2022

Annual report

Connecting communities building futures for Northland

Highlights

Financial

- $26.5M net profit after tax
- $12.4M distributions
- $75.7M electricity revenue
- $294.1M contracting revenue
- $300+M electricity assets
- $98.5+M fibre assets
- $14.6M fibre revenue

Networks

- 62,537 electricty connections
- 22,624 fibre connections
- 1,563 solar connections
- +20GWH renewable electricity generated
- 6,560km's powerlines
- 594km's fibre installed

Community

$250m+
distributions since 1993

11
engineering cadets

95%
residential customer satisfaction

$280k
annual sponsorship investment

220
customer energy assessments completed

10
trainee cadets

17
electric vehicles

91%
business customer satisfaction

$3.5m
rescue helicopter sponsorship since 1988

2,207
customer surveys completed

Chair & Chief Executive report

A focus on infrastructure

Northpower has evolved to become an integrated infrastructure company. We are the owners of Whangārei and Kaipara's electricity distribution and ultra-fast fibre broadband networks, and our Contracting business plays a central role in supporting the development of electricity industry assets across the North Island.

Our focus as an organisation remains centred on deploying quality infrastructure in our region. In recent years we have accelerated the build and fully acquired the shares in Northpower Fibre, an investment of $50 million over the past five years. We have also doubled the annual investment in our electricity networks, commencing a 10-year, $250 million investment programme.

These are material investments, designed to support economic growth. The rollout of fibre has enhanced the ability of businesses and employees to operate both within and beyond the region, and to work remotely or from home. Investment in our electricity networks directly supports population growth and helps to meet the changing needs of our customers.

> Northpower's focus is on enabling infrastructure. We have lifted investment in our core fibre and electricity networks, and we are collaborating with local and national partners to fulfil the renewable energy potential of the region.

We are now turning our minds to the new infrastructure and investment opportunities that will unlock future economic development in Northland.

We see renewables as a key opportunity for the region, based on extensive wind and solar resources, in-depth local expertise, and our community's commitment to sustainability and the natural environment.

Our work on a Renewable Energy Zone pilot in Northland, in collaboration with Top Energy, Transpower, and our wider community, is an example of the practical actions we are taking to enable this potential to be realised.

Maximising our impact in Northland

Our investments in recent years are examples of action guided by our core purpose. As a community-owned organisation, we are committed to making an impact that extends well beyond the assets we own.

Delivering impact locally starts with the personal stake we hold in our community. Our network and network field teams live here, giving us the necessary insight into the needs of our customers. To get the most from that insight, we have recently modernised and personalised the way we pass key information to our customers and to ensure connection to, and support from, our networks is as easy as possible. You will see examples of this approach throughout the pages of this report.

> Our purpose is 'Connecting communities, and building futures, for Northland.' This statement reflects our commitment to making an impact for the north beyond our contribution as an asset owner.

Maximising our impact also comes from working in partnership with local companies to build skills and expertise in our region.

Included in this report is the story of North Drill, a company that has grown employment and local opportunities off the back of our fibre rollout. You will also see how we are lifting our level of local employment and skills development through our apprentice and engineering cadetship programmes.

Generating insight from our Contracting business

Our Contracting business has continued to extend its role in infrastructure provision across the North Island and brings insight to support our network operations.

We are proud of our teams' contribution across our key customer networks – Vector, Transpower, Powerco, Wellington Electricity, and other North Island lines companies – as they continue to modernise and prepare for the joint challenges of decarbonisation. These are deep and enduring relationships, which see us working shoulder to shoulder with some of the leading thinkers in the energy sector.

> Our Contracting business remains central to building insight for our own networks, enabling us to work directly with many of the leading thinkers in the sector, as the industry takes strong steps towards decarbonisation.

We are increasingly experiencing interest in new technologies, such as grid-scale solar and grid-scale batteries, broadening our understanding in these areas. Working alongside companies in deploying these technologies is keeping us at the forefront of technical evolution and ensuring our Contracting operations remain attuned to the needs of the sector.

Chair & Chief Executive report (continued)

We remain focused on ensuring safe working practices despite this increasing complexity. Actively embedding a safety culture strengthens our approach, as does augmenting our work methodologies to reflect the latest safety requirements. It is all part of making an effective energy transition.

As the energy sector transitions, we are confident that our focus on industry partnership will keep us at the forefront of emerging network technology and safe construction practice.

Celebrating our people

Operating as an integrated infrastructure company requires considerable skill and expertise. It is a 24/7 responsibility and one that our people deliver with pride.

We are proud of the contribution made by our people over the past year: the disciplined focus on safe construction and maintenance of assets, the structured investment and operation of our electricity and fibre networks, and the wider in-depth collaborations achieved locally and across the industry. All during a period of Covid-19 disruption.

> Our contribution to the sector is often a story of the 'people behind the assets'. This annual report showcases those people and their contributions. Many of whom have devoted a lifetime to our organisation and our industry.

We appreciate many of our people have devoted a lifetime of service to our industry, and we are proud to acknowledge and celebrate their careers in this year's annual report.

As we look to the future, we have also taken the opportunity to showcase the emerging leaders who will shape the regional energy sector in the years to come.

We are increasingly conscious that our success to date is, and our contribution in the future will be, driven by our people. Sharing their stories recognises their contribution.

Disciplined financial management

Operating and investing in infrastructure requires a long-term view, strong financial management, and a disciplined approach to allocating capital.

Our Board and Management Team remain focused on realising the full potential of the Northpower Group and creating long-term value for consumer owners. Net profit after tax for the year ending 31 March 2022 was $26.5 million including a one-off gain of $14.7 million related to a revaluation of our existing Fibre holdings. The Fibre revaluation was triggered by the transition to full ownership of Fibre and reflects strong demand for fibre services.

This outcome has been achieved during a period when Covid-19 has created operating volatility, conditions also experienced in the prior year. In light of the associated operational complexities arising from that, we are pleased with the financial resiliency the Northpower group has demonstrated, and the continued strong underlying operational performance of all our business units over the past 12 months.

> Our Board and Management Team have remained disciplined in managing the Group to deliver strong financial outcomes, supporting a lift in investment in recent years and creating capacity for the future.

Improving financial performance has enabled a lift in distributions to consumer shareholders over the past 5 years ($12.4 million in this period vs $8.1 million in the year ending 31 March 2018), and capital investment flows of $170 million over that same 5-year period. Both outcomes have been achieved with a minimal increase in debt.

This position creates opportunity. Well-positioned businesses and appropriate balance sheet strength give Northpower the flexibility to take advantage of new opportunities as they arise and to traverse changes in the business cycle. Extending asset ownership in our region and broadening our Contracting service offering are key areas of interest for us over the next few years.

We look forward to playing our part in decarbonisation and infrastructure investment generally, as investment needs intensify over the next decade. The Northpower team has worked hard to create that opportunity over the past few years and are now well-positioned to meet that challenge.

Andrew McLeod
Chief Executive

Mark Trigg
Chair

Our Directors

Mark Trigg
B Eng Chemical and Materials
Ex officio Audit and Risk, People and Capabiltiy Committees
Chair

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
Director

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.

Lisbeth Jacobs
PhD (Eng), PGDip Bus, GMP CEDEP-INSEAD, MInstD
People and Capabiltiy Committee
Director

Lisbeth's passion for international strategy, change management and innovation is underpinned by strong values in relation to long-term social and environmental sustainability. Lisbeth is Global General Manager Animal Management at Gallagher. Lisbeth is an elected director of BRANZ and previously was a non-executive director of the NZ technology company Wellington Drive Technologies. Lisbeth is an experienced director in the technology, engineering and innovations sectors. She brings a focus on customers, a deep understanding of international markets, familiarity with digitisation and long-term strategic outlook to the Northpower board.

Phil Hutchings
B.Eng. (Hons), Dip Bus Admin
Audit and Risk Committee
Director

Phil qualified as a mechanical engineer and later added business qualifications. He has worked widely across Australia's mining sector and led the commercial side of a large export-oriented mine and refinery. He had ten years' experience at partner level in corporate finance, mainly in energy and resources. Phil's later career included consulting to the energy and renewable sectors. He has served as General Manager and CEO, including two years in the renewable sector in Europe.

Michael James
CA, MInstD
Audit and Risk Committee Chair
Director

Michael has had significant senior executive experience in global private and public sector science and techology companies. He brings strategic, financial and commercial insight and experience to the Board. He is currently also an independent director on the Boards of Naylor Love Limited, OSPRI Limited and Middlemore Clinics Trials Trust.

Michelle Kong
BA (Hons I), LLB, L.Mus.A
People and Capability Committee
Director

Michelle brings extensive experience in infrastructure industries to the Northpower board, with experience in strategy, customer and market insights, pricing, corporate finance and growth ventures across the telecommunications, media, building products, waste management and airport sectors. Michelle is passionate about ensuring companies have the right focus, culture and capability to build future focused strategies for a changing world. Michelle has previously been a Future Director at Auckland Airport and an Independent Director at Snakk Media and is now part of the leadership team at Smart Environmental as Head of Strategic Projects.

Laurie Kubiak
MAICD, GAICD, MInstD
People and Capability Committee Chair
Director

Laurie's international career has spanned commercial and strategic roles across the energy, ICT, telco, aviation and infrastructure sectors. Previous responsibilities include leading multi-disciplinary teams across Europe, the US, Africa and Asia for some of the world's FTSE 100 companies. Laurie is the Chair of NZSO and Chair of Trustees Executors Limited. Laurie brings a wealth of commercial strategy, economic, policy and regulation expertise to the Northpower board.

Our leadership team

Andrew McLeod
BEng (Mech),
PGDip FA
Chief Executive

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
LLB (Hons)/BA,
MInstD
Chief Operating Officer - Network

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.

Darren Mason
BMS,
MInstD
Chief Executive Fibre

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.

Onno Mulder
MEngST, NZCE,
FEngNZ, FNZIM
Chief Operating Officer - Contracting

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.

Andrea O'Brien
BAppMgt (Human Resources)
Dip Bus
General Manager - People and Capability

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.

Ollie O'Neill
FCCA
Chief Financial Officer

Ollie joined Northpower ad Chief Financial Officer in 2018. He has over 20 years experience 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.

Connecting communities

Connection through infrastructure and integrated infrastructure services

Networks fit for the future

Asset Investment Plan

Strong and resilient electricity networks provide a critical economic backbone for any region, even more so in Whangārei and Kaipara, where the population is growing strongly, and the renewable potential of the region is being recognised.

As our region grows and its contribution extends via renewable energy generation, we are investing in Northland's potential. Over the next decade, we will invest $251 million to upgrade and build new assets that will ensure reliable, resilient, and safe electricity services for our communities in Whangārei and Kaipara.

This asset investment strategy will lay the foundation to support our customers, build for the future, and adapt to growing and changing demand, as users increasingly generate and store their own electricity, sell it to others, and transition to electric vehicles. We are backing a future where the role of large-scale renewable generation increases in the north, and the region becomes increasingly energy self-sufficient.

We are also backing a future where Whangārei and Kaipara continue to experience strong population and community growth. A total of 30% of our planned capital expenditure over the next 10 years will be focused on growth-related projects to cater to the north's population increase, including new substations in Waipu and Mangawhai.

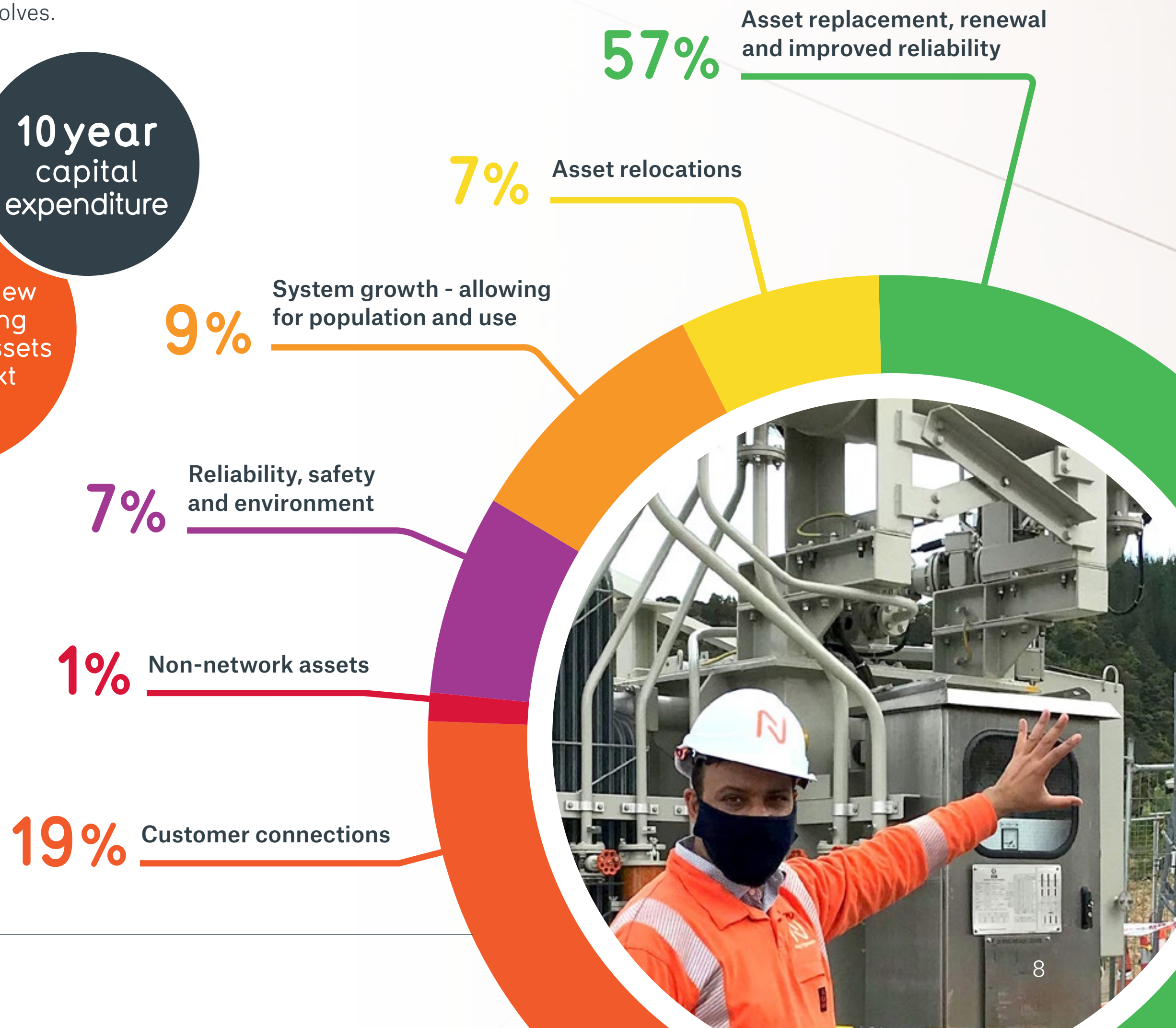
A further 60% of capital expenditure will be spent on renewing assets – including substations, and overhead and underground lines – and ensuring they can service the needs of our community.

