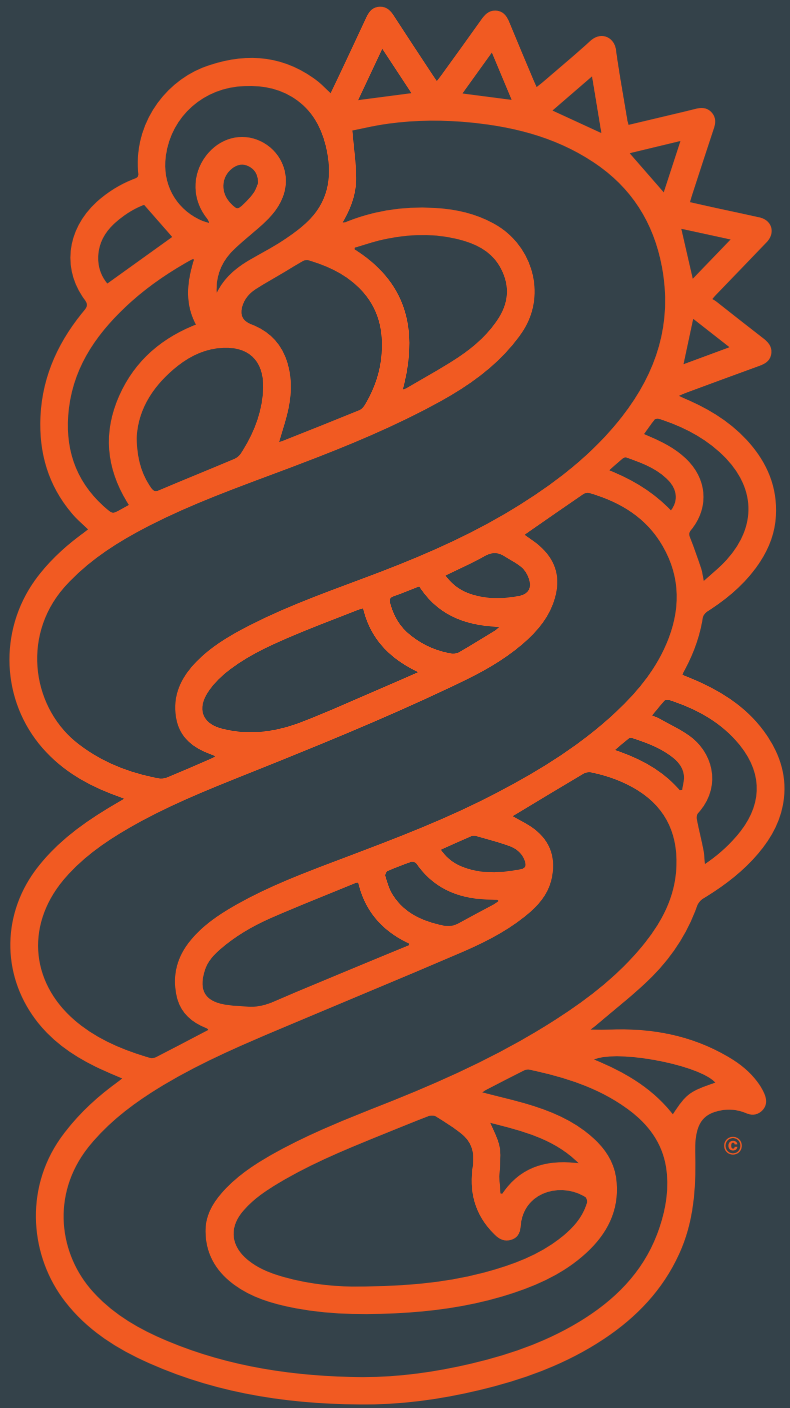
Northpower



2024

Annual Report

Deepening our Northland contribution

We've increased our distributions back to our Northland communities by 14% over the past year and increased our level of capital investment across the company by 78% compared with last year.

Bringing solar power home

We're taking a stake in renewables for our community through the construction of our first grid-scale solar generation site at Ruawai – Te Puna Mauri ō Omaru - led by our renewable generation division, 'Future Energy'.

A resilient future for Mangawhai

Completion of a new central substation at Mangawhai is just one example of the investments we are making to support growth and ensure resilient energy supply for the communities we service in the north.

Whare Ako - our commitment to building careers

We're investing heavily in our team, and in building new jobs in the energy sector. It's all part of our commitment to creating great jobs for Northlanders, and right across the country.

Growing our contribution to our clients

We're scaling to support our clients as they invest in their own communities. Our contracting division is delivering on critical infrastructure and build and maintenance projects, helping to keep the lights on right across the North Island.

Scaling our fibre network

We're investing to extend the reach of our high speed fibre network. It's part of our commitment to providing world-class fibre broadband to homes and businesses in Whangārei and Kaipara.

$2.5m energy savings for our communities

We're rolling our sleeves up and working with our community. Our home energy education programme has delivered over $2.5m in potential energy savings since 2022, equating to $763 per home.

Extending our impact through Future Energy

Future Energy is our grid-scale renewables construction team. It's Northpower doing what we do best - combining with others to build and deploy energy infrastructure and enable new energy solutions.

Financial highlights

$484m
revenue
↑ FY23 $448m

$78m
EBITDAF*
↑ FY23 $73m

$63m
net operating cash flows
↑ FY23 $55m

$15m
distributions
↑ FY23 $13m

* Earnings before interest tax depreciation and fair value adjustments.

Contents

Chair and Chief Executive report

Enabling the energy transition

Over the last year Northpower has focused on scaling up to meet the needs of our community and clients as they orientate to a future where electricity will be increasingly central.

We stayed true to our strategy, held firm to our execution targets and scaled our team and contribution in the sector. We lifted investment in our electricity networks, enhanced the reach and volumes delivered by our energy contracting business, started construction of our first solar farm and increased connections on our fibre networks.

Northpower has been privileged to have grown via the support of our clients and communities over the years, and we are now near the top 100 companies in Aotearoa New Zealand by revenue. We have the scale and financial capacity needed to do our part and we're being purposeful and strategic in how we do that. Targeted investment to grow our asset holdings, modernise and extend our construction operations, and investing in our people is at the centre of that approach.

As our communities and clients seek more from us, our contribution needs to grow. We recognise this and, as such, we've set the target to double our contribution to them over the next decade. By doing this we will deliver on our purpose of enabling communities via quality infrastructure, building futures through first-class careers, and deepening our contribution to Northland.

In this report we set out the progress we have made in delivering that aspiration.

Scaling up to get the job done

There isn't another business like Northpower in Aotearoa New Zealand. We are proudly 100% Kiwi-owned by the communities in Whangārei and Kaipara.

As an integrated infrastructure company, we have the capability to own, build, operate and maintain power, communications and generation assets – both in Northland and throughout the country. Our delivery is underpinned by trusted client relationships across these sectors, positioning us to work alongside the other key companies in our sector who are moving to strengthen and transition the energy system.

