919
Current	248	237
Non-current	6,452	6,682
Balance as at 31 March	6,700	6,919

The Group received an interest free loan from the Government for the construction of fibre network assets and the loan was recognised at its fair value when received, refer to Note 19. The difference between the amount received and the fair value is recognised as deferred income in accordance with NZ IAS 20. As the loan relates to the construction of property, plant and equipment it was included in deferred income in the statement of financial position and was 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.

9. Trade and other receivables

	Note	2023 $000s	2022 $000s
Trade receivables		47,677	46,785
Less provision for expected credit losses	21	(355)	(375)
Prepayments		3,177	2,455
Balance as at 31 March		50,499	48,865

The Group's exposure to credit risk and impairment losses related to trade receivables are disclosed in Note 21 in these financial statements.

10. Trade and other payables

	2023 $000s	2022 $000s
Trade payables	20,451	18,021
Accrued payables	10,781	7,468
Balance as at 31 March	31,232	25,489

11. Income tax expense

	2023 $000s	2022 $000s
Net profit before tax	26,348	31,535
At New Zealand's statutory tax rate of 28% (2022: 28%)	7,377	8,830
Plus/(less) tax effect of:		
- Non-deductible expenses	464	328
- Non-taxable income	(100)	(4,075)
- Prior period adjustment	(104)	(11)
	7,637	5,072
The taxation charge is represented by:		
- Current taxation	6,262	5,944
- Deferred taxation	1,479	(861)
- Prior period adjustment relating to current tax	(498)	(461)
- Prior period adjustment relating to deferred tax	394	450
	7,637	5,072
Imputation credits available for use in subsequent reporting periods	68,129	59,085

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.

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.

12. Deferred tax

	Property, plant & equipment	Employee entitlements	Provisions & other	Tax losses	Total
	$000s	$000s	$000s	$000s	$000s
Balance as at 1 April 2022	(69,850)	4,134	(2,645)	1,457	(66,904)
Charged to profit/(loss)	(1,639)	65	339	(638)	(1,873)
Balance as at 31 March 2023	(71,489)	4,199	(2,306)	819	(68,777)
Balance as at 1 April 2021	(51,002)	3,533	(5,500)	191	(52,778)
Charged to profit/(loss)	(2,535)	563	2,855	(472)	411
Charged directly to equity	(9,797)	-	-	-	(9,797)
Acquired through business combination	(6,516)	38	-	1,738	(4,740)
Balance as at 31 March 2022	(69,850)	4,134	(2,645)	1,457	(66,904)

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. It is measured at tax rates that are expected to be applied to the temporary differences when they reverse.

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.

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, are not amortised, and are tested for impairment annually. 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 arises on the acquisition of subsidiaries and business combinations. Goodwill is allocated to the Group's cash-generating units (CGU), 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 tested for impairment annually or whenever there is an indicator of impairment.

The recoverable amount was determined using the value in use model. 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 estimated recoverable amount of the CGU exceeded its carrying amount, hence there was no impairment loss at balance date.

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.

	Goodwill	Software	Easements	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s
Cost					
Balance as at 1 April 2022	12,358	38,249	453	1,624	52,684
Additions	-	-	-	1,940	1,940
Transfer between assset categories	-	1,980	-	(2,272)	(292)
Balance as at 31 March 2023	12,358	40,229	453	1,292	54,332
Accumulated amortisation and impairment					
Balance as at 1 April 2022	(1,745)	(23,375)	-	-	(25,120)
Amortisation for the year	-	(3,305)	-	-	(3,305)
Balance as at 31 March 2023	(1,745)	(26,680)	-	-	(28,425)
Net carrying amount as at 31 March 2023	10,613	13,549	453	1,292	25,907
Cost					
Balance as at 1 April 2021	4,122	35,703	453	2,546	42,824
Assets acquired through business combination	8,236	83	-	-	8,319
Additions	-	-	-	2,193	2,193
Transfer between asset categories	-	3,115	-	(3,115)	-
Disposals	-	(652)	-	-	(652)
Balance as at 31 March 2022	12,358	38,249	453	1,624	52,684
Accumulated amortisation and impairment					
Balance as at 1 April 2021	(1,745)	(20,710)	-	-	(22,455)
Amortisation for the year	-	(3,276)	-	-	(3,276)
Disposals	-	611	-	-	611
Balance as at 31 March 2022	(1,745)	(23,375)	-	-	(25,120)
Net carrying amount as at 31 March 2022	10,613	14,874	453	1,624	27,564