A targeted replacement programme will provide maximum reliability and resilience across our network. We are also transitioning our network control systems to a new advanced control system that will deliver enhanced cyber security and in-built safety features. It will also provide us with greater visibility to support smart energy technologies, such as solar panels and electric vehicles, as electricity usage evolves.

Further expenditure includes around $11 million per year to maintain our network – including $3 million on vegetation management and clearance, $2.6 million on attending to faults, and $4.7 million on inspections and maintenance.

10 year capital expenditure

$251m to be spent on new and upgrading our network assets over the next 10 years



Upgrading our powerlines

Northpower has a modern overhead network that provides a cost-effective way of delivering power to our community. We are investing, including through the replacement of older conductors, to ensure these assets continue to meet our target reliability standards and support growth. We are replacing the conductors on many of our feeders – the lines that take power from our substations to homes and businesses across the Northland region. Many of these lines are reaching the end of their lives and require a comprehensive upgrade.

Over the next 10 years, we expect to spend over $25 million on replacing end-of-life conductors. We are currently focused on lines installed during the 1950s and 1960s and, so far this year, have upgraded the conductors in Mountfield Road, Tutukaka Block Road, and Hill Top Avenue.

The replacement of aged conductors will further improve public safety. It also means consumers are less likely to experience unplanned power outages.

During the coming year, we will complete several line replacements in Whau Valley, Kokopu, Onerahi, and Mangawhai.

Networks fit for the future

Powering through substation upgrades

Substations are at the very heart of providing reliable services and supporting growth.

Our asset investment strategy has seen a number of substation upgrades completed to meet regional population growth and replace ageing assets, including Ngunguru, Parua Bay, and Hikurangi. Bunding, fire and earthquake protection, and noise emissions have been improved as part of these projects.

At Parua Bay, we replaced a 3.75 MW transformer, installed in 1956, with a new 5 MW transformer capable of supplying more than 2,500 households, supporting further population growth in the area.

Our Ngunguru substation upgrade included a new, fit-for-purpose building to house new switchboards and a 5 MW transformer, with the capacity to meet future growth.

Our Hikurangi substation, which services more than 3,200 customers, was originally built in the 1960s to serve a small rural population. To replace these end-of-life assets, we completed an extensive $4.8 million upgrade at the Hikurangi substation in 2021, including the installation of a larger transformer, doubling its capacity to meet future growth requirements.

The switchboard at Hikurangi, which takes power to the seven feeders that supply the surrounding area, was replaced with new equipment that is safer to operate and maintain.

The substation building was extended to make room for the new switchboard, while transformers have been installed with large concrete bunds to meet earthquake and environmental requirements.

We have started the upgrade of the Ruawai substation, which will have a new building to house a 10 MW transformer, switchboards, and control equipment.

The building has the capacity for an additional transformer when it is required in the future. Planning and design work is underway for upgrades at Poroti, Kensington, Kaiwaka, and a new substation at Mangawhai, all of which are expected to be completed within the next two years.

> It is pleasing to deliver these large substation projects on time and within budget, especially given the impacts of Covid over the past 24 months, We look forward to continuing this programme of substation upgrades, which is essential for ensuring a reliable and safe electricity supply to the community."

Josie Boyd, Chief Operating Officer, Network

Networks fit for the future

Distribution transformer relocations

As part of our maintenance and improvement programme, older transformers on two-pole structures are progressively being replaced with ground-mounted transformers, as they reach their end-of-life. Ground-mounted transformers are a safer alternative. The newly installed equipment will improve reliability by reducing the risk of unplanned outages.

Our programme anticipates spending $2.9 million over the next 10 years. Last year, four pole-mounted transformers were replaced with ground-mounted transformers in Whau Valley and Otangarei.

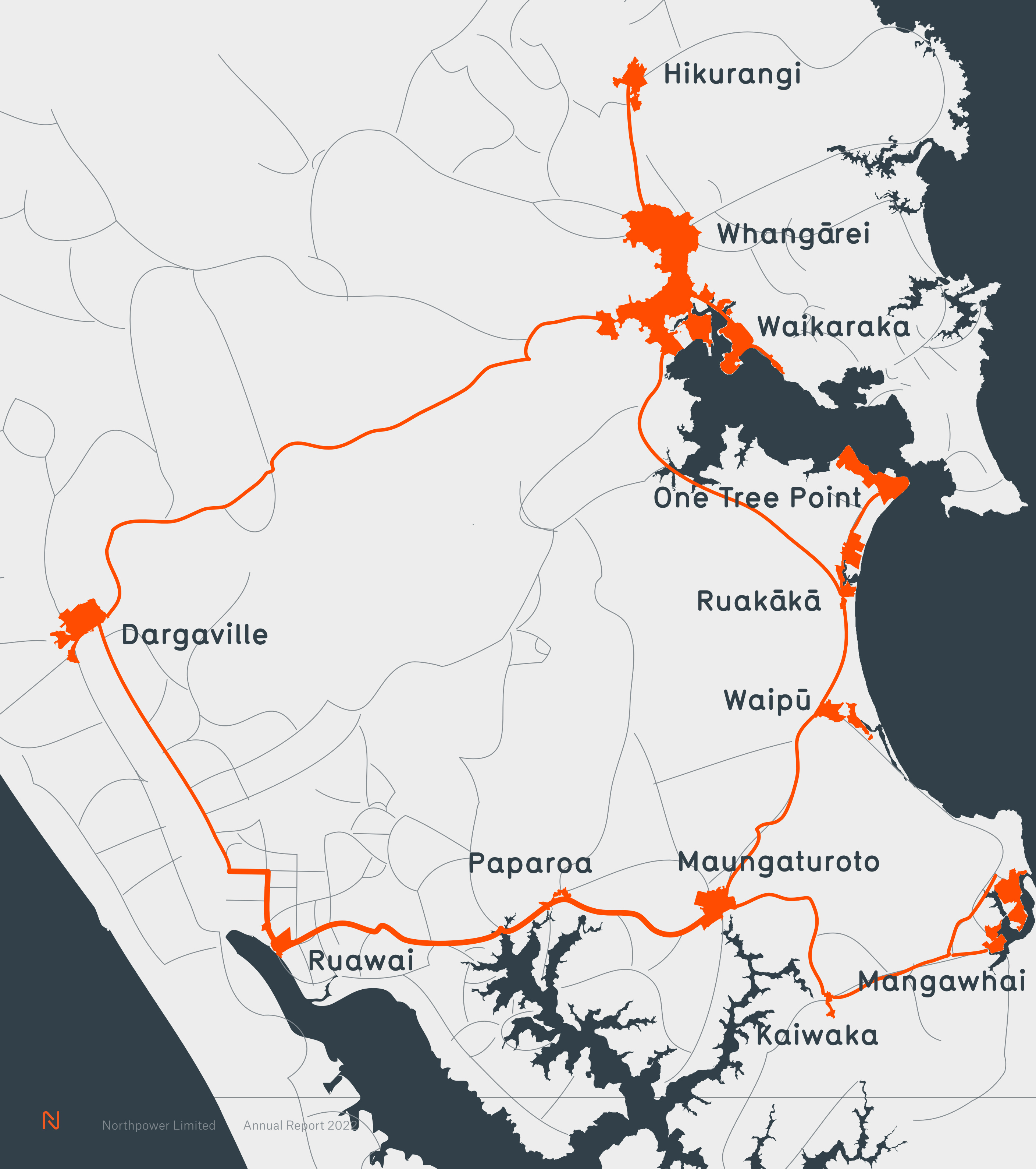
Smart switches to improve power restoration

The introduction of smart switches will provide a further boost to customers by helping us identify fault locations more quickly, thereby reducing outage times.

Over the past 12 months, we have installed 40 automated smart switches at various locations across the network. These switches can be operated remotely from our control room, and allow us to backfeed power, re-routing it in fault situations and restoring power more quickly.

Smart switches also help us find fault locations more quickly and reduce an outage to a smaller area without having to wait for staff to get to the site.

Over the next four years, we plan to spend $2.7 million on smart switches, which will help to reduce the duration of unplanned outages for many Northlanders.



Community enablement through fibre

It has been a privilege to build a fibre network from the ground up over the past decade, providing our communities with world-class internet that enables them to connect with the rest of the globe.

We are incredibly proud of the speed at which our two main build programmes – UFB1 in Whangarei's CBD, and UFB2 to 11 towns around the region – have progressed. Both build phases achieved delivery ahead of time and on budget. We have further expanded the network by over $1 million into some of the fringe areas of Whangārei and Kaipara during 2021.

The demand for, and uptake of, fibre by local homes and businesses over the years has been equally impressive. In 2017, customer uptake rates of 43% made us the leading local fibre company in New Zealand.

This growth has continued. Over the past year, there has been a 68% uptake for our fibre business, providing connection for our community, and supporting regional economic growth.

Community enablement through fibre

Building fibre capabilities

Northpower's ultra-fast fibre network continues to enhance and connect our communities in the north.

The Northpower Fibre network truly delivered value and connection during one of the most disruptive global events in recent times – the Covid-19 pandemic.

We are delighted with the robustness of the fibre network, as it supported many in our community to remain connected for work, education, essential supplies, entertainment, and keeping in touch.

We saw a significant increase in network upload and download traffic in the weeks following August's Covid-19 lockdown. In the four weeks post-lockdown, there was a 17% increase in upload traffic and a 22% increase in download traffic, with the network operating at 52% capacity, well below the threshold.

It is pleasing to see our fibre network play a vital role, as we continue to navigate the pandemic and the changes it has made to our daily lives.

Fibre is green

Ultra-fast fibre broadband has a role to play in creating a greener and more sustainable future. It enables people to connect with clients and colleagues across the globe, without travel and its resultant emissions.

Aside from being the fastest and most reliable option for broadband users, fibre is also the greenest, according to a report commissioned by Northpower Fibre, Chorus, Enable, and Tuatahi First Fibre.

The report, conducted by Sapere Research Group, found that fibre is the best choice for broadband customers concerned about their carbon footprint. The research was the first of its kind in New Zealand to look at the carbon impacts of different broadband technologies.

The study revealed that fibre was the lowest emission broadband technology, ahead of copper-based VDSL, Hybrid Fibre Coaxial (HFC), and 4G and 5G fixed wireless.

According to the research, a fibre broadband service generates up to five times less carbon than other broadband technologies.

An entry-level fibre plan, operating at 50Mbps, is up to 41% more efficient than copper VDSL and up to 56% more efficient than 4G fixed wireless.

For higher speed plans, around 300Mbps, fibre is up 29% more efficient than HFC and up to 77% more efficient than 5G fixed wireless.

The emissions profile of fibre remains consistent even as speeds increase while competing technologies emit more carbon as they deliver higher speeds, according to the findings.

Our research will provide communities with the knowledge to make more informed broadband choices in the years to come.

Through our work to build our fibre network from the ground up into a $100 million intergenerational asset over the past decade, we are proud to have positioned Northland communities and businesses to take advantage of a greener, more sustainable future.

Fibre best for video streaming

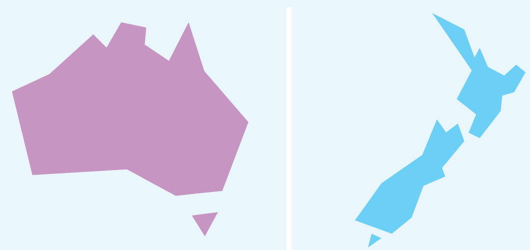
As television streaming services such as Netflix and Disney+ become an ever-present part of our lives, Northpower's ultra-fast fibre network continues to provide the best broadband access for families in our region.

The Commerce Commission (ComCom) tested different broadband technologies on their 4K streaming credentials. UFB Fibre, particularly Fibre Max connections, came out on top. According to ComCom, Fibre Max maintained high download speeds even as four devices streamed Netflix. In addition, the ComCom report confirmed the reliability of fibre. Northpower's ultra-fast fibre network recorded an average network availability of 99.99%.

New Zealand networks speed advantage over Australian peer network

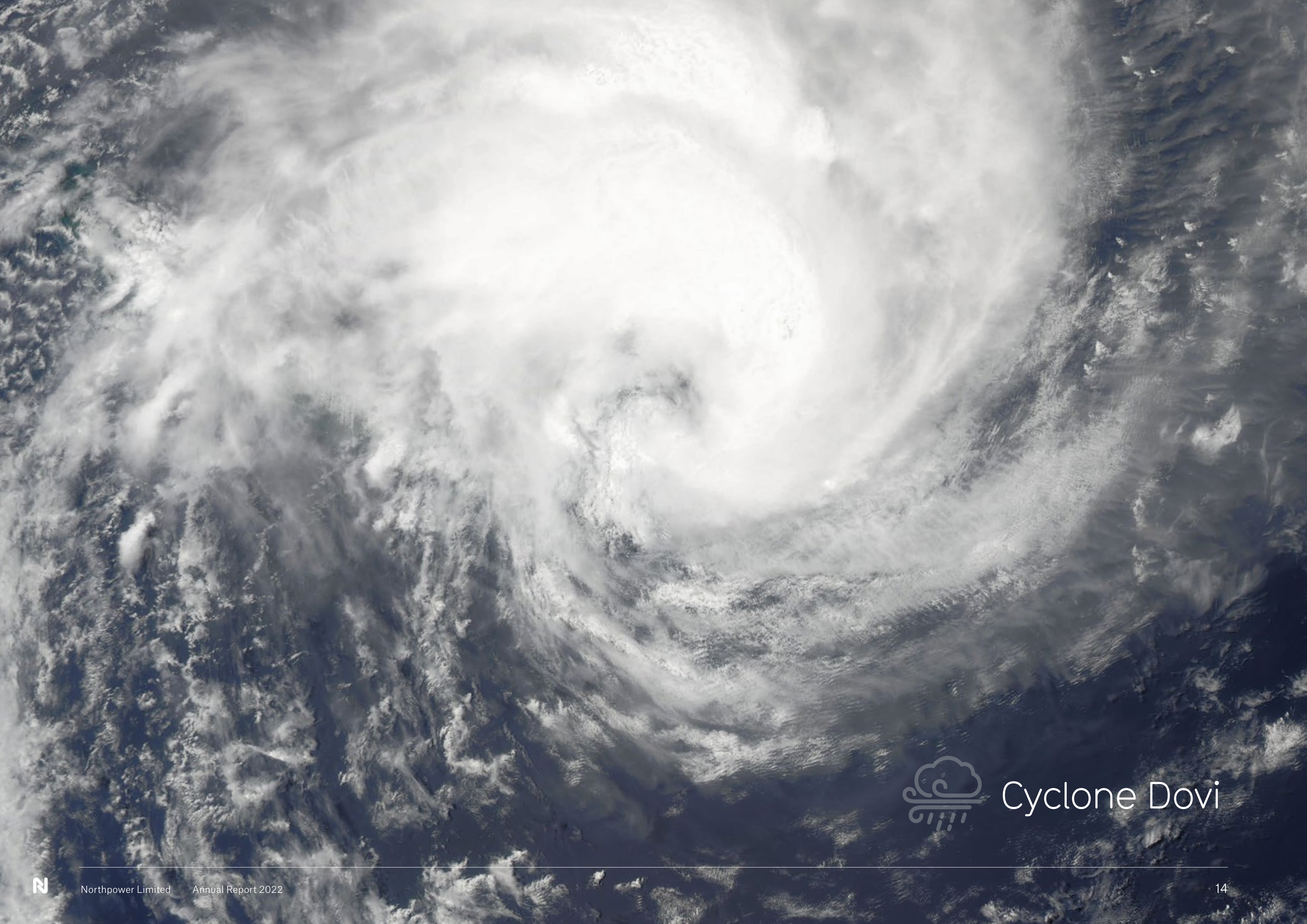
Very high speed fibre plans

Australian NBN Ultrafast over FTTP compared to NZ Fibre Max plans



	Australia	New Zealand
Download	745.6 Mbps	808 .1 Mbps
Upload	45 .7 Mbps	507 .2 Mbps
Outages	0.9 per week	0.5 per week

Measuring Broadband New Zealand (MBNZ) June 2022



Cyclone Dovi

There when you need us

When natural events occur that disrupt power, our team's ability to respond is vital as we look to minimise disruption and support our customers' networks across the North Island, including Vector, Powerco, and Top Energy.