This year we lifted investment into our electricity network to a record high of $40 million. We are committed to holding that level of investment for the next decade to ensure the communities we serve in the north have an energy system that's reliable, secure and sustainable for decades to come.

We've also taken a stake in renewable generation, with construction underway for our 17 MW Ruawai solar farm. We are building this ourselves, using our own contracting teams and working with other local infrastructure providers. We are proud to bring to market a New Zealand-owned solar construction offering, which we believe will be attractive to others.

The relationships with our clients continue to shape our approach. To meet their needs we've focused on lifting the scale of our operations and creating new highly-skilled jobs in the sector. We now have 100 cadets in our business, bringing our contracting team to 1,200 people, working in over 14 geographic locations across the North Island.

Our build programmes and contracting volumes hit forecast milestones this year. We have a strong pipeline of work ahead as our clients invest in their networks to support the needs of their communities and to ensure their networks are resilient and fit for the future.

Future-proofing our energy sector

Our energy sector continues to be the backbone of New Zealand's economy. It needs deep and structured investment to ensure it continues to provide a secure and reliable base, and can adapt over time to electrification. We are acutely aware that our clients, communities and the wider industry rely on us for the construction muscle needed to achieve this - now and into the future.

We are focusing our actions on making a valuable contribution to the energy sector and our country. The communities of Whangārei and Kaipara are our owners and they have entrusted us to invest strategically on their behalf, to build prosperity and resilience. Deepening our stake in and commitment to electrification and energy market transition is the next logical step for them and us.

Our actions and achievements are our personal scorecard on why we are the right integrated infrastructure team, with the right scale and the right capabilities to be a trusted partner to those investing in networks, and driving the energy transition.

We'd like to thank our staff for their focus, commitment and hard work over the last year. They have delivered record volumes, while lifting underlying asset management, safety and construction practice. Their commitment to continual improvement is at the heart of the progress we are making.

Of course, none of this would have been achieved without the support of our contracting clients and our consumer-owners across Whangārei and Kaipara. Their trust and confidence in us underpins our focus on lifting our contribution in the sector and deepening our impact in the north. It's what gets us out of bed in the morning.

On behalf of all of us at Northpower, we are proud to share this report with you. We have kept it short and sharp, focused on the practical actions we've taken and progress we've made in supporting the aspirations of our communities and clients.

Andrew McLeod
Chief Executive
BEng (Mech), PGDip FA

Mark Trigg
Chair
BEng Chemical and Materials

Enabling Aotearoa New Zealand’s energy system

1 Te Puna Mauri ō Omaru

Construction is underway at our first grid-scale solar generation site at Ruawai, which is on track to power 3,000 homes by Christmas 2024

2 Mangawhai substation

Our new substation brings increased electricity volume and supply resilience at a scale that will support the future growth of Mangawhai communities

3 Powering Te Wai Horotiu station

Proudly contributing to electrification of the new city rail link in Tāmaki Makaurau Auckland as Vector invests in the future of Auckland

4 State Highway 2 realignment

A major safety realignment of State Highway 2 in the Bay of Plenty has seen our teams re-configure critical electricity supply along the route from Waihī to Ōmokoroa

5 Installing essential Taranaki infrastructure

Our New Plymouth crews constructed 3.5km independent underground supply to New Plymouth Base Hospital, a key investment by Powerco in that region

6 Enabling national grid resilience

Our Kāpiti-based tower blasting teams help ensure transmission towers on our national grid remain resilient, part of Transpower’s ongoing grid maintenance programmes

Right team, right scale, right time

$469m
value of electricity and fibre assets

100%
New Zealand owned

25,000km
of lines maintained nationally

63,000+
customer connections to our network

$278m
community distributions since 1993

1,400
staff across 14 locations

500,000
electricity connections serviced nationally

25,000+
fibre connections to our network

100MW
solar targeted build over 10 years

Connecting communities, building futures, for Northland

"Over the past few years, we have taken the time to get clear on our purpose, our ambition, the impact we aspire to make for our communities, and the strategic priorities we will pursue.

We have invested heavily in our networks, scaled up our delivery in contracting, taken a stake in renewable generation and made a strong and positive impact on the communities we serve."

Andrew McLeod, Chief Executive

Our strategic objectives shape our action

Drive underlying performance

from each of our businesses with an absolute focus on health, safety, customer outcomes and sustainable financial performance.

Grow future-ready talent

and create a more diverse, inclusive, equitable organisation capable of supporting the need of the regions in which we operate.

Expand services offering

to ensure we can provide our clients with the services they need as they invest in their networks.

Enable electrification in Northland

by working proactively to make it easy to bring renewable energy to Northland.