Allocation of goodwill to cash-generating units

	2023 $000s	2022 $000s
Northern contracting	877	877
Central contracting	1,500	1,500
Northpower Fibre Limited	8,236	8,236
Balance as at 31 March	10,613	10,613

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, no impairment was recognised on intangible assets (2022: nil million).

Cloud computing arrangements

Cloud computing arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

If the configuration and customisation were performed by the cloud provider, and if the upfront service is distinct from the cloud computing arrangement, then the related costs may be initially treated as a prepayment and expensed over the term of the cloud computing arrangement. Costs incurred for the development of software code that enhances or modifies, or creates additional capability to existing on premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. The Group applies judgement to assess whether the criteria for capitalisation of the configuration and customisation costs, are met.

14. Property, plant and equipment

	Freehold land	Freehold buildings	Distribution systems	Fibre	Generation	Plant & equipment	Motor vehicles	Leasehold improvements	Meters	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Cost or fair value											
Balance as at 1 April 2022	17,605	15,093	335,353	94,108	15,879	43,341	3,575	3,573	308	10,114	538,949
Additions	-	-	-	-	-	-	-	-	-	42,212	42,212
Transfer between asset categories	-	618	21,483	6,510	-	4,074	767	132	-	(33,292)	292
Disposals	-	-	(125)	(121)	-	(373)	(311)	-	-	-	(930)
Balance as at 31 March 2023	17,605	15,711	356,711	100,497	15,879	47,042	4,031	3,705	308	19,034	580,523
Accumulated depreciation											
Balance as at 1 April 2022	-	-	-	(5,469)	(11,281)	(26,688)	(2,211)	(1,294)	(66)	-	(47,009)
Depreciation charge for the year	-	(596)	(10,337)	(5,210)	(485)	(4,036)	(119)	(264)	(15)		(21,062)
Disposals	-	-	9	-	-	130	248	-	-	-	387
Balance as at 31 March 2023	-	(596)	(10,328)	(10,679)	(11,766)	(30,594)	(2,082)	(1,558)	(81)	-	(67,684)
Net carrying amount as at 31 March 2023	**17,605**	**15,115**	**346,383**	**89,818**	**4,113**	**16,448**	**1,949**	**2,147**	**227**	**19,034**	**512,839**
Cost or fair value											
Balance as at 1 April 2021	9,633	14,612	300,050	32,620	15,879	44,717	5,611	3,489	290	8,329	435,230
Assets acquired through business combination	-	29	-	55,800	-	105	-	7	-	169	56,110
Additions	-	-	-	-	-	-	-	-	-	43,182	43,182
Transfer between asset categories	-	2,591	25,433	9,013	-	4,186	204	121	18	(41,566)	-
Revaluation adjustment	7,972	(2,124)	9,976	-	-	162	-	-	-	-	15,986
Disposals	-	(15)	(106)	(3,325)	-	(5,829)	(2,240)	(44)	-	-	(11,559)
Balance as at 31 March 2022	17,605	15,093	335,353	94,108	15,879	43,341	3,575	3,573	308	10,114	538,949
Accumulated depreciation											
Balance as at 1 April 2021	-	(870)	(15,531)	(3,910)	(10,796)	(28,485)	(3,999)	(1,045)	(53)	-	(64,689)
Depreciation charge for the year	-	(536)	(8,544)	(4,868)	(485)	(3,812)	(145)	(269)	(13)	-	(18,672)
Impairment	-	-	-	-	-	(101)	-	-	-	-	(101)
Revaluation adjustment	-	1,402	24,067	-	-	-	-	-	-	-	25,469
Disposals	-	4	8	3,309	-	5,710	1,933	20	-	-	10,984
Balance as at 31 March 2022	-	-	-	(5,469)	(11,281)	(26,688)	(2,211)	(1,294)	(66)	-	(47,009)
Net carrying amount as at 31 March 2022	17,605	15,093	335,353	88,639	4,598	16,653	1,364	2,279	242	10,114	491,940