In early February, ex-tropical cyclone 'Dovi' caused major disruption across the North Island, with outages from falling vegetation and damaged power lines.

Facing winds of more than 150 km/h, our crews were well prepared and went to work to isolate the power and make our network safe for residents. Our crews then cleaned up the damage so power could be restored as quickly as possible.

In Northland, Dovi resulted in extensive damage to poles, overhead lines, and transformers, requiring a mammoth effort from our frontline teams, who worked tirelessly to restore power for affected customers.

Dovi also caused significant damage to Vector's network in Auckland.

In the days before the cyclone, Northpower met with Vector and Electrix to ensure the Auckland network had sufficient capability to cover the storm response.

> Our teams monitored weather patterns to understand which areas across the network would be the hardest hit.

Exposed areas experienced most of the damage during the cyclone, and Auckland had a number of faults in rural areas. The wild weather caused vegetation to bring down power lines, causing widespread outages.

Our customer's voice

Your Energy Future

For Northpower, the way we engage with our local customers is just as important as the reliability of the assets we manage.

We continue our efforts to improve the customer experience and gain a deeper understanding and more complete picture of our users' energy needs, now and in the future.

Through our 'Your Energy Future' initiative, we have connected with customers and stakeholders. This past summer, we conducted a customer survey to develop a better understanding of our customers' needs and concerns.

Results: focus on energy hardship

Our customer survey was undertaken in response to the significant changes in the energy market, with energy hardship a growing issue, and new technologies poised to change the way people consume energy.

Our survey asked customers to identify what mattered to them most from these four options:

- Reducing their power bill
- Making their home warmer and drier
- Understanding alternative energies like solar and electric vehicles
- Reducing their environmental impact.

The survey revealed energy hardship as a significant problem for families. A total of 64% of customers would like to reduce their monthly bills, while 45% said they struggled to pay their bills each month.

Our survey highlighted energy literacy opportunities to help customers cut their energy costs.

According to our survey, 36% of people did not know they could save money by switching off appliances that are on standby, while 32% did not know switching to LED bulbs could save them $10 a month on average.

Around a quarter of our customers were interested in learning more about solar power and electric vehicles and taking a more environmentally conscious approach to energy usage.

The survey supports a wider project to ensure we can adapt to meet the needs of customers in a rapidly evolving energy market. These findings will inform our future strategies and guide our focus as we engage with customers on new energy technologies, energy efficiency education, and provide advice on reducing energy costs.

We have a key role to play in helping lift vulnerable customers out of energy hardship through education, practical advice, and working together with the wider community.

We will continue our work with community partners to reach more households in Northland and provide support to those in need.

> We had assumptions about how we could best support our customers, but we wanted to test those beliefs in the community. This survey has given us incredibly valuable insights that will ensure our business strategy aligns with and supports our customers in the best way possible."

Josie Boyd, Chief Operating Officer, Network

3,050 ecobulbs installed

208 energy saving shower heads installed

220 energy adviser home visits complete

Our customer's voice

Customer focus in action: partnership with SEEC

We have accelerated our efforts to help people tackle energy hardship with additional funding from MBIE's 'Support for Energy Education in Communities' (SEEC) programme.

Northpower was first awarded funds from SEEC – a government initiative to lift New Zealanders out of energy hardship – late last year. This programme saw home energy assessments provided to 220 homes in the first quarter of 2022. The scheme's success saw us apply for additional funding to extend the programme to a further 480 households this year.

Our 'Home Energy Education' programme uses trained Energy Assessors and offers residents a personalised 'energy education' experience. Assessors provide tips on how to make homes more energy-efficient and how to choose the most cost-effective provider through Powerswitch. We also supply households with free Ecobulb LEDs and energy-efficient showerheads.

Rachel Wansbone, Customer Excellence Manager, says, "Our community outreach and energy education programme is such rewarding work. The feedback from customers who have participated in the programme so far is amazing, with people on track to save an average of $700 per household per year."

Our work to drive community engagement and help local residents is more vital than ever, as people struggle with the soaring cost of living.

> We can offer timely and practical help to our community members who are most in need."
>
> **Rachel Wansbone, Customer Excellence Manager,**

Technical Advisory Group

Northpower has established a Technical Advisory Group, a representative group of leading Northland electricians, solar installers, and inspectors, to discuss, inform, and advise us on new energy developments and improvements we can make to our business.

The group will work to understand the changing energy landscape for our customers and improve the experience for technical specialists and customers connecting to our network.

So far, the Technical Advisory Group has explored topics including new technical standards and advisory materials, distributed generation pricing, customer views, the distributed generation connections process, and managing network impacts from solar and EVs.

Real people, a real stake

A strong industry voice: supporting sector initiatives

Northpower is an active participant in several industry-wide initiatives and organisations.

Electricity Engineers' Association

Josie Boyd, Chief Operating Officer – Network, is part of the executive committee of the Electricity Engineers' Association (EEA), which provides a focal point for collaboration and thought leadership in engineering, safety, and asset management across the electricity industry. The EEA enables members to continuously learn and develop in a dynamic and rapidly changing environment.

Russell Watson, Northpower Principal Engineer, is a long-standing member of the Electricity Engineers Association's Asset Management Group (AMG). The group produces and maintains industry guides relating to asset management, including issues such as the connection of generation, earthing, asset health assessment, and conductor testing. The group also runs an annual asset management forum, webinars, and other forums.

We are proud of Russell's long-standing industry contribution, engaging with the Electricity Authority, the Commerce Commission, Standards New Zealand, and WorkSafe, in his AMG role.

Andrew Camuso, Future Networks Planning Engineer, is a member of the Electricity Networks Association Smart Technology Working Group (STWG). The STWG has representatives from distribution businesses across New Zealand. It considers the impact on networks of new technologies, such as electric vehicles and solar panels, and how the industry needs to respond.

The group conducts workshops throughout the year to discuss changes to the industry and innovative projects that other electricity distribution businesses are working on.

The STWG recently updated the Network Transformation Roadmap (NTR), designed to help lines companies prepare for disruptive shifts in electricity production, use, and consumer behaviour.

Andrew says, "The STWG shares lessons between businesses and helps us prepare for a smarter future. Having Northpower as part of this group allows us to be aware of what the industry is experiencing and helps us gain a better understanding of what the future may bring."

Andrea O'Brien, General Manager – People and Culture, is a member of the EEA's Professional Development Group (PDG), which is designed to provide leadership, collaboration, and communication across our sector.

The PDG was set up to support industry-wide learning and development programmes needed by the industry, covering safety, earthing, and the overhead line design micro-credential.

Andrea says, "It's important for Northpower to be a part of the PDG, as we consider our capability requirements for the future of our networks and those of the clients we serve. Our involvement ensures our voice is heard and that we have access to the latest thinking on capability development for the industry."

Electricity Networks' Association

Rachel Wansbone, Customer Excellence Manager, is a member of the Electricity Networks Association (ENA) Customer Engagement Working Group.

The CEWG is comprised of customer experience and communications heads from the majority of electricity distribution companies.

The group is currently working on a stakeholder engagement forum, recommendations for measuring the quality of supply, and other customer-related topics.

Subgroups are working on the path to decarbonisation, how companies communicate these changes to customers, and collaborating around customer relationship management systems.

The ENA and CEWG also run a Customer Reference Panel research group, made up of consumer representatives across different interest groups such as Grey Power, the Salvation Army, and budgeting advisory groups. This panel meets quarterly to discuss topical issues in the industry and give valuable consumer feedback and suggestions to the industry.

Rachel has also been selected to represent Northpower as part of the MBIE Energy Hardship Reference Group, underlining our commitment to lifting Northlanders out of energy hardship.

ConCOVE Māori Advisory Board

Mackenzie Ashby, Learning and Development Manager, is Trade Training Manager at the ConCOVE Women's Advisory Group, a ConCOVE Māori advisory board.

The Women's Advisory Group meets monthly to discuss concepts, challenges, and ideas to improve career pathways and outcomes within our industries.

Real people, a real stake

The group has worked on major projects including developing career frameworks, improving career progression and diversity, and identifying the scale and scope of future disruption to the workforce.

The group has also looked at the industry's attention to environmental sustainability.

Mackenzie says, "My personal goal in the advisory group is to amplify the voice of the Electricity Supply Industry and ensure we are being fairly represented in the approach to developing and improving career pathways. I do this by bringing real-world examples of training pathways and initiatives.

> In this mahi, I present feedback not only from my personal and professional experience but also from my colleagues."

MBIE Energy Hardship Reference Group

Our commitment to lifting Northlanders out of energy hardship is also demonstrated by our involvement in MBIE's Energy Hardship Reference Group.

Our Customer Excellence Manager Rachel Wansbone was appointed by MBIE to the Energy Hardship Reference Group which aims to shift the dial on energy hardship challenges. It provides a forum to share information and encourage coordination across industry, NGOs, and government agencies.

Connecting with our people

Wahine Toa: our women's network

Our Wahine Toa Network was established in December 2019 to connect our wahine and provide opportunities to develop and uplift the mana of one another.

The network helps our wahine work together and learn from our collective experiences.

We achieve this by sharing our stories, meeting for 'lunch and learn' sessions, and using digital tools to connect.

> The Wahine Toa Network provides the platform to engage directly with wahine in our business, and through this network, I have been able to gain an insight into challenges that a diverse range of wahine experience, day to day."

Mackenzie Ashby, Wahine Toa member

Kaitiaki Network

The Kaitiaki Network is a 35-strong internal group of trained first responders, formed in April 2020 to support our people.

The network builds a bridge to assist our people in challenging situations and times of growth. It helps people access support for mental health issues, professional development, and other employee issues.

Earlier this year, the group spent two days at Whaiora Marae in Otara with our rangatira, Vern Rosieur. This was a significant place for us to meet, with deep roots in the electricity industry.

The group, meeting for the first time face-to-face, built stronger connections and left feeling empowered and ready to accept the wero (challenge) to bridge the gap between te pō and te aō (the dark and the light).

Shoulder to shoulder across the North Island

Castaway on Waiheke Island (on Vector's Network)

Some of our Auckland-based overhead maintenance crews were castaways on Waiheke Island for the last two weeks of July, as they completed vital maintenance work on Vector's network.

The job required significant planning to ensure daily outages would only interrupt customers once.

Switching and advertising was completed while civil and traffic management support was put in place, and all the required equipment was available on the island.

The teams completed 9 x 10m pole replacements, 13 x 11m pole replacements, and 5 x 12.5m pole replacements. They also straightened seven poles, replaced cross arms on four other assets, repaired conductors in seven locations, and managed to attend to an unplanned switch replacement.

All our work was delivered safely on time, and with minimal disruption to the island community.

Ardmore Airport

Our Auckland-based team completed a transformer upgrade on Vector's network assets at Ardmore Airport, which included installing new switchgear and replacing a switch over three different locations at the airport, under one shutdown.

Delighted with the work, the Ardmore team thanked Northpower for our 'fantastic effort' and 'great communication' on the completion of the project.

Transpower service contracts secured

Northpower has been awarded the Regional Service contract for the greater Waikato/Bay of Plenty region, responsible for the national grid fault response as well as maintenance and build services of line and station assets.

We were also awarded the national contract for the HV cable and drones and secured a place on the Contestable Works panels for both stations and lines, offering opportunities to undertake capital works projects. The new contracts come into effect on 29 August 2022.

> "Securing these contracts confirms the hard work our teams have put into delivering services to Transpower over the past 10 years and are a critical part of Northpower's growth strategy.

We are thrilled to grow our impact and be part of the thriving New Zealand transmission sector," says Brett Sweeny, General Manager – Central.

Transpower helicopter lines inspection

Transpower New Zealand enlisted Northpower's Transmission Lines team to carry out urgent conductor repairs on a 110 kV line that runs from Bombay to Otahuhu over highly populated areas in South Auckland.

Our team of experts from Warkworth, Hamilton, and Rotorua took on this complex task. An observer in the Auckland Traffic Operations Centre, a crew plotting defects on the ground, an earthing crew, a jumper disconnection crew, a team working with the public, and a helicopter crew were involved. Every part of the work was vital.

There were 60 defects across 11 spans of conductor. All were adjacent to the busy Southern Motorway or above houses. The job was completed, in challenging weather conditions, three days ahead of schedule, with no safety issues.

Building futures

Organisational precision to support growth

Organisational precision to support growth

Reshaping leadership

Northpower's Contracting business has evolved over the past two decades through trusted partnerships with our clients, a focus on owning outcomes, and a deep belief in our people.

This year, we recognised this success and set our Contracting division up for the future with a new autonomous leadership team. The team has a remit to continue to scale the business in response to increasing levels of demand for project and maintenance related services.

The new structure will enhance our operational approach and our capacity to work with clients to understand their needs, as they position their networks to support growth and decarbonisation.

Our reshaped leadership team has a breadth of construction and asset management expertise, and critical skills across Health, Safety, Quality, and Environment (HSQE), People, and Business Performance.

As part of the changes, we have appointed Onno Mulder as Chief Operating Officer to lead the newly established Contracting Leadership Team, which has been tasked with shaping the division's future.

We have also streamlined our Contracting operations by reducing the number of regions to two, each with its own operationally experienced leadership teams.