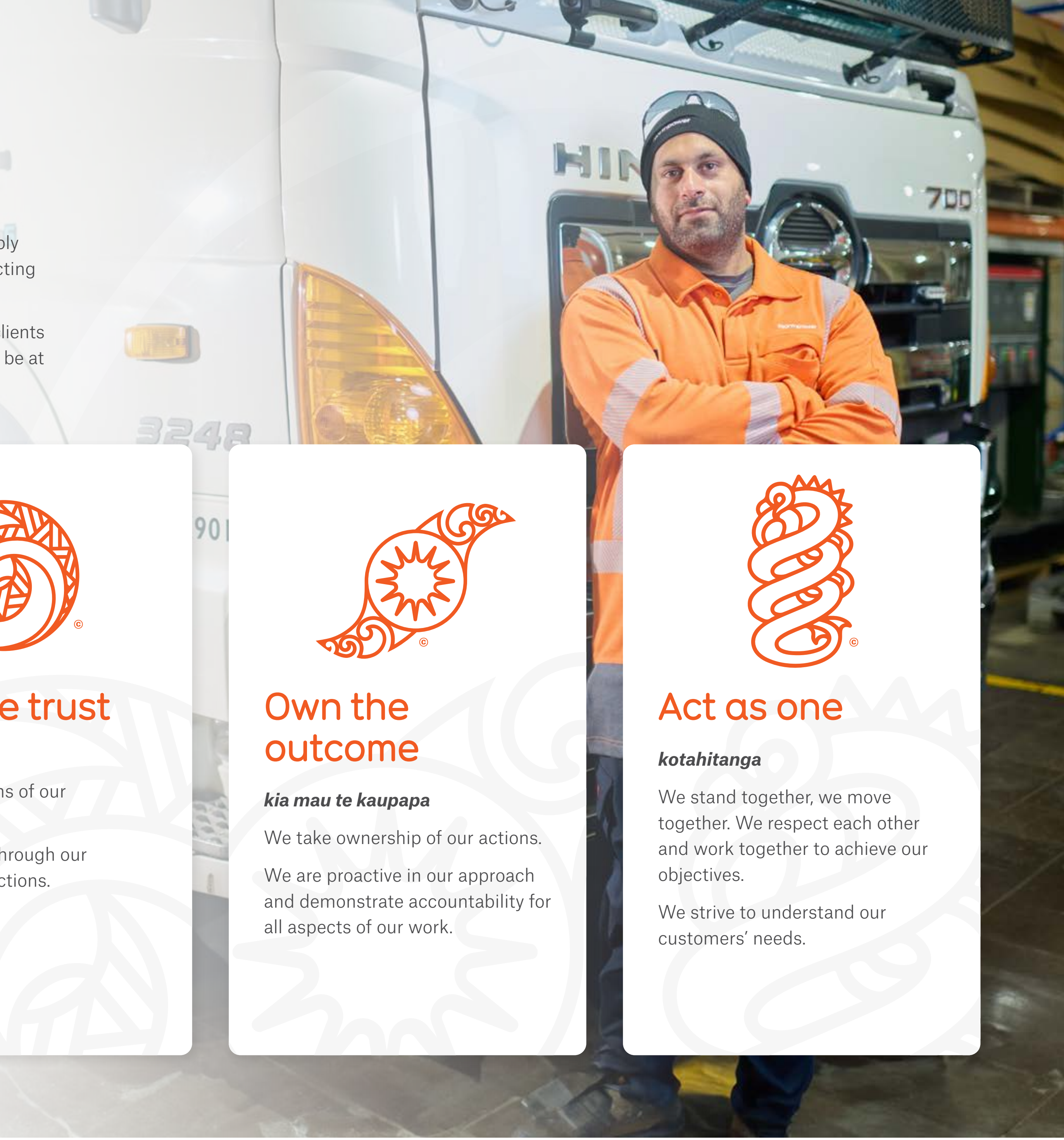
Take a stake in renewables

as our contribution to Northland, realising its full potential as a region enabled by renewable energy.

Our behaviours

Northpower's behaviours guide us in living our culture. They are deeply ingrained in all we do, enabling us to carry out our purpose of connecting communities, building futures for Northland.

Our behaviours are our personal commitment to our community, our clients and to each other. They are the things we do as a Northpower team to be at our absolute best.



Be mindful
Be present
Be safe

he taonga ko tahi manaaki tatau katoa

What is precious to one, we must all take care of, protect and treasure.

We protect ourselves and look out for those around us.

Earn the trust

kaitiakitanga

We are guardians of our relationships.

We build trust through our decisions and actions.

Own the outcome

kia mau te kaupapa

We take ownership of our actions.

We are proactive in our approach and demonstrate accountability for all aspects of our work.

Act as one

kotahitanga

We stand together, we move together. We respect each other and work together to achieve our objectives.

We strive to understand our customers' needs.


ISUZU
KTE602
Northpower
ISUZU
KDL331

The right team

We're a team that exists to serve the needs of our community and our clients as we enter a period of energy transition. We own, build, run and maintain critical services in electricity, fibre and renewables in Northland and across Aotearoa New Zealand.

$40m

network investment FY24

78%

increase in capital expenditure this year

Lifting investment, increasing returns for our communities

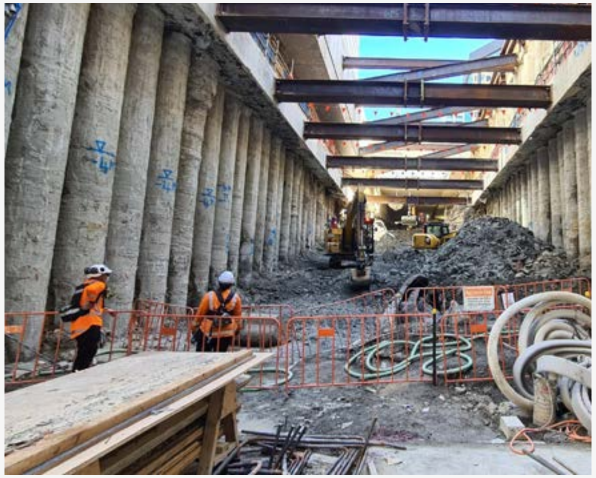
There isn't a business like Northpower in Aotearoa New Zealand. We deeply understand how to own, build and run critical infrastructure services – end to end.

We're a company that exists to deploy those skills in service of our community and clients. Strategic investment in our networks, platforms and people is enabling our commitment to lift the impact we make in combination with them - ultimately doubling our impact by 2031.

Over the past year we've lifted capital expenditure by 78%. We've achieved an 8% increase in revenue, and delivered a 14% increase in distributions back to our Northland communities - totalling $14.8 million for FY24.

Northpower is not just delivering power and fibre; we're also generating local opportunities. By investing in our networks, creating local employment opportunities, and taking a stake in renewables, we proudly drive local economic growth, prosperity and the upskilling of our workforce.

Northland communities now own $469 million in electricity and fibre infrastructure and our operations have contributed $105 million in local payroll and services over the past two years.



Powering Auckland's city rail link for Vector

Our Auckland contracting team continued enabling electrification for the City Rail Link project at the new Te Wai Horotiu station. This significant multi-year project on behalf of Vector, is for a 22kV supply and substation relocation, including establishing a temporary substation facilitating essential excavation works.

Despite multiple challenges including the pandemic and weather interruptions, and logistics of working in the heart of the city, work completed on time with substation commissioning in November 2023.

We're proud to work alongside Vector and make a contribution to the country's largest transport infrastructure project, enhancing Tāmaki Makaurau Auckland's future.

Improving safety on State Highway 2 for Powerco

Northpower's central contracting teams played a significant role in New Zealand Transport Agency Waka Kotahi's $164 million SH2 Waihī to Ōmokoroa safety improvement project, enhancing safety by widening roads, new roundabouts, and safety barrier installation.

This was part of Powerco's investment to enable relocation and/or overhead underground conversion of Powerco's network (33kV, 11kV, and low voltage) at multiple locations along the highway. We delivered on time and to budget despite the scale of the works (11 sections with multiple subsections and 70+ worksites).

Co-ordinating many contractors required detailed planning and scheduling, with up to six overhead crews, eight fitters/jointers, technicians and civil crew working collaboratively.

$28m
community distributions FY23-24

14%
increase in distributions FY24

$480k
annual sponsorship

Bringing solar power home

We're actively taking a stake in renewable energy through the construction of our first grid-scale solar generation site at Ruawai – Te Puna Mauri ō Omaru - led by Northpower's renewable specialist contracting team 'Future Energy'.

This initial build is on track to generate around 29GWh per year, supplying approximately 3,000 homes by December 2024.

Profits from this investment are distributed to our consumer owners, giving Northlanders an ownership stake in renewable assets as the country moves to decarbonise the economy.

There's additional economic benefits with much of the labour constructing the site provided by local businesses and the community.

We're not just delivering power, we are generating opportunities. Our investment will drive local economic growth and prosperity, lift capability and improve energy security for our region.