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

2023	Freehold land $000s	Freehold buildings $000s	Distribution systems $000s
Cost	6,223	19,538	412,586
Accumulated depreciation & impairment	-	(5,602)	(117,581)
Net carrying amount	6,223	13,936	295,005

2022	Freehold land $000s	Freehold buildings $000s	Distribution systems $000s
Cost	6,223	19,437	391,414
Accumulated depreciation & impairment	-	(4,968)	(108,519)
Net carrying amount	6,223	14,469	282,895

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. Freehold buildings asset class includes buildings infrastructure assets of $4.8 million at balance date (2022: $4.6 million).

Revalued assets

Distribution system, land and buildings assets are revalued after initial recognition and are presented in the consolidated statement of financial position 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 recognised in profit or loss. Land is not depreciated.

Asset revaluation reserve

Any revaluation increment is recorded in other comprehensive income 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 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 2022 by AON Risk Solutions, a registered independent valuer. The valuation was carried out in accordance with International Valuation Standards. 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. Fair value was assessed with reference to the "highest and best use"being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". For the current year, the movement in the fair value of land and buildings was assessed at balance date. Accordingly, the land and buildings asset were not revalued during the year as the carrying value of land and buildings did not differ materially from its fair value.

Electricity distribution network assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation to determine the fair value of the electricity distribution network assets was completed at 31 March 2022 by PriceWaterhouseCoopers (PwC), 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 (DCF) methodology over a ten year period, with a terminal value based on the estimated regulatory asset base.

The assumptions mainly include estimated future revenues, operating costs and capital expenditure. A post tax nominal WACC of 4.8% was used. The posted discount was not included in the valuation cash flows for FY23 – FY31 as it only forms part of the contract price once declared.

The movement in the fair value of distribution systems was assessed at balance date. Accordingly, valuation movement during the year was not recognised as the carrying value did not differ materially from its fair value. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% movement in the discount rate would change the mid-point valuation by +/- 3%. A 5% movement in the distribution revenue would change the mid-point valuation by +/- 11%.

Insurance cover

The Group holds prudent insurance cover including for material damage to the substations, and other infrastructure within the distribution network. The distribution system network assets that are spread over a large area being the lines, poles and distribution transformers are uninsured as either the insurance cover is unavailable or is prohibitively expensive. The Group has prudent insurance cover for the non-network assets and appropriate contracting and liability insurances.

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

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties 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 gain on disposal of PPE of $0.01 million (2022: $0.05 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 statement of financial position 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 which is based on the amount of lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease 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.

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

	Buildings $000s	Vehicles $000s	Total $000s
Cost			
Balance as at 1 April 2022	33,079	78,449	111,528
Additions	244	10,238	10,482
Disposals	-	-	-
Remeasurement	453	147	600
Balance as at 31 March 2023	33,776	88,834	122,610
Accumulated amortisation			
Balance as at 1 April 2022	(10,173)	(31,650)	(41,823)
Additions	(3,631)	(12,953)	(16,584)
Disposals	-	-	-
Other adjustments	-	(58)	(58)
Balance as at 31 March 2023	(13,804)	(44,661)	(58,465)
Net book value	19,972	44,173	64,145
Cost			
Balance as at 1 April 2021	32,207	68,409	100,616
Additions	350	10,279	10,629
Disposals	-	(264)	(264)
Remeasurement	522	25	547
Balance as at 31 March 2022	33,079	78,449	111,528
Accumulated amortisation			
Balance as at 1 April 2021	(6,603)	(19,597)	(26,200)
Additions	(3,593)	(11,765)	(15,358)
Disposals	-	-	-
Other adjustments	23	(288)	(265)
Balance as at 31 March 2022	(10,173)	(31,650)	(41,823)
Net book value	22,906	46,799	69,705