Onno Mulder — Chief Operating Officer, Contracting

Onno joined Northpower in May 2022, bringing 35 years of engineering management experience, including 16 years as CEO of Citycare, a provider of construction and maintenance services spanning water, civil, property 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.

Lloyd Richards – General Manager Business Development

Lloyd has over 40 years of engineering, construction, and management experience working for Northpower, and previously led Northpower's Contracting group.

He is responsible for the development of business opportunities to support targeted growth.

Organisational precision to support growth

Jonathan Bishop —
General Manager,
Upper North Island

During his two years in a Regional Manager role, Jono has brought the best out of an exceptionally talented team, navigating lockdowns, tornadoes, and the implementation of key programmes of work, such as our critical risk live electricity and new works management systems.

Jono has the ability to build and lead teams and has been a key part of the success of our Auckland Maintenance group.

Ross Wilson —
General Manager, HSQE and
Operational Excellence

With over 20 years of electrical utility experience in New Zealand, Australia, and the UK, Ross brings extensive knowledge and operational know-how. He is a seasoned and highly effective leader who has been instrumental in Northpower's critical risk journey.

Having previously held Area Manager roles for Northpower in our Central region and in Melbourne, Ross is passionate about delivering an operationally led, high-performing Safety and Quality culture.

Andreas Gabler —
Group Manager Contracting Platforms

Andreas has more than 20 years' experience in delivering change through Projects and Programmes. Before joining Northpower, he worked with companies in Europe and New Zealand to implement change and to translate their strategies into outcomes and initiatives.

He is responsible for the Contracting's digital capabilities, providing smarter solutions for processing of information, providing insights and creating efficient ways of delivering information to our customers.

Brett Sweeny —
General Manager, Central

With over 15 years of experience in the energy sector in New Zealand and Australia, Brett brings high-level and strategic thinking to the fore. His customer-centric approach, organisational capabilities, and safety focus have seen him build a high-performing Transmission team.

Brett's focus on people enables him to build and grow relationships with customers in order to improve business and contract performance.

Sunil Bhikha —
Head of Commercial Performance

Sunil has a breadth of experience across the contracting landscape and joined Northpower in 2019 as Commercial Manager for the Auckland region. He was appointed Commercial Manager for New Zealand Contracting in early 2021 and previously worked for Transfield Services (now Ventia) for seven years as Finance Manager across multiple large-scale contracts.

Sunil will focus on arming our operational teams with the information they need to unlock high-performance outcomes and disciplined delivery.

Kelvin Ellis —
Head of People & Capability

Kelvin is a people-focused leader with extensive experience in managing organisations through complexity. With a background in employee relations, he has navigated intricate relationships, including the Pike River Mine response, and headed up the E Tu Aviation high-performance partnership with Air New Zealand flight attendants, ground staff, and engineers.

Kelvin will build a high-engagement culture and continue to grow Northpower's future talent base.

Organisational precision to support growth

Strengthening Critical Risk Controls

Thanks to our Critical Risk Controls Management (CRCM) programme, we have greater visibility than ever over our live electricity risks. We started our CRCM programme in 2020 to update critical control management as a key health and safety model across the business.

Over the past two years, we have completely overhauled and updated our risk and safety programmes. With more than 1,200 employees nationwide, this transformation project touched every one of our people.

We established the 10 critical risks within our business that have a high potential to cause dangerous events or outcomes for our employees. The CRCM programme applies a five-step process to assess each of the 10 risks and identifies controls.

Northpower's CRCM programme kicked off with Live Electricity in 2020, as we looked to control and manage risks for our frontline crews.

We embarked on the five-step CRCM process to examine our control environment around live electricity risks.

We needed to:

- Clearly define our material unwanted events
- Identify our live electricity controls
- Work out our live electricity critical controls
- Determine how to monitor when we are drifting out of position on controls
- Be able to report when critical controls are out of position.

We conducted workshop training sessions and learning modules for our 1,200 people around live electricity critical risk management, and completed training for our 12 live electricity critical risk controls.

Over the past year, we have focused on verification and on-site observation to enhance our critical risk controls.

In October 2021, we shifted from a 'Stop Work Authority' to a 'Start Work Authority' for our crews, empowering them to pause or cancel work until critical control capacity is in place. Our on-site teams complete a digital form and are given legitimate authority to review their safety checklists.

People leaders and supervisors conduct the observations and check for the presence of our 12 electricity critical controls, as well as our system capacity.

To further strengthen our critical risk controls, we launched a live dashboard to display the level of capacity in our CRC system. The dashboard indicates in near real-time when we are drifting out of position based on lead indicators.

System-generated data is used to detect equipment and certification capacity, together with manually collected field verification data, giving us a complete picture of our live electricity critical control environment. Our executive team can monitor the dashboard at a monthly governance forum and act when indicators are trending down.

Our CRC programme is a blueprint for strong engagement across other health and safety initiatives at Northpower. Our five-step CRC process has now been applied to five other critical risks: Contactor Management, Public Safety, Moving Vehicles, Falling Objects and Mental Health.

Let's get it right.
It's critical.

Organisational precision to support growth

Northpower wins at Safeguard awards

Northpower was awarded top prize in the Engagement category at this year's Safeguard New Zealand Workplace Health & Safety Awards, in recognition of our work to include every employee in the development of our live electricity Critical Risk Control (CRC) programme.

We are thrilled to have been chosen from a competitive field across New Zealand to win the award, which recognises the best initiative to encourage worker engagement in health and safety across a wide range of industries including government, viticulture, forestry, agriculture, aviation, and infrastructure.

The Safeguard Awards, organised with the support of WorkSafe New Zealand and ACC, celebrate excellence in the prevention of workplace injury and ill-health, and were announced at a prestigious awards dinner in Auckland on 21 June.

Organisational precision to support growth

Practical innovations

In May 2021, we invited members of the Vector team to share first-hand demonstrations of field practices, latest techniques, and practical innovations.

Demonstration stations were set up around our East Tamaki depot, which featured electrical safety devices, acoustic testing, thermographic imaging, switching techniques and tools, the ladder anchor system (LAS), the Ver-T-Pole system, PPE, our Critical Risks, sub transmission oil cable design, the cable trailer, and our latest fleet.

Organisational precision to support growth

Northpower and Orion team up with Energy Academy

Northpower joined forces with Orion Group to share knowledge and collaborate on developing the skills needed to help the electricity industry meet growing demand.

Our partnership stemmed from an initiative by the Energy Academy to foster cross-industry collaboration on learning and development.

Jono Brent, Head of Leadership Breakthroughs at In Your Corner Ltd, formerly CE of Orion Group, says the two organisations share many of the same challenges, and that working together makes sense.

"The initial purpose of the collaboration will be to combine our efforts to accelerate building up our skill-base to support New Zealand's decarbonisation efforts," Jono says. "We have a lot to learn from each other. The demand for more people with the right skills in our industry is escalating. With both organisations contributing ideas and testing our thinking, we hope to accelerate our progress towards ensuring our industry has the capability needed for the future."

> By collaborating with Orion, and potentially others, we will be able to play a bigger game and deliver greater value to our communities and the industry."
>
> **Andrew McLeod, Northpower Chief Executive**

Organisational precision to support growth

Celebrating careers in power

Over the past 18 months, Northpower has bid farewell to a number of long-serving team members, as they have retired to spend their golden years with family and catch up on their personal bucket lists.

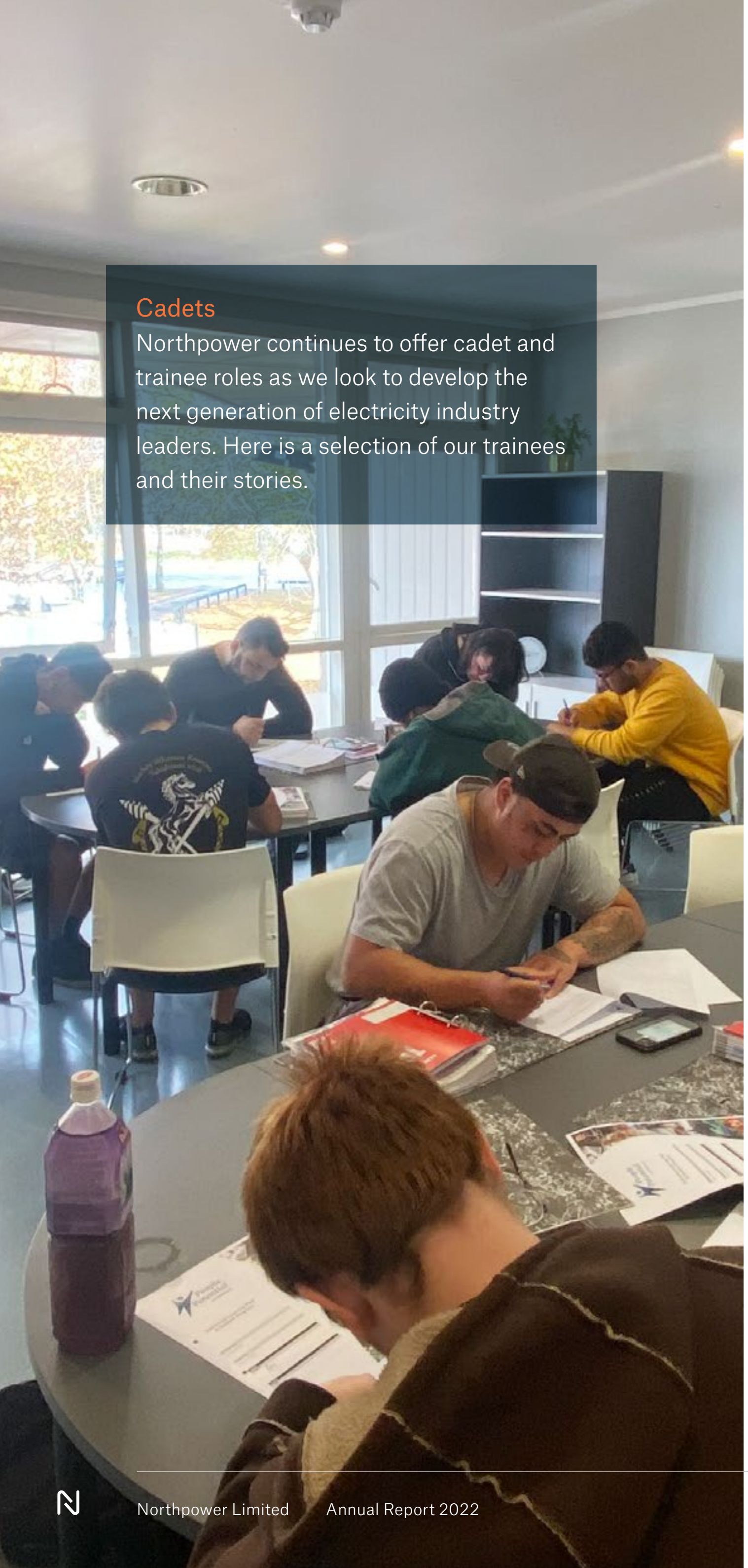
These men and women, many of whom joined the power boards straight from school, have dedicated a lifetime to building and maintaining electricity networks across New Zealand.

They have worked across our key roles including lines, cable jointing, fault response, GIS, design estimating, health and safety, and project management.

Each has given tirelessly and been a significant part of the growth and development of New Zealand's infrastructure over the past few decades.
They have worked to keep the power on for every one of us and, for that, we are grateful.

The retirees include 26 from our Auckland team, 4 from our Whangārei team, 11 from our Central team, and 9 from our Wellington team.

> Together they have contributed a staggering 2,700 years of service to the electricity supply industry. We salute you and thank you – enjoy your retirement!



Cadets

Northpower continues to offer cadet and trainee roles as we look to develop the next generation of electricity industry leaders. Here is a selection of our trainees and their stories.

Building skills and capability

David Schaaf – Trainee Transmission Line Mechanic

David Schaaf is passionate about his career prospects as a Trainee Transmission Line Mechanic with Northpower's Warkworth depot. His career took a few unexpected turns after he opted not to follow his father into the pharmaceutical sector.

"I decided I didn't want to be stuck inside, so I finished up with half a degree. Dad was not happy initially, but he is now," explains David.

In 2019, David transitioned into a one-year electrical pre-apprenticeship at Unitec, alongside fellow Northpower Trainee Transmission Line Mechanic, Scott Monteith. David isn't the first member of his family to take on a role at Northpower.

"I have a lot of relatives who have worked for Northpower, so I knew a bit about the company when I put in my job application," he says. "I am really happy with my career choice and am looking forward to finishing my training, getting good experience behind me, and seeing where my career takes me."

> Northpower is very strict on health and safety. There are no shortcuts and that's the way it should be."

David enjoys the physical nature of outdoor work and says one of the most revealing aspects of working for Northpower is the company's approach to wellbeing, health, and safety.

Scott Monteith – Trainee Transmission Line Mechanic

Scott Monteith sought a fresh career opportunity following a spell working in a warehouse. Like David, he completed a one-year electrical pre-apprenticeship at Unitec and began to explore a career in the electricity sector. As a Trainee Transmission Line Mechanic, he enjoys Northpower's outdoor work and the company's focus on health and safety.

"I really like the variety of the work we do in and around the lines. When you are 30 or 50 metres up a pylon, you get to see views no one else does."

> Northpower makes it really safe, and the guys I am learning from are really particular with the way they go about their work. Northpower is really heavy on health and safety, and I like that."

While Scott says 70% of his learning is on the job, he enjoys the e-learning modules attached to his apprenticeship. "I prefer learning hands-on. That's what I enjoyed about studying at Unitec: it was hands-on in the workshop for most of the day."

"I really want to get into live line work, which I can't do until I am a fully qualified Transmission Line Mechanic. Once I get to that point, I think I will continue with an electrical engineering degree."

Building skills and capability

Richard Ludlow – Trainee Distribution Line Mechanic

With a strong work ethic, Distribution Line Mechanic apprentice Richard Ludlow is set to make a big impact in his new career. Since leaving school, Richard has worked in a wide range of industries, including construction. He made several applications to join Northpower before landing his role in late 2020 with his fourth attempt, joining our Warkworth depot.

Richard's commitment to joining Northpower has been matched by his hard work and professionalism since. He will soon begin his second block course as part of his qualification, followed by two block courses in 2022.

> The most satisfying part of the job is working with my hands, and reflecting on the progress made after a day at work"

He also enjoys the camaraderie of working in a crew. He credits his background in mining, drilling, blasting, and refuelling (at Auckland International Airport) with helping him adapt to Northpower's safety-focused environment.

By mid-2023, Richard will have his ticket and be fully qualified. He is determined to earn his stripes on the tools and work towards a managerial role over the years. He also wants to help others develop and build their skills.