The naming of Te Puna Mauri ō Omaru

Our Ruawai site was blessed and named Te Puna Mauri ō Omaru, meaning the energy source of 'Omaru' (safe haven), by local hapū Te Uri o Hau. Numerous community members and local dignitaries attended the occasion.

This is the first of a pipeline of renewable project investments as we aim to develop 100MW of generation over the next 10 years to power over 25,000 homes.

A resilient energy future for Mangawhai

Completion of a new central substation is providing sustainable and more reliable energy and fibre internet for Mangawhai. Currently equipped with one 15MVA 33/11kV transformer, the substation is engineered for future expansion. The design, engineering and livening was completed by our teams from Northland and Auckland.

Initially powering 1,500 homes and businesses, the substation integrates critical Northpower Fibre infrastructure, facilitating 1,800 connections to our broadband fibre network. It increases wider resilience through a lines upgrade programme and provides backup power to customers supplied from the Mangawhai North substation in the event of an outage.

> ***"Our investment in crucial infrastructure in this growing area prepares Mangawhai and its surrounds for future growth in capacity and enables economic growth, while increasing the security of power and internet supply."***
>
> Josie Boyd, Chief Operating Officer Network

Customer and industry recognition

This year we're proud recipients of the Social Procurement Award at the 2023 New Zealand Energy Excellence awards, two Transpower STAR awards for safety innovation, and a Powerco Special Award for the Arapuni to Putāruru 110kV line project.

Community safety engagement

Ensuring public safety remains paramount, this year we launched a "Stay Safe Together" campaign. Spanning five months, it addressed various safety topics through a multi-channel approach, including social media, print, and grassroots outreach.

The campaign's success, evident in extensive engagement with over 4,000 direct visits to our website and an upswing in reporting public safety issues underscores our commitment to fostering safety awareness in our communities.

90+
years of network ownership

95%
overall customer satisfaction score

$105m
local payroll and services '22-24 – directly going back to our communities

100%
Kiwi owned and operated


Northpower
STAY SAFE TOGETHER
Find out more
northpower.com/staysafetogether


STAY SAFE TOGETHER
power.com


STAY SAFE TOGETHER
LOOK UP AND LOOK OUT!
TURN OFF BEFORE YOU TUCK IN
UNPLUG IN THE TUB
Follow these tips on how we can all stay safe together.
DID YOU KNOW


The power line that runs from the road to your house is called a service line. It can be overhead or underground. To keep you and your whānau safe, regularly check your service line and poles. If you have any questions or concerns, call Northpower or your electrician to assess the line and plan any repairs to prevent possible danger.
Who is responsible for the service line?
Unsafe service lines.
LOOK OUT FOR...


Plan ahead and keep safe working around electricity
LOOK UP, LOOK DOWN & LOOK OUT!
Northpower
STAY SAFE TOGETHER


Keep your trees away from power lines
TOO CLOSE? GET HELP!
Northpower
Call 0800 10 40 40
STAY SAFE TOGETHER

1,400 staff

25,000km
of lines maintained nationally

500,000
electricity connections serviced nationally

The right scale

Our scale enables us to make a real impact in Northland, and for our clients. For us to do even more, it's all about investing in our people.

Whare Ako – investing in our capability

Northpower's investing heavily in our people, building skills and careers in the regions where we operate. Our role as a leading integrated infrastructure company makes us an ideal place to learn.

Whare Ako (house of learning) is our in-house programme, designed by our people, and for our people, to build the skills, culture and leadership capability, enabling us to double our impact over the next 10 years.

Now entering year two of the programme, Whare Ako encompasses several programmes under the themes of leadership, structured learning pathways, technical training and certification, and career opportunities for our communities.

Whare Ako is Northpower's commitment to our people and their development, strengthening our culture and building capability.

Whare Ako year one success

The inaugural year of our Whare Ako programme has seen outstanding success in enrolment and participation in initiatives lifting our people's potential and growing capability from within. This includes:

Talent development programme: 40 of our emerging and existing leaders enrolled in our pilot programme building leadership capability.

Trade cadetships: We have 100 participants in our ongoing programme training future talent for Northpower.

Learning pathways: We have developed structured career and progression pathways, with six initial pathways for 12 roles designed in the pilot.

Ko Wai Au (who am I?): Three cohorts have participated in Ko Wai Au, providing contemporary leadership skills using mātauranga (Maōri knowledge) frameworks.

Learning competency framework: 113 of our leaders have completed 360-assessments identifying leadership strengths and development areas.

Microcredentials: In partnership with Te Pukenga, six micro-credentials developing leadership and management skills have been created, aligning with our learning pathways (currently awaiting NZQA approval).

Technical training and certification: We have streamlined our work type competency (WTC) procedures and management.

Building futures

This year, 49 people have progressed through our trade cadet programme, an eight-week fully paid training opportunity leading to a trades apprenticeship at Northpower. Graduates receive the NZ Certificate Level 2 in Electricity Supply.

These trainees have successfully achieved roles at our Northland, Auckland, Matamata, Tauranga and Wellington locations and are actively contributing to our teams.

A positive impact on wellbeing

We care deeply about our people and Northpower's approach to workplace wellbeing prioritises work design, ensuring we have the systems, resources and opportunities available for individuals to build their wellbeing capabilities while having strong support systems in place.

Some of our ongoing successful initiatives this year include our Kaitiaki peer support network, Wāhine Toa women's network and training 35 mental health and 20 domestic violence first aiders.

$3.2m
invested in training this year

49
trade cadets this year

40
participants in talent development programme

100+
wāhine toa members

35
kaitiaki guardians from 14 depots

> *"Initiatives like this aren't just supporting our workplace but will also have a ripple effect in our homes and communities."*
>
> Lian Passmore, Northpower Wellbeing Manager

Award-winning mahi continues

Our award-winning Kāpiti based transmission tower refurbishment team has recently renewed the contract maintaining and protecting transmission towers across the North Island for Transpower. This vital service prevents corrosion and degradation through abrasive blasting and protective re-coating.

This tower painting helps protect the integrity of the national grid, and our team has received previous recognition for safety innovations in PPE, blast remotes and bespoke vehicle fit-outs from Transpower as they continue to seek out safer and more effective ways of maintaining the national grid.

Growing our scale and impact in Taranaki

In the year since establishing our New Plymouth-based team, they have become an integral part of Northpower's whānau.

A recent contract on behalf of our customer Powerco provided a 3.5km 11kV underground supply to Taranaki Base Hospital, enabling a new independent power supply.

It's pleasing to offer our customers locally-based construction solutions, a tangible example of Northpower's capability in providing the critical infrastructure powering Aotearoa New Zealand.

Inspection solutions contribute internationally

Northpower's innovative acoustic inspection capability has seen our engineers travelling to survey networks overseas in the past year.

In Victoria, Australia, our engineers performed an annual inspection on an overhead HVABC (high voltage aerial bundled conductor) asset fleet along with a trial of the technology on LoSag conductor.