Operating lease income

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

Non-cancellable operating lease	2023 $000s	2022 $000s
Within one year	27	32
After one year but not more than five years	84	101
More than five years	75	81
Balance of non-cancellable operating leases	186	214

16. Provisions

Provision for onerous contracts of $1.5 million at balance date (2022: $4.3million) relates to unavoidable costs of meeting the obligations under the contracts that were estimated to exceed the economic benefits expected to be received under it. During the year provision of $2.8 million was utilised (2022:nil).

The provision was measured as the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on estimated full costs necessary to fulfil the obligations under the contract. Any impairment losses associated with the contract are recognised before the provision for onerous contracts is established.

17. Cash flow statement reconciliation

	2023 $000s	2022 $000s
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after tax	18,711	26,463
Adjustments for:		
- Depreciation & amortisation	40,951	37,306
- Gain on sale of property, plant & equipment	(14)	(55)
- Deferred income release	(341)	214
- Non cash capital contribution revenue	(5,314)	(6,952)
- Fair valuation gain on derivative financial instruments	(1,790)	(4,440)
- Capitalised interest	(641)	(205)
- Non cash interest	474	436
- Fair value loss on asset revaluation	-	1,505
- Provision for asset write-off	290	-
- Gain on remeaurement of existing interest/share of net profit in associate	-	(14,718)
Changes in assets & liabilities		
- Increase/(decrease) in trade & other payables	5,814	(585)
- Less related to property, plant and equipment	389	(1,781)
- Increase in contract liabilities	2,345	4,344
- (Decrease)/increase in provision	(2,855)	4,160
- (Increase)/decrease in contract assets	(1,973)	6,041
- Decrease in income tax	(1,656)	(1,403)
- Increase in trade & other receivables	(1,634)	(10,690)
- Increase in inventory	(555)	(5,196)
- Increase/(decrease) in deferred tax liabilities	1,873	(411)
- Decrease in employee entitlements	434	1,858
Net cash inflows from operating activities	54,508	35,891

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 consolidated cash flow statement.

2023	Cash and cash equivalents $000s	Lease liabilities $000s	Borrowings $000s	Total $000s
Net debt as at 1 April 2022	(749)	72,266	108,871	180,388
Cash flows	(366)	(16,331)	1,178	(15,519)
Non cash movements	-	11,024	134	11,158
Net debt as at 31 March 2023	(1,115)	66,959	110,183	176,027

2022	Cash and cash equivalents $000s	Lease liabilities $000s	Borrowings $000s	Total $000s
Net debt as at 1 April 2021	(1,303)	76,160	88,973	163,830
Cash flows	546	(14,541)	19,136	5,141
Non cash movements	8	10,647	762	11,417
Net debt as at 31 March 2022	(749)	72,266	108,871	180,388

18. Equity

Share capital

The total number of shares authorised and issued is 35,981,848 (2022: 35,981,848). Share 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.

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. Net revaluation amount recognised in other comprehensive income at balance date was nil (2022: $33 million).

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.

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 statement of corporate intent prescribes that the debt/capital ratio will be maintained at 40% or lower.

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, a posted discount of $12.4 million (2022: $11.7 million) was paid to the consumers.

19. Borrowings

	Maturity	2023 $000s	2022 $000s
Current	Less than 12 months	18,800	22,500
Non Current			
Unsecured loans	Within 2 & 3 yrs	10,000	44,500
Unsecured loans	Within 3 & 5 yrs	63,900	24,800
Interest free Crown loan	Beyond 5 years	10,783	10,152
Balance of non current as at 31 March		84,683	79,452
Total as at 31 March		103,483	101,952

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.

The fair value of the interest free Crown loan was estimated at $16.6 million (2022: $16.3 million) using prevailing market interest rates at drawdown date for an equivalent loan, ranging between 3.04% and 6.41%. During the year, interest charges of $0.5 million (2022: $0.4 million) were recognised on this loan. The difference of $5.8 million (2022: $6.2 million) between the gross proceeds and the fair value of the loan is the benefit derived from the interest-free loan and is recognised as deferred income, refer to Note 8.