Carl Moffitt - Trainee Transmission Line Mechanic

Carl Moffitt started a Trainee Transmission Line Mechanic in our Rotorua depot. Has has experience across several diverse industries, and he has embraced his new career direction and role. Through hard work and dedication, he progressed quickly to gain his Line Mechanic Qualification.

Carey Sutton, our NL3 Maintenance Manager in Rotorua, nominated Carl in the Transpower-sponsored 'Transmission Trainee of the Year' category of the 2021 Connexis Industry Excellence Awards.

Carey says Carl has embraced his new career with hard work and dedication.

> Carl has several attributes that make him an exceptional team member. His work ethic is second to none, and he always keeps himself busy, often doing the jobs no one else wants to do without being asked"

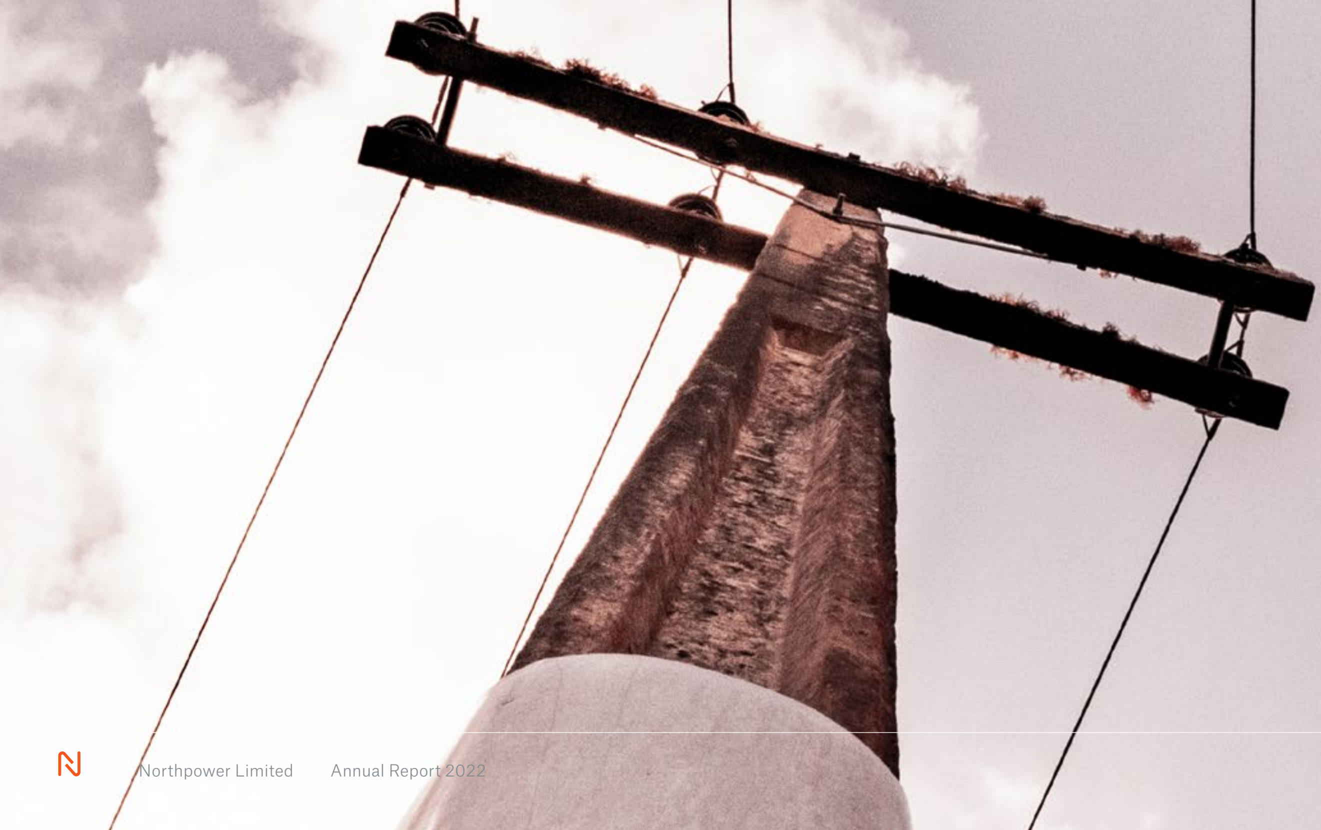
He has a fantastic attitude towards every job he is a part of and is always the first person ready to begin each task."

Carl has recently been appointed to the role of Transmission Lines Team Leader.

For Northland

Living, working, and standing for our local communities

Returns to Northland



Proudly Trust-owned

Northpower's Trust ownership ensures the profits we make are returned to the communities we serve. Since 1993, this arrangement has delivered more than $250 million to the connected consumers of electricity in the Whangārei and Dargaville communities.

The Trust represents the consumer owners of Northpower. It appoints Northpower's Directors and sets the expectations for the performance of the organisation. The arrangement has helped ensure a tight focus on returning value to the community, including reliable electricity network operations, strong commercial performance, and wider economic benefits for the north.

Northpower Trustees maintain a strongly structured engagement process with Northpower's Board, which is responsible for ensuring investment focus and business performance are delivered in line with Trust expectations. The arrangement has seen Northland benefit strongly over the years via leading infrastructure and strong financial returns to consumer owners.

Each year, customers connected to the networks receive a pricing discount on Northpower's distribution charges. This saving is paid in an annual lump sum and delivered as a credit on electricity bills in November or December.

"We know how much people appreciate the discount because we hear from our consumers when we see them in the community. Despite the challenges we have all faced this past year, the Northpower business continues to operate strongly," says Erc Angelo, Northpower Trust Chair.

> We are very happy to offer this discount back to Northpower's consumer owners, as we know what a difference it makes to so many households"

Mark Trigg, Northpower Chair

NORTHPOWER ELECTRIC POWER TRUST

Unlocking Northland's renewable potential

Renewable Energy Zones

New Zealand has a goal to generate 100% of the nation's electricity from renewable sources by 2030, and Northpower will be a central player in this transformation as Aotearoa embraces renewables.

As the transport sector becomes increasingly electrified, demand for electricity will soar in the coming decades.

New Zealand has an opportunity to build, develop, and maintain renewable energy capabilities to power the country for decades to come.

Northland could become New Zealand's first Renewable Energy Zone.

The region's renewable potential was recognised in a Transpower led, New Zealand-wide consultation from 28 February to 8 April 2022.

Working with Transpower, Top Energy and Northpower ran a Northland consultation covering both networks to build local support for the pilot proposal.

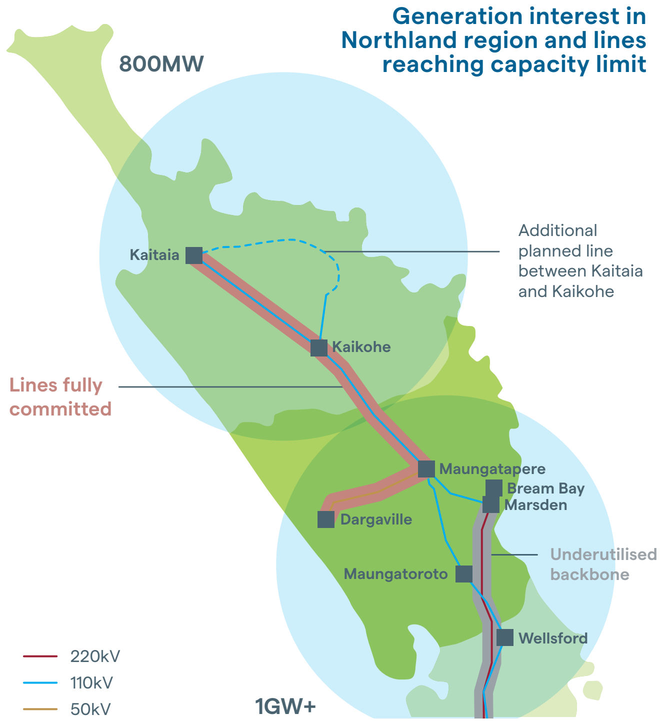
Over the past two years, both network companies have received dozens of applications from generation developers, totalling two gigawatts of renewable generation. That is enough to power over 375,000 households.

However, there is not enough capacity on the electricity networks to connect this new generation without network upgrades.

Renewable Energy Zones would enable multiple electricity generators, such as wind and solar farms, to co-locate and share the costs of network upgrades.

Increased local generation would introduce more competition into the electricity wholesale market and stimulate the local economy through investment in construction and network infrastructure.

This includes job creation and workforce training, as well as ongoing employment opportunities in maintenance and operations. If there is sufficient support, expressions of interest will be sought from generation developers later this year, which will include various options and investment opportunities to increase network capacity.



Northpower trades cadets - Rotorua

Enabling partnerships

People Potential

As the electricity sector moves to support decarbonisation, Northpower's people and skills are in increasing demand. We are growing our team to support that future.

We continue to partner with Whangārei-based private training company, People Potential, on our Northpower Trades Cadet Programme, which encourages and supports local talent into our industry.

People Potential is an innovative, Northland-owned, award-winning private training organisation, with campuses in Whangārei, Kaikohe, Dargaville, Papakura, and Hamilton.

The Trades Cadet Programme was launched in 2019 to create employment opportunities across all the North Island regions we work in.

Following a successful pilot in Whangārei, we extended our programme to Rotorua with funding from the Ministry of Social Development. We are working with People Potential and the Rotorua Youth Centre to create opportunities for local youth in the city.

Our cadetship programme supports target groups, including Māori, Pasifika, and NEETs (people not in employment, education, or training). Of the 24 cadets who have participated in the programme so far, nine are Māori and two are Pasifika.

From the initial intake of 11 cadets aged 16-24, six cadets have gone on to secure full-time apprenticeships within Northland. One has secured a position in Northpower's engineering cadetship NZ Diploma L6 programme, undertaken at the Manukau Institute of Technology.

In Rotorua, nine students have graduated from the classroom portion of Northpower's Trade Cadet Programme. Eight students have secured 12-week fixed-term contracts and have been placed in our Hamilton, Rotorua, and Tauranga depots.

We also work with People Potential to upskill our team members who complete the NZQA recognised New Zealand Certificate in Business with a focus on Team Leadership and First Line Management.

Enabling partnerships

Supporting regional growth with North Drill

The investment Northpower has made in its fibre and electricity networks continues to be a source of local employment and skills development.

Northpower is investing in local partnerships to help support the growth of technical skills in our region.

For seven years, we have worked closely with Whangārei-based business North Drill to deliver Northland's fibre network. This Māori-owned business is committed to employing local people and supporting local initiatives, sharing the same values as our organisation.

North Drill, a key contractor for Northpower, is a true Northland success story. The business has gone from strength to strength, growing from an initial three employees to a team of more than 50.

Last year, North Drill was honoured with the Māori Enterprise Award and the prestigious Supreme Award for Tai Tokerau Māori Business of the Year at the Tai Tokerau Māori Business Awards.

The company was also a deserving winner of the ACC Workplace Safety category at the 2021 NorthChamber Northland Business Excellence Awards. North Drill was rewarded for its outstanding efforts in workplace wellbeing, health, and safety.

North Drill Directors, Ida Jean and Bronson Murray, believe the company's close work with Northpower has positively impacted the business.

"When we started working alongside Northpower, we had to step up. We have continued to mirror that level of competence and attitude, ensuring all staff take a zero-harm approach and work together as one," Ida Jean explains.

Ida Jean says Northpower's high standards have raised health and safety levels at the business.

"The near-miss reporting we do is triple the number of many other companies, and it works because it prevents accidents. We tell our team to report everything, and since we started working with Northpower, we have focused on critical risks to the individual, every day."

> When you are working around electricity, traffic, underground services, and people, there are so many risks and it is critical we identify every single hazard. It is down to the individual and their behaviours"

Ida Jean, North Drill Director

Local contributions aligned to our core

Supporting the Northland Rescue Helicopter

We are proud to support the Northland community through a range of sponsorships.

We continued our long-standing sponsorship of the Northland Rescue Helicopter, which has airlifted more than 21,000 people since 1988.

This past year was the busiest period on record for Northland's Rescue Helicopters, with 1,237 mission call-outs in the 12 months from 1 April 2021 to 31 March 2022. This is up from 1,115 missions in 2020, and 951 missions in 2019.

The annual drive to raise money for the service delivered once again in 2021. Over $360,000 was raised through the Northland Rescue Helicopter 2021 annual fundraising appeal, up from $334,000 in 2020 and $246,000 in 2019.

Northland Emergency Services Trust Chair, Paul Ahlers, was grateful for the ongoing support of key sponsors Northpower and Top Energy, and that of the wider community.

"We are always taken aback by the passion people have for the service, which shows in the fact that they donate substantial amounts year after year.

"We simply could not do what we do without this community support and the backing of our principal sponsors of 34 years – Top Energy, Northpower, Northland Regional Council, and all our other loyal sponsors.

"Then there are all those individuals, community groups, organisations, and clubs who fundraise on our behalf. It all adds up, and that is vital for a charity like ours."

Inspiring the next generation of engineers at EPro8

The electricity and communications sectors play a critical role in sustainable economic development in the north and across Aotearoa. Northpower believes engaging our youth is critical to both industries reaching their potential. Today's young people will shape the way these critical assets are developed and managed in the future.

Encouraging young people to participate in STEM (science, technology, engineering, and maths) remains a passion for our organisation, and each year, Northpower sponsors the Northland division of the national EPro8 Challenge.

The EPro8 Challenge is an inter-school science and engineering competition, which sees over 10,000 students, from 800 schools, take part. Northpower's sponsorship pays for half of the fees for all entries.

The increasingly popular Northpower EPro8 Challenge saw a record 624 students compete across a series of science and engineering-based events in 2022, up from 232 in 2021.

Rachel Wansbone, Customer Experience Manager for Northpower, says, "To have more than doubled the number of students involved this year is really pleasing." In closely fought finals, Whangārei Heads won the Year 7-8 title, while St Francis took out the Year 5-6 contest. Both teams successfully built a sound system from a coil, magnets, and a cardboard cone.

Roughly 100 teachers and parents watched a great contest in the finals after 18 schools competed in the semi-final stage.

Arriane Christie, Northpower Community Outreach Facilitator, was impressed with the calibre of the finalists. "I want to congratulate all the students who participated in the EPro8 Challenge, from the school's internal events to the grand finals, and especially the finalists. It is a huge achievement, which they can all be very proud of," she says.

Northpower can see that sponsoring this event provides a real benefit to students and schools. It gives students a great opportunity to get involved with, and learn about, science, technology, engineering, and maths on a very practical level."

Arriane Christie,
Northpower Community Outreach Facilitator

Local contributions aligned to our core

Backing the Northland Business Awards

We remain strong advocates of investing in local business capability and celebrating the achievements of Northland companies.

Alongside Top Energy, we are once again proud co-sponsors of the 2022 NorthChamber Business Excellence Awards.