In Nuku'alofa, Tonga, frequent power outages have been experienced following the Hunga Tonga-Hunga Ha'apai volcanic eruption. We performed rapid acoustic (ultrasonic) inspections of their HVABC overhead distribution network, identifying degradation from volcanic ash and reporting on prioritisation of defects and mean-time-to-failure.

Doing our part for the wider industry

We're proud of our trailblazing Chief Operating Officer Network Josie Boyd, elected as President of the Electricity Engineers' Association of New Zealand (EEA), its first female president in the 95-year history of the organisation.

Josie's achievement highlights progression towards creating a more diverse, inclusive and equitable industry in Aotearoa New Zealand.

Scaling our fibre network

Northpower Fibre continues providing world-class fibre broadband to local homes and businesses. We have recently scaled our fibre capacity and speed with an upgrade switch for the entire core network.

This $1.4 million investment enables network capacity increases from 10Gb to 100Gb (the equivalent of 4,000 4K videos streaming simultaneously!) Meticulous planning ensured the smooth rollout of the upgrade to over 25,000 connected customers with minimal disruption.

Additional rural build areas have facilitated more Northlanders to join our network, with an expanded network in new communities including Mangawhai, Whau Valley, Tamaterau and Glenbervie.

$1.4m

core fibre network upgrade

25,000+

fibre connections to our network

The right time

We're well placed to enable the step-change required of electricity infrastructure to support Aotearoa's energy aspirations.

Future Energy

Future Energy is Northpower's grid-scale renewables construction division, providing solutions for grid-scale photovoltaic (solar) generation systems for both utility and commercial/industrial applications.

Leveraging our deep experience of building and running intergenerational critical infrastructure, we are providing a tailored suite of design, engineering, procurement, logistics and construction services with a highly flexible approach to final project delivery.

Our flagship project is currently under construction - the end-to-end build of our grid-scale solar farm in Ruawai - Te Puna Mauri ō Omaru - which is on track to power around 3,000 homes by Christmas 2024.

We aim to set the standard for renewable generation infrastructure deployment in Aotearoa New Zealand, facilitating others to benefit from renewable energy through our services. Alongside constructing this critical infrastructure, we're building skills and capability for our industry.

The addition of the Future Energy division solidifies Northpower as a unique integrated infrastructure company with the right scale and right relationships to do our part in delivering Aotearoa New Zealand's energy aspirations.

Platform investment for enhanced customer experience

Continued investment in electricity core network platforms continues with the implementation of our advanced distribution management system (ADMS) and recently our outage management system (OMS).

The two-way integration between faults ticketing in our customer relationship management system (CRM) and the OMS, enables real-time customer information, with customer calls informing the OMS. This includes CRM faults ticketing with integrated field tool mobility (for dispatch of our field force).

OMS informs the CRM of planned and unplanned outages, enabling improved and automated notifications of planned outages, and real-time information to our call centre providing opportunities to deliver a better customer experience.

RPAS assists with national grid resilience

Our remotely piloted aircraft system (RPAS) has expanded, providing invaluable data about transmission line conditions through utilising specialist drone inspection services to capture high-resolution imagery of potential defects.

We've recruited five pilots for our transmission lines inspection services across Waikato, Auckland and Northland. This digital data is analysed and then provided to Transpower to assist with planning preventative maintenance.

RPAS speaks to the value and innovative solutions we offer our customers. We're proud of our role in helping maintain the robustness and security of our national grid.

Embracing the power of AI

In an ongoing bid to improve public safety, our network team has increased visibility regarding the condition of poles with stay wires and insulators across our electricity network.

Leveraging modern cloud technologies and advanced AI/computer vision and data science techniques, our digital team partnered with external providers to analyse nearly 800,000 inspection photos of around 60,000 power poles over a short period. They quickly identified each asset's condition, categorising them according to maintenance priorities.

This initiative enhances network safety, reliability and showcases our approach for implementing innovative solutions to ensure data-driven operational and maintenance decisions.

$5m

advanced network management platform investment

800,000

images analysed improving public safety

On the ground support for our communities delivers $2.5m savings

Amidst the cost-of-living crisis, we remain committed to alleviating energy hardship in local communities. Our home energy education programme offers personalised education, free LED bulbs, and low-flow showerheads to households experiencing energy hardship, assisting in reducing energy consumption.

Partnering with Ecobulb and MBIE, over $500,000 has been invested to date including:

2,868
assessments

2,568
showerheads distributed

$763
average savings per home

30,495
LED bulbs distributed

$343,000
total investment contribution from Northpower

$2,533,725
potential energy savings delivered since 2022

Enabling utility scale generation in Northland

Recognising our role in facilitating Northland as a renewable energy hub and net energy exporter, we've established a dedicated distributed generation project team to facilitate applications and provide an interface between the customer, our teams and Transpower. This approach ensures customer distributed generation applications move through the establishment process as efficiently as possible.

We're currently managing 10 applications totalling over 310MW of renewable energy through initial and final application stages and are proud of our customer-focused and consultative approach to enabling the connection of utility scale distributed generation.

> *"The team at Northpower have been great to work with on our connection and network upgrade project. They have a team approach and work collaboratively to find best for project solutions."*
>
> Matt Tolcher, General Manager Generation Development, Mercury Energy

All in for Northland

Northpower's deeply committed to making an impact for Northland and delivering for our Northland community owners. It's what we are here for.

Alongside the direct investments we are making in infrastructure, and work we have been doing to enable quality careers in the region, we have been proud to work alongside other great Northland companies as we combine to advocate for the region.

The work done by Northland Corporate Group (McKay, Cullum Engineering Channel Infrastructure, Marsden Maritime Holdings and Northpower) to commission a study on the economic impacts of effective roading connection to Auckland is one example of the way we are combining with others locally to make a difference.

> ***"Our commitment to our Northland communities is to do our part for the region through quality infrastructure, quality jobs, and passionate advocacy for the region."***
>
> Mark Trigg, Northpower Chair

Our governance

Mark Trigg

Chair

B Eng Chemical and Materials

Ex officio Audit and Risk, and People and Capability, Investment Committees

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

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

Richard Booth

Director

MBA, Dip Ag

Audit and Risk Committee

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

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

Kevin Drinkwater

Director

BCom, CA

People and Capability Committee, Investment Committee

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

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

Kerry Friend

Director

BMS, CAANZ, CMInstD, AICD

Audit and Risk Committee Chair, and Investment Committee

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

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

Phil Hutchings

Director

B.Eng. (Hons), Dip Bus Admin

Investment Committee Chair and People and Capability Committee

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

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

Michelle Kong

Director

BA (Hons I), LLB, L.Mus.A

People and Capability Committee Chair

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

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

Laurie Kubiak

Director

MAICD, GAICD, MInstD

Audit and Risk Committee

Laurie's international career encompasses commercial and strategic roles in energy, ICT, telco, aviation, and infrastructure sectors. He has led multi-disciplinary teams in Europe, USA, Africa, and Asia for several FTSE 100 companies. Laurie is the owner and CEO of Nautech Electronics Ltd, and was formerly the Chief Executive of NZIER and Chair of NZSO and Trustees Executors Limited.