At balance date the Group had $155 million of lending facilities with an average rate of interest during the year of 3.7% (2022: 1.7%). Security held by the bank is in the form of a negative 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 2023 and 2022.

20. Derivatives

	2023 $000s	2022 $000s
Current		
Forward foreign exchange contracts	-	(18)
Interest rate swaps	88	(90)
Non-current		
Interest rate swaps	2,235	1,028
Interest rate swaps	(10)	(396)

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 statement of financial position in other receivables or other payables.

21. 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.

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 2023 forward foreign exchange contracts outstanding was nil (2022: $0.8 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 using interest rate swaps. 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 $1.0 million (2022: $1.1 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 $56 million (2022: $55.0 million). The fixed interest rates of interest rate swaps range between 0.9% to 4.2% (2022: 0.9% to 4.3%).

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 Group places its cash and short-term deposits with high credit quality financial institutions (A1 or better), and limits the proportion of credit exposure to any one institution in accordance with Company policy. The maximum exposure to credit risk is the fair value of receivables. The Group does not generally require collateral from customers. Trade receivables and contract assets arise from a large number of customers spread across the North Island. The majority of the receivables balance at reporting date, was due from four significant customers. A credit evaluation is performed at the onset of material contracts to assess the financial condition of the counterparty and an ongoing credit evaluation is maintained over the life of the contract to take account of any changes in the risk profile of the counterparty. The Group continuously reviews the accounts receivables and promptly recognises an impairment loss when any indicators arise.

	2023			2022		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade receivables	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	46,925	-	46,925	45,677	-	45,677
Past due 31 - 60 days	26	-	26	360	-	360
Past due 61 - 90 days	369	-	369	234	-	234
Past due 91 days plus	357	(355)	2	514	(375)	139
Total	47,677	(355)	47,322	46,785	(375)	46,410

	2023			2022		
	Gross	Impairment	Net	Gross	Impairment	Net
Contract assets	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	19,403	-	19,403	17,984	-	17,984
Past due 31 - 60 days	2,720	-	2,720	2,194	-	2,194
Past due 61 - 90 days	2,452	-	2,452	1,691	-	1,691
Past due 91 days plus	1,203	-	1,203	1,936	-	1,936
Total	25,778	-	25,778	23,805	-	23,805

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:

	2023 $000s	2022 $000s
Balance as at 1 April	375	574
Additions	195	61
Acquired through business combination	-	7
Bad debts written off	(172)	(225)
Released	(43)	(42)
Balance as at 31 March	355	375

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 $155 million (2022: $125.0 million). There are no restrictions on the use of the facilities. The Group also has in place a credit card facility with a combined credit limit over all cards issued of $1.0 million (2022: $1.0 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

$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
			2023		
Non-derivative financial liabilities					
Trade payables	27,993	-	-	-	27,993
Lease liabilities	17,824	15,345	21,826	19,033	74,028
Interest bearing loans	19,837	10,979	65,338	-	96,154
Interest free Crown loan	-	-	-	16,592	16,592
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	-	-	-	-	-
Forward exchange contracts outflow	-	-	-	-	-
Net settled derivatives					
Interest rate swaps	(88)	(238)	(1,587)	(400)	(2,313)
Total Contractual cash flows	65,566	26,086	85,577	35,225	212,454

$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
			2022		
Non-derivative financial liabilities					
Trade payables	21,739	-	-	-	21,739
Lease liabilities	16,756	15,217	12,581	35,387	79,941
Interest bearing loans	22,611	44,849	25,527	-	92,987
Interest free Crown loan	-	-	-	16,313	16,313
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	(825)	-	-	-	(825)
Forward exchange contracts outflow	843	-	-	-	843
Net settled derivatives					
Interest rate swaps	90	30	366	(1,028)	(542)
Total Contractual cash flows	61,214	60,096	38,474	50,672	210,456

22. 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.