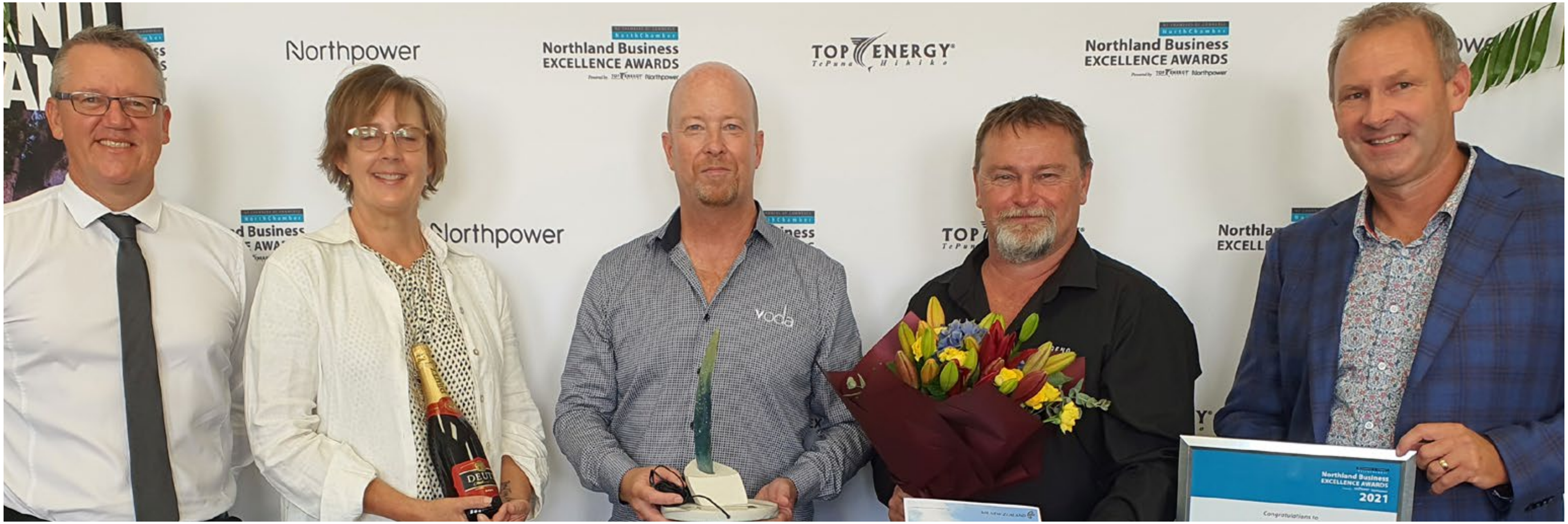
Locally owned companies will go head-to-head against the best in the region, with winners to be announced in November this year.

We joined forces with Top Energy in 2021 to sponsor the awards in order to promote and recognise the development of local businesses.

The delayed 2021 NorthChamber Northland Business Excellence Awards, announced in February, saw Whangārei business Foreno Tapware voted Supreme Winner, and Raewyn Tipene inducted into the Hall of Fame.NorthChamber Chief Executive Steve Smith says the addition of Top Energy and Northpower as principal sponsors has strengthened the regional awards, with 2022 set to be an even bigger event.

> "Having our two locally owned electricity lines companies backing us has helped take the awards to a whole new level. They bring so much to the table – business acumen, humility, and a real sense of community. They are passionate about giving back to their shareholder owners in every part of the communities that make up Northland."

Steve Smith , NorthChamber Chief Executive



Foreno Tapware - Supreme Winner of the 2021 Northland Business Excellence Awards

Local contributions aligned to our core

Driving digital education in our communities

As a founding sponsor of Taitokerau Education Trust, Northpower is proud to support efforts to ensure equitable digital education across our communities.

The Trust gives students at a number of Northland schools equal access to online learning, empowering them to become actively engaged digital learners.

Students are equipped with affordable laptops to help them complete digital immersion programmes.

Along with access, the initiative utilises a three-pronged approach, encouraging students, their whānau, and educators to collaborate. A 'learn, create, share' pedagogy has transformed teaching in these new digital classrooms.

Over 2,000 of our tamariki and rangatahi have had access to the programme to date.

In addition to our sponsorship of Taitokerau Education Trust, we have also enabled gigabit fibre broadband services for our local schools, ensuring students receive the fastest possible connections to aid their learning.

> During the Covid-19 lockdowns, we waived wholesale monthly connection charges for more than 100 student households in Northland. This meant students who would otherwise be living without broadband could continue with their studies.

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

M D Trigg (Chair)
R C Booth
E M P A Jacobs
M B D James
P G Hutchings
M K Kong
L S Kubiak

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

P G Hutchings
O M O'Neill
A I McLeod

Northpower Fibre Limited

M D Trigg
R C Booth
E M P A Jacobs
M B D James
P G Hutchings
M K Kong
L S Kubiak
J A Brosnahan (ceased 29 June 2021)

Results

The group recorded an after tax profit of $26.5 million for the period, as set out in the Consolidated Statement of Comprehensive Income.

Dividend

A fully imputed dividend of $0.7 million was declared for the year.

Donations

The group made donations of $150,000 to Northland Emergency Services Trust, $40,000 to Taitokerau Education Trust, $15,145 to EPro8 Challenge and $20,000 to Healthy Home (Te Kaupapa Mahitahi Hauora-Papa o te Raki Trust) 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

E M P A Jacobs

General Manager – Gallagher Group
Honorary Consul of Belgium in Auckland
Director – BRANZ

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

Director/Shareholder – Lodestar Consulting Limited

Senior Consultant – Smart Environmental

L S Kubiak

Director/Shareholder – Quilisma Limited

Chair – New Zealand Symphony Orchestra

Chair – Trustees Executors Limited

Director/Shareholder – Gently Does It LLC

Director – Sterling Grace (NZ) Limited

Shareholder - Nautec Electronics Limited

Director - Taxpayers' Union

R C Booth

Partner – R&S Booth Partnership

Director/Shareholder – Puketitoi Farm Limited

Trustee and Beneficiary – R&S Booth Trust

Shareholder – Ballance Agri-Nutrients Limited

Shareholder – Fonterra

Shareholder – LIC

Member of Far North Holdings Ltd appointments panel

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	139
$110,000 - $119,999	125
$120,000 - $129,999	113
$130,000 - $139,999	78
$140,000 - $149,999	39
$150,000 - $159,999	43
$160,000 - $169,999	37
$170,000 - $179,999	31
$180,000 - $189,999	21
$190,000 - $199,999	10
$200,000 - $209,999	6
$210,000 - $219,999	9
$220,000 - $229,999	3
$230,000 - $239,999	1
$240,000 - $249,999	3
$250,000 - $259,999	2
$260,000 - $269,999	2
$270,000 - $279,999	2
$290,000 - $299,999	1
$310,000 - $319,999	1
$340,000 - $349,999	1
$380,000 - $389,999	1
$420,000 - $429,999	1
$440,000 - $449,999	1
$450,000 - $459,999	1
$730,000 - $739,999	1
Total	**672**

Directors' remuneration

Directors' remuneration paid during the period was:

Northpower Limited:	
M D Trigg	$132,004
R C Booth	$66,062
E M P A Jacobs	$66,062
M B D James	$71,063
P G Hutchings	$66,062
M K Kong	$66,062
L S Kubiak	$79,666
S Huband (IoD future director)	$7,500
	$554,481

West Coast Energy Pty Limited:	
P G Hutchings	$13,333

Northpower Fibre Limited	
J A Brosnahan	$18,667

For and behalf of the Board

M D Trigg
Chair

Financial statements

Statement of service performance

	Note	FY22 Actual	FY22 Target	FY21 Actual
Financial KPIs				
Net profit after tax/shareholder funds (pre-distribution)	1	**6.1%**	≥7.5%	8.5%
Debt/Capital ratio*	2	**23.4%**	≤40%	n/a
Debt coverage ratio	3	**1.3x**	≤4.25x	2.5x
Distribution (posted discount plus dividend)		**$12.4m**	≥$12.3m	$11.7m
Non- Financial KPIs				
Safety				
Total Recordable Injury Frequency Rate (TRIFR)	4	**13.81**	≤8	12.24
High potential event frequency rate (HPEFR)*		**5.4**	≤5	n/a
Permanent disability and/or fatality*		**0**	0	n/a
Northpower Electricity Network				
Network reliability (SAIDI minutes)[1]	5			
Planned		**117.2**	≤162.1	127.6
Unplanned		**101.2**	≤93.3	138.8
Average number of faults per 100km of line		**11.6**	≤10	8.6
Network interruptions (SAIFI minutes)[1]	6			
Planned		**0.48**	≤0.72	0.54
Unplanned		**2.41**	≤2.28	2.37
Planned & Unplanned		**-**	-	3.0
Customer satisfaction (residential)		**95%**	≥85%	95%
Customer satisfaction (commercial)		**91%**	≥85%	91%
Northpower Fibre Network				
Network availability (max downtime minutes)	7			
Layer 1		**14.1**	≤120	4.3
Layer 2		**29.4**	≤30	0.6
Faults (max downtime)				
Layer 1		**100%**	99% within 48 hrs	100%
Layer 2		**100%**	99% within 12 hrs	100%
Service level performance	8			
Residential		**95%**	≥95%	97%
Commercial		**95%**	≥95%	97%

* New measure in FY22, hence has no comparative.

[1] See Electricity Network commentary on next page

Group financial KPIs

The Group achieved the targets for all financial measures except for the Net Profit After Tax/Shareholders' Funds. The Group's result was materially impacted by COVID – 19 lockdowns as well as the disruption caused by the subsequent wave of COVID – 19 in the community towards the latter part of the year. The total distribution was above target for FY22 at $12.4 million comprising of a posted discount of $11.7 million paid to consumers as well as a $0.7 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 of 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).

Electricity network

Northpower in FY22 has adopted a "normalised approach" for setting network reliability targets for SCI performance metrics (SAIDI and SAIFI), in line with electricity distribution businesses under full price quality control.

Adverse weather in the final quarter of FY22 saw network performance measures drift slightly outside the target range however underlying network condition and resilience remained strong. Customer satisfaction continues to be strong.

Fibre network

Fibre network Performance was in line with target for the period. There was a slight increase in network downtime associated with planned work on the network.

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 FY22 is consistent with that of FY21.
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 2021. 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	2022 $000s	2021 Restated[1] $000s
Revenue from contracts with customers	2	**384,381**	364,609
Other income	3	**1,030**	10,733
Materials and supplies		**(163,244)**	(156,143)
Employee benefits	7	**(145,834)**	(137,185)
Transmission costs		**(16,339)**	(17,320)
Depreciation and amortisation		**(37,306)**	(32,237)
Other expenses	4	**(4,084)**	(3,380)
Fair value gain on derivatives		**4,440**	2,270
Finance cost	5	**(6,227)**	(5,997)
Gain on remeasurement of existing interest/share of net profit in associate	23	**14,718**	1,970
Net profit before tax		**31,535**	27,320
Income tax expense	11	**(5,072)**	(8,872)
Net profit after tax for the year		**26,463**	18,448
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	18	**(8)**	(101)
Items that will not be reclassified to profit or loss			
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		**-**	(325)
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**	(426)
Total comprehensive income for the year attributable to the owners of the parent		**59,618**	18,022

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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

Consolidated statement of financial position

	Note	2022 $000s	2021 Restated[1] $000s
Assets			
Current assets			
Cash and cash equivalents		**749**	1,303
Trade and other receivables	9	**48,865**	36,300
Contract assets	2	**23,805**	29,846
Derivatives	20	**-**	13
Assets held for sale		**-**	155
Inventory	6	**16,472**	11,276
Total current assets		**89,891**	78,893
Non-current assets			
Intangible assets	13	**27,564**	20,369
Equity-accounted investment	23	**-**	39,663
Derivatives	20	**1,028**	272
Right of use assets	15	**69,705**	74,416
Property, plant and equipment	14	**491,940**	370,541
Total non-current assets		**590,237**	505,261
Total assets		**680,128**	584,154

These financial statements are authorised for issue on 29 June 2022, for and on behalf of the Board

Mark Trigg
Chair

Michael James
Audit and Risk Committee Chair

	Note	2022 $000s	2021 Restated[1] $000s
Liabilities			
Current liabilities			
Trade and other payables	10	**25,489**	25,245
Contract liabilities	2	**15,286**	9,866
Employee entitlements	7	**18,347**	16,635
Provisions	16	**2,374**	-
Provision for tax		**4,507**	5,910
Borrowings	19	**22,500**	-
Deferred income	8	**237**	543
Derivatives	20	**108**	224
Total current liabilities		**88,848**	58,423
Non-current liabilities			
Employee entitlements	7	**1,065**	761
Provisions	16	**1,941**	-
Lease liabilities	15	**72,266**	76,160
Borrowings	19	**79,452**	82,607
Deferred income	8	**6,682**	5,823
Derivatives	20	**396**	3,976
Deferred tax	12	**66,904**	52,778
Total non-current liabilities		**228,706**	222,105
Total liabilities		**317,554**	280,528
Net assets		**362,574**	303,626
Equity			
Equity attributable to owners of the parent	18	**362,574**	303,626
Total equity		**362,574**	303,626

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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 2021[1]		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 loss for the year		-	-	-	-	**(8)**	**(8)**
Total comprehensive income for the year, net of tax		-	**26,620**	-	**33,006**	**(8)**	**59,618**
Dividend declared	18	-	**(670)**	-	-	-	**(670)**
Balance as at 31 March 2022		**35,989**	**277,207**	-	**52,317**	**(2,939)**	**362,574**
Balance as at 1 April 2020[1]		35,989	234,229	325	19,311	(2,830)	287,024
Profit for the year[1]		-	18,448	-	-	-	18,448
Other comprehensive income for the year		-	-	(325)	-	(101)	(426)
Total comprehensive income for the year, net of tax		-	18,448	(325)	-	(101)	18,022
Dividend declared/paid		-	(1,420)	-	-	-	(1,420)
Balance as at 31 March 2021[1]		35,989	251,257	-	19,311	(2,931)	303,626

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1.