Laurie brings a wealth of expertise in commercial strategy, economics, policy, and regulation to the Northpower board.

David Prentice

Director

B.Eng. (Hons), PhD (Eng), MInstD, FEngNZ, CPEng

Audit and Risk Committee

David brings broad energy sector expertise to the Northpower Board. He is currently the Chief Executive of NZ Windfarms. Prior to that, he was Chief Executive and Director of Trustpower, with particular focus on their hydro generation and new development business and was subsequently appointed inaugural Chief Executive upon the entity's rebranding to Manawa Energy.

David has also chaired the Interim Committee for Climate Change. Before that, he was Chief Executive and Managing Director of Opus International Consultants, as well as non-independent and executive Director on the Opus Board.

Our leadership

Andrew McLeod

Chief Executive

BEng (Mech), PGDip FA

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

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

Sunil Bhikha

Chief Operating Officer Contracting (Acting)

BCom(Hons), CA

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 is leading our contracting business and is responsible for the overall performance as we continue to grow and diversify.

Josie Boyd

Chief Operating Officer Network

LLB(Hons)/BA, MInstD

Josie joined Northpower in 2011, initially as General Counsel. Prior to this, she 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

Northpower Fibre Chief Executive

BMS(Hons)

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

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

Ollie O'Neill

Chief Financial Officer

FCCA

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

Ollie is responsible for optimising the financial performance of the group and for leading Northpower's finance, risk, legal and strategy functions. Ollie is also responsible for leading our renewable generation business.

Andrea O'Brien

Executive General Manager People and Capability

BAppMgt (Human Resources), Dip Bus

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

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

Ed Overy

Executive General Manager Digital

BEng (Mech), (Hons)

Ed joined Northpower in 2023 and brings deep experience at an executive level in engineering, strategic digital, information technology, sales and marketing and operations management across the aviation, logistics, and defence sectors within New Zealand and internationally.

Ed is responsible for leading Northpower's digital strategy and teams, ensuring we are well-placed to continue innovation while evolving and expanding our business to meet the needs of a changing energy landscape.

Board of directors' report

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

Principal activities

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

Directors holding office during the year

Northpower Limited, and Northpower Fibre Limited

M D Trigg (Chair)
R C Booth
K M Drinkwater
K M Friend
M B D James (resigned 26 July 2023)
P G Hutchings
M K Kong
L S Kubiak
D J Prentice (appointed 1 February 2024)

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

P G Hutchings
O M O'Neill
A I McLeod

Results

The group recorded an after tax profit of $15.3 million for the period, as set out in the Consolidated Statement of Comprehensive Income.

Dividend

A fully imputed dividend of $0.8 million was declared for the year.

Donations

The Group made donations of $160,000 to Northland Emergency Services Trust, $30,000 to Taitokerau Education Trust, $20,000 to Healthy Home (Community Business and Environment Centre), $18,367 to R. Tucker Thompson Sail Training Trust and other sundry donations of $6,955 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 – Ngāti Tūwharetoa Holdings Limited
Chair – Ngāti Tūwharetoa Geothermal Assets Limited
Chair - Liquigas Limited

R C Booth
Panel Member – Far North Holdings Appointments Panel
RC & SA Booth Partnership
R&S Booth Trust
Puketitoi Farm Limited
Shareholder - Fonterra
Shareholder - LIC
Shareholder - Ballance
Shareholder - Superstore Properties

K M Drinkwater
Director – Far North Holdings
Director – Bay of Islands Marina
Chair – Duffy Books In Homes New Zealand (Alan Duff Charitable Foundation)
Director – Books In Homes USA
Director/Shareholder - Bright Idea Solutions Company Limited

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

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

M B D James (as at 26 July 2023)
Trustee – Middlemore Clinical Trials Trust
General Manager – Wanaka Medical Centre
Director - OSPRI
Director - Naylor Love Limited
Director - Naylor Love Construction Limited
Director - Naylor Love Enterprise Limited
Director - Naylor Love Properties Limited

M K Kong
Director – The Exponential Agency Limited
Shareholder – Trosk Limited
Chief Commercial Officer – IntDevice
Interim CEO/Chairperson/Trustee/Director - Te Kete Hono - SchoolTalk Management Limited

L S Kubiak
Director/Shareholder/Chief Executive Officer - Nautech Electronics Limited
Chair – Taxpayers' Union
Director/Shareholder - Quilisma Limited
Trustee/Beneficiary - Quilisma Family Trust
Trustee - Holy Trinity Cathedral Music Trust

D J Prentice
Chair/Director - Martin, Jenkins & Associates
Advisor - Gore District Council – Capital Works Committee
Director/Shareholder - DRP Consultants Limited
Chief Executive Officer - NZ Windfarms
Director - Te Rere Hau Limited
Director - Te Rere Hau Holdings Limited

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	130
$110,000 - $119,999	120
$120,000 - $129,999	124
$130,000 - $139,999	110
$140,000 - $149,999	74
$150,000 - $159,999	67
$160,000 - $169,999	40
$170,000 - $179,999	48
$180,000 - $189,999	28
$190,000 - $199,999	25
$200,000 - $209,999	18
$210,000 - $219,999	13
$220,000 - $229,999	12
$230,000 - $239,999	9
$240,000 - $249,999	4
$250,000 - $259,999	4
$260,000 - $269,999	3
$270,000 - $279,999	2
$300,000 - $309,999	1
$320,000 - $329,999	1
$330,000 - $339,999	2
$340,000 - $349,999	1
$360,000 - $369,999	1
$370,000 - $379,999	1
$380,000 - $389,999	1
$480,000 - $489,999	1
$510,000 - $519,999	2
$570,000 - $579,999	1
$780,000 - $789,999	1

Directors' remuneration

Directors' remuneration paid during the period was:

Northpower Limited	
M D Trigg	$145,000
R C Booth	$72,500
M B D James (resigned 26 July 2023)	$25,617
P G Hutchings	$77,950
M K Kong	$76,167
L S Kubiak	$74,283
K M Drinkwater	$72,500
K M Friend	$76,167
S Huband (Future Director ended December 2023)	$7,500
D Prentice (appointed 1 February 2024)	$12,166
Northpower Western Australia Pty Limited	
P G Hutchings	$13,333
	$653,183