	2023 $000s	2022 $000s
Financial assets at fair value through profit or loss		
Interest rate swaps	2,323	1,028
Balance of financial assets at fair value through profit or loss	2,323	1,028
Financial assets at amortised cost		
Cash & cash equivalents	1,115	749
Trade & other receivables	47,322	46,410
Balance of financial assets at amortised cost	48,437	47,159
Financial liabilities at fair value through profit or loss		
Interest rate swaps	10	486
Forward foreign exchange contracts	-	18
Balance of financial liabilities at fair value through profit or loss	10	504
Financial liabilities at amortised cost		
Borrowings	103,483	101,952
Lease liabilities	66,959	72,266
Trade & other payables	27,993	21,739
Balance of financial liabilities at amortised cost	198,435	195,957

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. Cash and cash equivalents at balance date comprise of cash at bank held on-call. 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. 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 exchange contracts are held) are translated into NZD (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 effective interest rate (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 (2022: nil).

Fair value hierarchy of non-financial assets

The Group obtains independent valuations for its electricity 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.

	Level 2 $000s	Level 3 $000s	Total $000s
Property, plant & equipment			
Distribution systems	-	346,383	346,383
Freehold land	7,795	9,810	17,605
Freehold buildings	4,757	10,358	15,115
Balance as at 31 March 2023	12,552	366,551	379,103

	Level 2 $000s	Level 3 $000s	Total $000s
Property, plant & equipment			
Distribution systems	-	335,353	335,353
Freehold land	7,795	9,810	17,605
Freehold buildings	4,461	10,632	15,093
Balance as at 31 March 2022	12,256	355,795	368,051

23. Related parties

The Northpower Electric Power Trust, is the Group's ultimate parent entity. During the year fully imputed dividends of $0.6 million (2022: $0.7 million) was declared and $0.7 million (2022: $0.7 million) was paid during the year.

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by Northpower Limited. All subsidiaries have a 31 March balance date and are wholly owned. Northpower Limited holds 100% of the voting rights in all entities reported as subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

Northpower Fibre Limited is incorporated in New Zealand.

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. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Transactions between the Company and key management personnel

Certain Directors and key management of Northpower Limited are also directors of the subsidiaries.

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

Key management personnel	Related party	Position	Sales to related parties $000s		Purchases from related parties $000s		Amounts owing to related parties $000s	
			2023	2022	2023	2022	2023	2022
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	-	11	2,886	2,525	296	261
Josie Boyd General Manager Network	Electricity Engineers Association	Board member	-	-	74	40	-	-

24. Guarantees and contingencies

	2023 $000s	2022 $000s
Performance bonds in relation to contract work	20,633	20,143
Balance as at 31 March	20,633	20,143

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 2022, the Scheme had a past service deficit of $0.6 million (1.7% of the liabilities).

25. 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:

	2023 $000s	2022 $000s
Within one year	88	88
After one year but not more than five years	178	264
Balance of non-cancellable operating leases	266	352

Capital commitments contracted at balance date was $3.8 million including software of $0.2 million (2022: $5.6 million including software of $0.1 million).

26. Events after balance date

During June 2023, the Group received confirmation of an interim payment of insurance proceeds of $0.8 million towards an insurance claim in relation to the Cyclone Gabrielle damage.

On 3 April 2023, the Group acquired Linepower, a New Plymouth based contracting organisation for $9.0 million. At the time, the financial statements were authorised for issue, the Group had not yet completed the acquisition accounting for Linepower. In particular the fair values of the assets and liabilities have not been finalised.

The financial effects of the above transaction have not been recognised in these financial statements.

There were no other significant events after balance date.

Independent auditor's report

To the shareholder of Northpower Limited's group financial statements and performance information for the year ended 31 March 2023

The Auditor-General is the auditor of Northpower Limited and its controlled entities (collectively referred to as "the Group). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 59 to 80, that comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 57 to 58.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2023.

Our audit was completed on 28 June 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

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

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

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

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

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.