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

Consolidated cash flow statement

	Note	2022 $000s	2021 Restated[1] $000s
Operating activities			
Receipts from customers		**379,090**	373,631
Wage subsidy received		**91**	8,438
Interest received		**15**	-
Income tax received		**551**	3,669
Dividends received		**-**	6,510
Payments to suppliers		**(186,341)**	(192,404)
Payments to employees		**(144,067)**	(134,342)
Interest paid		**(6,011)**	(5,803)
Income tax paid		**(7,437)**	-
Net cash inflows from operating activities	17	**35,891**	59,699
Investing activities			
Proceeds from sale of property, plant and equipment		**941**	1,394
Purchase of intangible assets		**(2,152)**	(2,645)
Purchase of property, plant and equipment		**(34,255)**	(29,867)
Investment in equity-accounted investment	23	**-**	(11,742)
Acquisition of a subsidiary	23	**(4,906)**	-
Net cash outflows from investing activities		**(40,372)**	(42,860)
Financing activities			
Drawdown of borrowings		**619,736**	528,008
Repayment of borrowings		**(600,600)**	(531,100)
Principal repaid on lease liability		**(14,541)**	(13,596)
Dividends paid to owners of the parent	18	**(660)**	(760)
Net cash (outflows)/inflows from financing activities		**3,935**	(17,448)
Net decrease in cash and cash equivalents		**(546)**	(609)
Net foreign exchange differences		**(8)**	(101)
Cash and cash equivalents at the beginning of the year		**1,303**	2,013
Cash and cash equivalents at the end of the year		**749**	1,303

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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 2022. 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 Group are electricity distribution and contracting services. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

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

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

The presentation currency is New Zealand dollars (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)
- Other income (Note 3)
- 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 24)

New accounting standards and interpretations adopted

NZ IAS 38 Intangible Assets interpretation: configuration or customisation costs in a cloud computing arrangement

In April 2021, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Configuration or customisation costs in a cloud computing arrangement. The decision discusses whether configuration or customisation expenditure relating to cloud computing arrangements is able to be recognised as an intangible asset and if not, over what time period the expenditure is expensed. The Group's accounting policy has historically been to capitalise all costs related to cloud computing arrangements as intangible assets in the statement of financial position. Refer to Note 13 for the Group's new accounting policy on cloud computing arrangements and impact of the change in the accounting policy. The Group has applied the new interpretation effective 1 April 21 resulting in retrospective restatements of the following historical financial information. The adjusted amounts presented in these financial statements are as follows:

	Audited	[1]Presentation change	SaaS Adjustment	Restated
31-Mar-21	**$000s**	**$000s**	**$000s**	**$000s**
Items from the income statement				
Employee benefits	(137,025)	-	(160)	(137,185)
Other expenses	(3,045)	-	(335)	(3,380)
Depreciation and amortisation	(32,354)	-	117	(32,237)
Income tax expense	(8,978)	-	106	(8,872)
Items from the statement of financial position				
Intangible assets	18,422	3,017	(1,070)	20,369
Deferred tax	53,078	-	(300)	52,778
Equity	304,396	-	(770)	303,626
Items from the cash flow statement				
Payments to suppliers	(192,069)	-	(335)	(192,404)
Payments to employees	(134,182)	-	(160)	(134,342)
Purchase of intangible assets	(3,141)	-	496	(2,645)

	Audited	[1]Presentation change	SaaS Adjustment	Restated
31-Mar-20	$000s	$000s	$000s	$000s
Items from the statement of financial position				
Intangible assets	19,810	3,446	(691)	22,565
Deferred tax	50,963	-	(194)	50,769
Equity	287,522	-	(498)	287,024

[1]Change in the presentation of capital work-in-progress (CWIP)

The comparatives for CWIP have been restated to ensure consistency with current year presentation. Intangible assets and property, plant and equipment include respective components of CWIP in the statement of financial position. Components of CWIP relating to intangible assets and property, plant and equipment has been presented as a separate asset category in the respective notes 13 and 14. Previously CWIP was presented as a separate line item in the statement of financial position.

Onerous Contracts – cost of fulfilling a contract - Amendments to NZ IAS 37

The amendments have clarified that the cost of fulfilling a contract comprises the 'costs that relate directly to the contract' which are both, the incremental costs of fulfilling the contract (e.g. direct materials and labour); and an allocation of other costs that relate directly to fulfilling contracts (e.g. overheads such as allocation of depreciation expense on an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has elected to early adopt this amendment effective this financial year, prospectively to contracts for which the Group has not yet fulfilled all of its obligations at 1 April 21, refer to Note 16. The Group applies judgement in determining which costs are 'directly related to contract activities', using guidance in IFRS 15 Revenue from Contracts with Customers and other applicable standards.

COVID-19 Rent Related Concessions beyond June 2021

On 1 April 2021 the Group adopted "COVID-19 Rent related concessions beyond June 2021" standard. The Group received rental concession for some of its leased properties and therefore it applied the practical expedient under COVID-19 Rent related concessions. The practical expedient has been applied to all eligible contracts. Accordingly, the concession received was accounted for as negative variable lease in profit or loss and has an immaterial impact on these financial statements.

Standards issued but not yet effective

Certain new accounting standards and amendments have been issued that are not mandatory for the 31 March 2022 financial year and have not been early adopted by the Group. The Group has assessed that these are not likely to have a material effect on its financial statements.

COVID-19 impacts

The Group assessed the current and future potential effects of COVID-19 for all balances and areas of judgements made in relation to the preparation of these consolidated financial statements. The effect on the overall results was not material as the Group has remained resilient during the year, despite the continuing impact of COVID-19.

During the prior year, the Group was eligible for and received $9.0 million of New Zealand Government wage subsidy, of which the Group subsequently repaid $0.6 million.

2. Revenue from contracts with customers

	Note	2022 $000s	2021 $000s
Revenue recognised over time			
Electricity distribution revenue	i	**66,477**	66,016
Metering	ii	**11**	904
Electricity generation	iii	**1,984**	1,926
Fibre telecommunication services	iv	**13,646**	2,599
Contracting revenue - electricity industry	v	**294,011**	286,204
Contracting revenue - fibre telecommunications industry	vi	**90**	3,078
Revenue recognised at a point in time			
Capital contributions	vii	**8,162**	3,882
Total		**384,381**	364,609

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 $11.7 million paid during the year to the consumer owners (2021: $10.2 million), refer to Note 18.

ii Metering

The performance obligation is satisfied on reading of end consumer electricity metering equipment and revenue is recognised over time. Payment is generally due 20 to 45 days from delivery.

iii Electricity generation

The Group owns and operates an electricity power station at Wairua, Northland. The performance obligation of the supply of generated electricity is satisfied over time and pricing is based on the final electricity industry spot price, as defined by the Electricity Industry Participation Code. Payment is generally due 20 to 45 days from supply of the electricity.

iv Fibre telecommunication services

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

v Contracting revenue – electricity industry

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

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

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

vi Contracting revenue – fibre telecommunications industry

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.

vii Capital contributions

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

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

	2022 $000s	2021 $000s
Other Income		
Sundry income	**1,030**	2,895
Wage subsidy income	**-**	7,838
	1,030	10,733

Sundry income includes $0.1 million (2021: nil) 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. Wages subsidy income for the prior year relates to the Government's wage subsidy scheme, a financial assistance to employers to help pay employee salary and wages for a 12-week period. These payments qualify as government grant within the scope of NZ IAS 20. The wages subsidy and other support payments receivable was recognised as an asset when the claim was submitted along with a corresponding liability until the conditions attached to the grant were satisfied. As and when the Group paid the salaries or wages to the employees, the wages subsidy and the support payments payable was reduced and recognised as other income in the statement of comprehensive income.

4. Other expenses

Profit before income tax includes the following specific expenses:

	Note	2022 $000s	2021 $000s
Fees to Deloitte (FY21: Audit New Zealand) for:			
- Audit of financial statements		**265**	234
- Special audits required by regulators		**59**	47
Net loss on foreign exchange		**-**	28
Directors' fees		**586**	543
Rental and lease costs		**1,488**	673
Fair value loss on asset revaluation		**1,505**	-
Impairment of software	13	**-**	1,281

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

5. Net finance cost

	Note	2022 $000s	2021 $000s
Interest income		**15**	-
Interest expense		**(3,979)**	(3,784)
Capitalised interest	14	**205**	200
Interest on leases	15	**(2,468)**	(2,413)
Net finance cost		**(6,227)**	(5,997)

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 $2.2 million (2021: $1.8 million). Eligible borrowing costs were capitalised at an average interest rate of 1.7% (2021: 1.4%).

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 $31.6 million was recognised in the profit or loss during the year (2021: $29.2 million). Inventory written off during the period amounted to nil (2021: $0.3 million). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

7. Employee benefits and entitlements

	Note	2022 $000s	2021[1] $000s
Salaries & wages		140,186	130,767
Defined contribution plan employer contributions		3,632	3,575
Movement in employee entitlements		2,016	2,843
Total employee benefit expenses		**145,834**	137,185

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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

	Note	2022 $000s	2021 $000s
Short-term benefits	24	4,188	3,382
Termination benefits	24	392	129
Total compensation of key management personnel		**4,580**	3,511

Employee entitlements are represented by:	2022 $000s	2021 $000s
Current		
Accrued salaries & wages	4,644	4,808
Annual leave	12,767	10,897
Sick leave	936	930
Total current portion	**18,347**	16,635
Non-current		
Retirement & long service leave	1,065	761
Total non-current portion	**1,065**	761
Balance as at 31 March	**19,412**	17,396

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

	2022 $000s	2021 $000s
Balance as at 1 April	6,366	6,024
Received during the year	338	809
Income recognised during the year	215	(467)
Balance as at 31 March	**6,919**	6,366
Current	237	543
Non-current	6,682	5,823
Balance as at 31 March	**6,919**	6,366

The Group has 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 non-current liabilities as deferred income and is recognised in the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred.

9. Trade and other receivables

	Note	2022 $000s	2021 $000s
Trade receivables		46,785	35,193
Less provision for impairment	21	(375)	(574)
Prepayments		2,455	1,681
Balance as at 31 March		**48,865**	36,300

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

	2022 $000s	2021 $000s
Trade payables	18,021	17,423
Accrued payables	7,468	7,822
Balance as at 31 March	**25,489**	25,245

11. Income tax expense

	Note	2022 $000s	2021 Restated[1] $000s
Profit before income tax		31,535	27,320
At New Zealand's statutory tax rate of 28% (2021: 28%)		8,830	7,649
Plus/(less) tax effect of:			
- Non-deductible expense		328	217
- Non-taxable income	23	(4,075)	(46)
- Prior period adjustment		(11)	(219)
Adjustment for joint venture		-	(552)
Tax on income not included in accounting profit		-	1,823
		5,072	8,872
The taxation charge is represented by:			
- Current taxation		5,944	7,375
- Deferred taxation		(861)	1,716
- Prior period adjustment relating to current tax		(461)	(512)
- Prior period adjustment relating to deferred tax		450	293
		5,072	8,872
Imputation credits available for use in subsequent reporting periods		59,085	59,963

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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. The non-taxable income of $4.1 million includes tax effect on fair value gain on re-measurement of existing interest in associate.

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

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

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

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

12. Deferred tax

	Note	Property, Plant & Equipment $000s	Employee entitlements $000s	Provisions & Other $000s	Tax losses $000s	Total $000s
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	23	(6,516)	38	-	1,738	(4,740)
Balance as at 31 March 2022		(69,850)	4,134	(2,645)	1,457	(66,904)
Balance as at 1 April 2020[1]		(50,255)	3,394	(3,908)	-	(50,769)
Charged to profit/(loss)		(747)	139	(1,592)	191	(2,009)
Balance as at 31 March 2021		(51,002)	3,533	(5,500)	191	(52,778)

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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

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 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 2021[1]	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 assset 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

	Goodwill	Software	Easements	Capital work in progress	Total
	$000s	$000s	$000s	$000s	$000s
Cost					
Balance as at 1 April 2020[1]	4,122	32,887	453	3,146	40,608
Additions	-	-	-	2,141	2,141
Transfers[1]	-	2,816	-	(2,741)	75
Disposals	-	-	-	-	-
Balance as at 31 March 2021[1]	4,122	35,703	453	2,546	42,824
Accumulated amortisation and impairment					
Balance as at 1 April 2020[1]	(1,745)	(16,298)	-	-	(18,043)
Amortisation for the year[1]	-	(3,131)	-	-	(3,131)
Impairment for the year	-	(1,281)	-	-	(1,281)
Balance as at 31 March 2021	(1,745)	(20,710)	-	-	(22,455)
Net carrying amount as at 31 March 2021[1]	2,377	14,993	453	2,546	20,369

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

Allocation of goodwill to cash-generating units

	2022 $000s	2021 $000s
Northern contracting	877	877
Central contracting	1,500	1,500
Northpower Fibre Limited	8,236	-
Balance as at 31 March	10,613	2,377

Impairment of non-financial assets other than inventory and goodwill

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

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

During the year, software intangible assets were impaired by $nil million (2021: $1.3 million) on the basis of anticipated benefits not being realised and non-utilisation of components of the software. The impairment loss was recognised as a reduction in the carrying amount of software and as an expense in the profit or loss.

Cloud computing arrangements

The Group has assessed the impact of the final agenda decision on Configuration or customisation costs in a cloud computing arrangement, refer to Note 1, and recognised $0.8 million of related costs in retained earnings. The identified costs represent up-front costs incurred in relation to the implementation phase of new cloud computing arrangements whereby the group has not recognised an intangible asset under NZ IAS 38.

The new accounting policy is as follows:

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 Buildngs	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 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)
Transfers	-	-	-	-	-	-	-	-	-	-	-
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
Cost or fair value											
Balance as at 1 April 2020	9,633	11,593	278,114	22,210	15,874	48,854	11,304	3,344	5,641	13,517	420,084
Additions	-	-	-	-	-	-	-	-	-	35,470	35,470
Transfer between asset categories	-	3,019	21,965	10,480	5	3,712	581	427	102	(40,658)	(367)
Disposals	-	-	(29)	(70)	-	(7,849)	(6,274)	(282)	-	-	(14,504)
Transfer to assets classified as held for sale	-	-	-	-	-	-	-	-	(5,453)	-	(5,453)
Balance as at 31 March 2021	9,633	14,612	300,050	32,620	15,879	44,717	5,611	3,489	290	8,329	435,230
Accumulated depreciation											
Balance as at 1 April 2020	-	(413)	(7,574)	(2,588)	(10,309)	(32,380)	(8,744)	(948)	(5,333)	-	(68,289)
Depreciation charge for the year	-	(426)	(7,966)	(1,392)	(487)	(3,717)	(395)	(263)	(18)	-	(14,664)
Transfers	-	(31)	(5)	-	-	(74)	-	2	-	-	(108)
Disposals	-	-	14	70	-	7,686	5,140	164	-	-	13,074
Transfer to assets classified as held for sale	-	-	-	-	-	-	-	-	5,298	-	5,298
Balance as at 31 March 2021	-	(870)	(15,531)	(3,910)	(10,796)	(28,485)	(3,999)	(1,045)	(53)	-	(64,689)
Net carrying amount as at 31 March 2021	9,633	13,742	284,519	28,710	5,083	16,232	1,612	2,444	237	8,329	370,541

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

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

2021	Freehold land $000s	Freehold buildings $000s	Distribution system $000s
Cost	6,223	16,858	366,105
Accumulated depreciation & impairment	-	(4,445)	(100,031)
Net carrying amount	6,223	12,413	266,074

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 $4.6 million at balance date (2021: $2.9 million).