For and behalf of the Board

M D Trigg
Chair

Financial statements

Statement of service performance

	Note	FY24 Actual	FY24 Target	FY23 Actual
Financial KPIs				
Net profit after tax/shareholder funds (pre-distribution)	1	**7.6%**	7.5%	8.2%
Debt/capital ratio	2	**26.5%**	≤40%	22.5%
Debt coverage ratio	3	**1.8x**	≤4.25x	1.5x
Distribution (posted discount plus dividend)		**$14.8m**	$14.8m	$13m
Non- Financial KPIs				
Safety				
Total recordable injury frequency rate (TRIFR)	4	**10.2**	≤6	12.2
High potential event frequency rate (HPEFR)		**3.5**	5	4.4
Permanent disability and/or fatality		**0**	0	0
Northpower Electricity Network				
Network reliability (SAIDI minutes)	5			
Planned		**204.7**	≤162.1	115.6
Unplanned		**110.36**	≤93.3	124.7
Average number of faults per 100km of line		**12.2**	≤10	22.6
Network interruptions (SAIFI)	6			
Planned		**0.68**	≤0.72	0.44
Unplanned		**2.78**	≤2.28	3.41
Customer satisfaction (residential)		**96%**	≥85%	86%
Customer satisfaction (commercial)		**93%**	≥85%	97%
Northpower Fibre Network[1]				
Provisioning (percentage met by agreed date)	7			
Simple		**96.16%**	≥95%	93.89% [1]
Complex		**97.08%**	≥95%	92.93% [1]
Faults (per 100 connections)	8	**1.49**	≤3	1.13 [1]
Network availability (average unplanned downtime)	9			
Layer 1		**8.73 min**	≤36 min	5.26 min [1]
Layer 2		**1.04 min**	≤6 min	2.68 min [1]
Installation of quality satisfaction average score (score out of 10)	10	**9.50**	≥9	9.42 [1]

[1] Northpower adopted the new statement of corporate intent and aligned the measures with fibre information disclosure determination 2021 that was published on 28th July 2022. Accordingly FY23 data represents six month audited data from Oct 22 to March 23 that was submitted to Commerce Commission.

Group financial KPIs

The Group achieved the targets for all financial measures. 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 event frequency rate (HPEFR) was in line with target. The outcome reflects sustained focus on management of critical risks i.e. risks that can cause death or severe injury. Whilst total recordable injury frequency rate (TRIFR) was higher than our target range it has continued to reduce from the previous period with a huge reduction in the number of LTI's due to an 'early detection' initiative.

Electricity network

Planned performance

Planned performance was adverse to target due to strong capital and maintenance delivery, including the commissioning of two substations (Poroti and Mangawhai). The volumes of work being completed reflect a step change from the DPP3 10-year reference period, with larger jobs and longer outages. The average number of planned outages (FY19-FY23) was 358. This rose to 486 in FY24 from 379 in FY23, while average duration also increased - from 235 to 279 minutes in FY24.

Performance targets are based on the DPP3 methodology, which allows planned SAIDI to be de-weighted by 50% if customers are notified on time and other criteria are met. These reductions have not yet been applied due to limitations in tracking this data. However, we intend in the future to extend the DPP approach to reporting normalised values for planned SAIDI and SAIFI.

Unplanned performance

Unplanned interruptions are normalised under the DPP3 methodology. The FY24 result was a negative variance to target of 18%.

While third party interference and vegetation performed well against the previous five-year average, the number of defective equipment faults rose 15%. The number of defective equipment and faults with an unknown cause have risen notably since Cyclone Gabrielle. We expect a proportion of the performance being experienced is related to equipment failing that was 'stressed' by Cyclone Gabrielle (evidenced by the type of components that are failing), however it is difficult to quantify this percentage. A large portion of the unknown faults are likely a result of transient vegetation faults.

Changes in operational procedures and reporting have also had an impact on SAIDI and SAIFI:

- HV circuit fault restoration policy added approximately 4.5% additional SAIDI – (9.75 SAIDI minutes). This safety driven change means feeders that would historically have had a manual close at five minutes are now closed at 15 minutes.

Fibre network

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

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 FY24 is consistent with that of FY23.
7. Provisioning met agreed date = rolling 12-month average. A simple install includes bitstream simple connections. A complex install includes dark fibre, Non building access point (NBAP) and the first connection in an Multi dwelling unit (MDU) or Right of way (ROW) that does not have network infrastructure.
8. Fault per 100 connections = the sum of 12 months, where the value per month is aggregated value of Layer 1, Layer 2 and ONT. The formula calculating monthly value is:

$$\frac{\text{Total faults<L1+L2+ONT>}}{\text{last 2 months average of total connections}}$$

9. Availability is measured in minutes and = the sum of 12 months, where the value per month for Layer 1 or Layer 2 is:

$$\frac{\text{unplanned downtime}}{\text{last 2 months average of total connections}}$$

   Fibre network availability measure reports the average unplanned time in minutes that the fibre network is unavailable to an end user over the 12-month period to end of March 2024.

   The formula is:

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

   - Layer 1 refers to the fibre network field infrastructure and the availability is affected by unplanned faults. Layer 2 refers to the electronic component of the network and availability is affected by unplanned outages on this infrastructure or software.
   - Unplanned faults are measured by the minutes an incident ticket is open in the faults system to when service is restored.
10. Customer service installation satisfaction is a score out of 10. This satisfaction information comes from key research after they survey some of our customers that have had recent connections.

Consolidated statement of comprehensive income

	Note	**2024 $000s**	2023 $000s
Revenue from contracts with customers	2	**483,517**	447,954
Other income		**8,067**	1,922
Materials and supplies		**(220,591)**	(201,836)
Employee benefits	6	**(169,189)**	(154,164)
Transmission costs		**(18,226)**	(17,929)
Depreciation and amortisation		**(44,251)**	(40,951)
Other expenses	3	**(5,234)**	(3,225)
Fair valuation (loss)/gain on derivatives		**(632)**	1,790
Finance cost	4	**(9,318)**	(7,213)
Net profit before tax		**24,143**	26,348
Income tax expense	10	**(8,885)**	(7,637)
Net profit after tax for the year		**15,258**	18,711
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	17	**(9)**	-
Items that will not be reclassified to profit or loss			
Net gain on revaluation of property, plant and equipment, net of tax	13,17	**-**	-
Other comprehensive income/(loss) for the year, net of tax		**(9)**	-
Total comprehensive income for the year attributable to the owners of the parent		**15,249**	18,711

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

Consolidated statement of financial position

	Note	2024 $000s	2023 $000s
Assets			
Current assets			
Cash and cash equivalents		**3,259**	1,115
Trade and other receivables	8	**54,463**	50,499
Contract assets	2	**26,706**	25,778
Derivatives	19	**413**	88
Inventory	5	**13,688**	17,027
Total current assets		**98,529**	94,507
Non-current assets			
Intangible assets	12	**30,409**	25,907
Derivatives	19	**1,635**	2,235
Right of use assets	14	**61,013**	64,145
Property, plant and equipment	13	**563,181**	512,839
Total non-current assets		**656,238**	605,126
Total assets		**754,767**	699,633

	Note	2024 $000s	2023 $000s
Liabilities			
Current liabilities			
Trade and other payables	9	**31,507**	31,232
Contract liabilities	2	**15,854**	17,630
Employee entitlements	6	**19,969**	18,745
Provisions	15	**6,335**	1,460
Provision for tax		**1,914**	2,851
Borrowings	18	**10,000**	18,800
Deferred income	7	**247**	248
Lease liabilities	14	**16,195**	15,443
Total current liabilities		**102,021**	106,409
Non-current liabilities			
Employee entitlements	6	**671**	1,101
Lease liabilities	14	**49,023**	51,516
Borrowings	18	**127,878**	84,683
Deferred income	7	**6,431**	6,452
Derivatives	19	**366**	10
Deferred tax	11	**73,243**	68,777
Total non-current liabilities		**257,612**	212,539
Total liabilities		**359,633**	318,948
Net assets		**395,134**	380,685
Equity			
Equity attributable to owners of the parent	17	**395,134**	380,685
Total equity		**395,134**	380,685

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

These financial statements are authorised for issue on 26 June 2024, for and on behalf of the Board.