Revalued assets

Electricity distribution network and land and buildings assets are revalued after initial recognition and are stated 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 Group engaged AON Risk Solutions, a registered independent valuer, to determine the fair value of its land, and buildings as at 31 March 2022. 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 is 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". As at 31 March 2022, the fair value of the land, and buildings amounted to $17.6 million and $15.1 million, respectively. This resulted in a valuation uplift of $8.8 million being recognised in the other comprehensive income.

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 10 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 valuer's estimated range of values attributable to the Group's electricity distribution network assets was between $321.9 million and $352.5 million as at 31 March 2022. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% increase/ (decrease) in the discount rate would (decrease)/increase the valuation by $15 million. A 5% increase/(decrease) in the distribution revenue indicated the valuation would increase/ (decrease) by $15 million.

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 $0.05 million (2021: $0.03 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 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**
Cost			
Balance as at 1 April 2020	24,005	55,361	79,366
Additions	7,594	13,155	20,749
Disposals	-	(140)	(140)
Remeasurement	608	33	641
Balance as at 31 March 2021	32,207	68,409	100,616
Accumulated amortisation			
Balance as at 1 April 2020	(2,942)	(8,842)	(11,784)
Additions	(3,685)	(10,757)	(14,442)
Disposals	-	-	-
Other adjustments	24	2	26
Balance as at 31 March 2021	(6,603)	(19,597)	(26,200)
Net book value	25,604	48,812	74,416

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	2022 $000s	2021 $000s
Within one year	**32**	45
After one year but not more than five years	**101**	35
More than five years	**81**	78
Balance of non-cancellable operating leases	**214**	158

16. Provisions

During the year a provision for onerous contracts of $4.3million (2021: nil) was recognised as the unavoidable costs of meeting the obligations under the contract were estimated to exceed the economic benefits expected to be received under it. The Group has elected to early adopt effective 1 April 2021 the amendment to NZ IAS 37 that clarifies that the unavoidable costs of fulfilling the obligations under a contract comprise costs that relate directly to the contract - consisting of both incremental costs of fulfilling that contract and an allocation of other costs that relate directly to that contract.

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

	2022 $000s	2021[1] $000s
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after income tax	**26,463**	18,448
Adjustments for:		
- Depreciation & amortisation	**37,306**	32,237
- Loss/(gain) on sale of property, plant & equipment	**(55)**	29
- Deferred income release	**214**	(467)
- Non cash capital contribution revenue	**(6,952)**	(3,882)
- Fair valuation gain on derivative financial instruments	**(4,440)**	(2,270)
- Capitalised interest	**(205)**	(200)
- Non cash interest	**436**	394
- Fair value loss on asset revaluation	**1,505**	-
- Impairment of software	**-**	1,281
- Gain on remeaurement of existing interest/share of net profit in associate	**(14,718)**	4,540
Changes in assets & liabilities		
- (Decrease)/increase in trade & other payables	**(585)**	(14,109)
- Less related to property, plant and equipment	**(1,781)**	(824)
- Decrease in contract liabilities	**4,344**	(2,659)
- Increase in provision	**4,160**	-
- Decrease/(increase) in contract assets	**6,041**	(4,588)
- Increase/(decrease) in income tax	**(1,403)**	10,532
- Decrease/(increase) in trade & other receivables	**(10,690)**	18,012
- Increase in inventory	**(5,196)**	(1,627)
- Decrease/(increase) in deferred tax liabilities	**(411)**	2,009
- Decrease in employee entitlements	**1,858**	2,843
Net cash from operating activities	**35,891**	59,699

[1] the comparatives are restated following an accounting policy change relating to cloud computing arrangements, refer to Note 1

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.

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**

2021	Cash and cash equivalents $000s	Lease liabilities $000s	Borrowings $000s	Total $000s
Net debt as at 1 April 2020	(2,013)	68,481	92,139	158,607
Cash flows	609	(13,596)	(3,092)	(16,079)
Non cash movements	101	21,275	(74)	21,302
Net debt as at 31 March 2021	(1,303)	76,160	88,973	163,830

18. Equity

Share capital

The total number of shares authorised and issued is 35,981,848 (2021: 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 at balance date was $33 million (2021: nil).

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 fully imputed dividends of $0.7 million (2021: $0.7 million) was declared and $0.7 million (2021: $0.8 million) was paid during the year.

During the year, a posted discount of $11.7 million (2021: $10.2 million) was paid to the consumers.

19. Borrowings

	Maturity	2022 $000s	2021 $000s
Current	Less than 12 months	**22,500**	-
Non Current			
Unsecured loans	Within 2 & 3 yrs	**44,500**	45,000
Unsecured loans	Within 3 & 5 yrs	**24,800**	28,400
Interest free Crown loan	Beyond 5 years	**10,152**	9,207
Balance of non current as at 31 March		**79,452**	82,607
Total as at 31 March		**101,952**	82,607

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 $16.3 million (2021: $15.6 million) using prevailing market interest rates at drawdown date for an equivalent loan, ranging between 4.47% and 3.04% per cent. During the year, interest charges of $0.4 million (2021: $0.4 million) were recognised on this loan. The difference of $6.2 million (2021: $6.4 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 $125 million of lending facilities with an average rate of interest during the year of 1.7% (2021: 1.4%). During June 2022 a $35 million bank facility matured and the Group replaced it with two lending facilities of $25 million maturing in June 2027 and $10 million maturing in June 2024. 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 2022 and 2021.

20. Derivatives

	2022 $000s	2021 $000s
Current		
Forward foreign exchange contracts	**18**	(13)
Interest rate swaps	**90**	224
Non-current		
Interest rate swaps	**(1,028)**	(272)
Interest rate swaps	**396**	3,976

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 2022 forward foreign exchange contracts outstanding was $0.8 million (2021: $0.4 million).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates. The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this. Based on the Group's interest rate risk exposure at balance date, an increase (or decrease) of 1% in the interest rates will likely cause a $1.1 million (2021: $1.2 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 $55.0 million (2021: $61.0 million). The fixed interest rates of interest rate swaps range between 0.9% to 4.3% (2021: 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.

	2022			2021		
Trade receivables	**Gross $000s**	**Impairment $000s**	**Net $000s**	Gross $000s	Impairment $000s	Net $000s
Less than 30 days past due	**45,677**	**-**	**45,677**	33,748	-	33,748
Past due 31 - 60 days	**360**	**-**	**360**	276	-	276
Past due 61 - 90 days	**234**	**-**	**234**	305	-	305
Past due 91 days plus	**514**	**(375)**	**139**	864	(574)	290
Total	**46,785**	**(375)**	**46,410**	35,193	(574)	34,619

	2022			2021		
Contract assets	**Gross $000s**	**Impairment $000s**	**Net $000s**	Gross $000s	Impairment $000s	Net $000s
Less than 30 days past due	**17,984**	**-**	**17,984**	23,696	-	23,696
Past due 31 - 60 days	**2,194**	**-**	**2,194**	2,556	-	2,556
Past due 61 - 90 days	**1,691**	**-**	**1,691**	873	-	873
Past due 91 days plus	**1,936**	**-**	**1,936**	2,721	-	2,721
Total	**23,805**	**-**	**23,805**	29,846	-	29,846

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:

	2022 $000s	2021 $000s
Balance as at 1 April	**574**	489
Additions	**61**	224
Acquired through business combination	**7**	-
Bad debts written off	**(225)**	(139)
Released	**(42)**	-
Balance as at 31 March	**375**	574

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank funding facilities. The Group has a maximum amount that can be drawn against its lending facilities of $125.0 million (2021: $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 (2021: $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

2022 $000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
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

2021 $000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	22,144	-	-	-	22,144
Lease liabilities	15,636	14,394	22,937	31,839	84,806
Interest bearing loans	-	278	55,086	20,287	75,651
Interest free Crown loan	-	-	-	15,579	15,579
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	(383)	-	-	-	(383)
Forward exchange contracts outflow	370	-	-	-	370
Net settled derivatives					
Interest rate swaps	224	600	2,909	195	3,928
Total Contractual cash flows	37,991	15,272	80,932	67,900	202,095

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.

	2022 $000s	2021 $000s
Financial assets at fair value through profit or loss		
Forward foreign exchange contracts	-	13
Interest rate swaps	1,028	272
Balance of financial assets at fair value through profit or loss	1,028	285
Financial assets at amortised cost		
Cash & cash equivalents	749	1,303
Trade & other receivables	46,410	34,619
Balance of financial assets at amortised cost	47,159	35,922
Financial liabilities at fair value through profit or loss		
Interest rate swaps	486	4,200
Forward foreign exchange contracts	18	-
Balance of financial liabilities at fair value through profit or loss	504	4,200
Financial liabilities at amortised cost		
Borrowings	101,952	82,607
Lease liabilities	72,266	76,160
Trade & other payables	21,739	22,144
Balance of financial liabilities at amortised cost	195,957	180,911

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 (2021: 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	-	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

	Level 2 $000s	Level 3 $000s	Total $000s
Property, Plant & Equipment			
Distribution systems	-	284,519	284,519
Freehold land	4,104	5,529	9,633
Freehold buildings	5,541	8,201	13,742
Balance as at 31 March 2021	9,645	298,249	307,894

23. Business combinations

On 1 April 2021, the Group acquired the remaining 12.4% shareholding of 'A' shares, with the exception of one Government share, in Northpower Fibre Limited (NFL) from its joint venture partner Crown Infrastructure Partners Limited (CIP) for $8.8 million. NFL then became a wholly owned subsidiary of the Group effective 1 April 21. The Government Share does not have the right to vote or to receive dividends. NFL owns and operates a fibre distribution network. The acquisition allows the Group to continue investing in the fibre network and growing its consumer base.

The Group applied the acquisition method to account for business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The fair values of the identifiable assets and liabilities of NFL as at the date of acquisition were:

Fair value recognised on acquisition	1 April 2021 $000s
Assets	
Property, plant and equipment (Note 14)	56,110
Intangible assets (Note 13)	83
Cash and cash equivalents	3,874
Trade receivables	1,875
Goodwill (Note 13)	8,236
	70,178
Liabilities	
Trade and other payables	(735)
Contract liabilities	(1,187)
Deferred tax liability (Note 12)	(4,740)
Other liabilities	(355)
	(7,017)
Total identifiable net assets at fair value	63,161
Satisfied by:	
Acquisition date fair value of the previously held investment by the Group	54,381
Cash consideration	8,780
Total consideration transferred	63,161
Net cash outflow on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	(117)
Cash consideration transferred (included in cash flows from investing activities)	(8,780)
Less cash and cash equivalent balances acquired (included in cash flows from investing activities)	3,874
	(5,023)

The Group previously held an 87.6% equity interest in NFL prior to acquisition date. Upon remeasuring that equity interest to fair value, a gain of $14.7 million was recognised in the Statement of Comprehensive Income within gain on remeasurement of existing interest/share of net profit in associate.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. The goodwill of $8.3 million relates to opportunities for growth of the fibre network, long term profitability and the value of operational efficiencies from obtaining full control over NFL.

From the date of acquisition, NFL has contributed $14.4 million of revenue and $6.0 million profit before tax of the Group. As the combination took place on 1 April 21 the contributed revenue and profit before tax represent a full 12 month period impact on these financials.

There were no contingent liabilities recognised at acquisition date. Transaction costs of $0.1 million were expensed as incurred and were included in administrative expenses.

Prior to the acquisition of the remaining 'A' shares, NFL was equity accounted for as an associate as follows:

	2022 $000s	2021 $000s
Beginning balance	**39,663**	32,461
Additional investment made	**8,780**	11,742
Gain on remeasurement of existing interest in associate	**14,718**	-
Share of profit after income tax	**-**	1,970
Unrealised profit adjustment	**-**	65
Realised profit adjustment	**-**	(65)
Dividend received	**-**	(6,510)
Derecognition of equity interest on acquisition	**(63,161)**	-
Balance as at 31 March	**-**	39,663

24. Related parties

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 (NFL) is incorporated in New Zealand, refer to Note 23. Northpower LFC2 Limited (LFC2), a fully owned Group subsidiary was amalgamated with NFL on 1 May 2021 to become NFL, the continuing reporting entity post amalgamation. All the assets and liabilities of LFC2 were amalgamated with NFL at book value and for nil consideration. LFC2 was deregistered on 1 May 2021.

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	
			2022	2021	2022	2021	2022	2021
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	11	-	2,525	2,671	261	275
Josie Boyd Chief Operating Officer, Network	Electricity Engineers Association	Board member	-	-	40	81	-	-

25. Guarantees and contingencies

	2022 $000s	2021 $000s
Performance bonds in relation to contract work	20,143	27,576
Balance as at 31 March	20,143	27,576

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 2021, the Scheme had a past service deficit of $1.3 million (2.2% of the liabilities). March 2022 information was not available at the time the financial statements were authorised for issue.

26. 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:

	2022 $000s	2021 $000s
Within one year	88	51
After one year but not more than five years	264	2
Balance of non-cancellable operating leases	352	53

Capital commitments contracted at balance date was $5.6 million including software of $0.1 million (2021: $5.1 million including software of $0.5 million).

27. Events after balance date

There were no significant events after balance date, other than those disclosed in Note 19.

To the Shareholder of Northpower Limited's Group Financial Statements and Performance Information for the year ended 31 March 2022

The Auditor-General is the auditor of Northpower Limited Group (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 49 to 73, that comprise the consolidated statement of financial position as at 31 March 2022, 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 47 to 48.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2022; 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 2022.

Our audit was completed on 29 June 2022. 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 evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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

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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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 45 but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit, we carry out other regulatory assurance engagements, which is compatible with those independence requirements. Other than the audit and the other assurance engagement, we have no relationship with or interests in the Group.

Silvio Bruinsma

Silvio Bruinsma
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand


Whangarei
Maungaturoto
Dargaville
Warkworth
Waiheke
Auckland
Hamilton
Tauranga
Matamata
Rotorua
Paraparaumu
Wellington
Regional Offices
Northpower Network

Northpower Limited

Board

Chair

M D Trigg

Directors

R C Booth

P G Hutchings

E M P A Jacobs

M B D James

M K Kong

L S Kubiak

Executive Officers

Chief Executive

A I McLeod

Chief Operating Officer, Network

J M Boyd

Chief Operating Officer, Contracting

C N O V Mulder

Northpower Fibre Chief Executive

D Mason

General Manager, People and Capability

A M O'Brien

Chief Financial Officer

O M O'Neill

Northpower Electric Power Trust

Trust

Chairman

E A Angelo

Deputy Chair

S K McKenzie

Trustees

I M Durham

P R Heatley

W E Rossiter

P M W Yovich

C H Biddles

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Westpac Banking Corporation

ANZ Banking Corporation

Head Office

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Raumanga, Whangārei

Auditors

Deloitte New Zealand

Registered Office

28 Mount Pleasant Road, Whangārei

Northpower