Mark Trigg
Chair

Kerry Friend
Audit and Risk Committee Chair

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 2023		**35,989**	**295,318**	**-**	**52,317**	**(2,939)**	**380,685**
Profit for the year		**-**	**15,258**	**-**	**-**	**-**	**15,258**
Other comprehensive loss for the year		**-**	**-**	**-**	**-**	**(9)**	**(9)**
Total comprehensive income for the year, net of tax		**-**	**15,258**	**-**	**-**	**(9)**	**15,249**
Dividend declared	23		**(800)**	**-**	**-**	**-**	**(800)**
Balance as at 31 March 2024		**35,989**	**309,776**	**-**	**52,317**	**(2,948)**	**395,134**
Balance as at 1 April 2022		35,989	277,207	-	52,317	(2,939)	362,574
Profit for the year		-	18,711	-	-	-	18,711
Total comprehensive income for the year, net of tax		-	18,711	-	-	-	18,711
Dividend declared		-	(600)	-	-	-	(600)
Balance as at 31 March 2023		35,989	295,318	-	52,317	(2,939)	380,685

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

Consolidated cash flow statement

	Note	2024 $000s	2023 $000s
Operating activities			
Receipts from customers		**478,992**	443,670
Leave support income		**-**	315
Interest received		**275**	119
Income tax received		**-**	553
Payments to suppliers		**(231,155)**	(220,632)
Payments to employees		**(168,513)**	(154,045)
Interest paid		**(10,619)**	(7,499)
Income tax paid		**(5,761)**	(7,973)
Net cash inflows from operating activities	16	**63,219**	54,508
Investing activities			
Proceeds from sale of property, plant and equipment		**311**	133
Purchase of intangible assets		**(2,402)**	(1,940)
Purchase of property, plant and equipment		**(66,175)**	(36,512)
Acquisition of business	22	**(8,967)**	-
Net cash outflows from investing activities		**(77,233)**	(38,319)
Financing activities			
Drawdown of borrowings		**473,400**	519,378
Repayment of borrowings		**(439,300)**	(518,200)
Principal repaid on lease liability		**(17,333)**	(16,331)
Dividends paid to owners of the parent (gross of tax)	23	**(600)**	(670)
Net cash inflows/(outflows) from financing activities		**16,167**	(15,823)
Net increase in cash and cash equivalents		**2,153**	366
Net foreign exchange differences		**(9)**	-
Cash and cash equivalents at the beginning of the year		**1,115**	749
Cash and cash equivalents at the end of the year		**3,259**	1,115

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 2024. The Northpower Electric Power Trust is the sole shareholder of the Company and is incorporated in New Zealand. The Group consists of Northpower Limited and its subsidiaries. The principal activities of the Company are electricity distribution and contracting services. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

The consolidated financial statements ("financial statements") comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards. The financial statements have been prepared on a historical cost basis except for the revaluation of derivatives, distribution system assets, and land and buildings.

The presentation currency is New Zealand dollars (NZD), which is the company's functional currency. All financial information has been rounded to the nearest thousand unless otherwise stated. The consolidated statement of comprehensive income and consolidated statement of changes in equity are stated exclusive of GST. All items in the consolidated statement of financial position and consolidated cash flow statement are stated exclusive of GST except for trade receivables, trade payables, receipts from customers, and payments to suppliers which include GST.

Certain prior year comparatives have been reclassified to better reflect the nature of those accounts.

Material accounting policies

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

- Revenue from contracts with customers (Note 2)
- Trade and other receivables (Note 20)
- Intangible assets (Note 12)
- Property, plant and equipment (Note 13)
- Provisions (Note 15)
- Financial risk management objectives and policies (Note 20)
- Related parties (Note 23)

Standards issued and effective

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to NZ IAS 1 Presentation of Financial Statements

The Group has adopted the amendments to NZ IAS 1 for the first time in the current year. The amendments change the requirements in NZ IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to NZ IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has adopted the amendments to NZ IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to NZ IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in NZ IAS 12.

Amendments to NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The Group has adopted the amendments to NZ IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

Standards issued but not yet effective

Certain new standards and interpretations are effective for annual periods beginning on or after 1 April 2024 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these financial statements. The new or amended standards and interpretations are not expected to have a material impact on the Group's financial statements.

2. Revenue from contracts with customers

	Note	2024 $000s	2023 $000s
Revenue recognised over time			
Electricity distribution revenue	i	**74,683**	67,289
Electricity generation	ii	**1,134**	1,724
Fibre telecommunication services	iii	**17,236**	15,538
Contracting revenue - electricity industry	iv	**377,206**	355,284
Contracting revenue - fibre telecommunications industry	v	**157**	177
Revenue recognised at a point in time			
Capital contributions	vi	**13,101**	7,942
Total		**483,517**	447,954

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 $13.97 million paid during the year to the consumer owners (2023: $12.4 million), refer to Note 17.

ii Electricity generation

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

iii Fibre telecommunication services

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

iv Contracting revenue – electricity industry

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

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

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

v Contracting revenue – fibre telecommunications industry

Revenue related to services to connect end users to the fibre network is recognised when the connection is complete. Revenue for maintenance services is recognised in the accounting period in which the services are rendered on the basis that the customer receives and uses the benefits simultaneously.

vi Capital contributions

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

Contract assets and contract liabilities

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the performance obligations have been completed but not invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The remaining performance obligations at balance date are part of contracts that are estimated to have a duration of one year or less. Hence the Group applied the practical expedient in NZ IFRS 15 in relation to the disclosure of information about remaining performance obligations at balance date. Contract liabilities are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-completion method. The revenue recognised during the year includes the contract liabilities balance at the beginning of the reporting period.

3. Other expenses

Profit before income tax includes the following specific expenses:

	2024 **$000s**	2023 $000s
Fees to Deloitte		
- Audit of financial statements	**371**	332
- Special audits required by regulators	**137**	212
Under provision of prior year audit fees	**-**	37
Net loss on foreign exchange	**(3)**	50
Directors' fees	**653**	657
Rental and lease costs	**1,536**	1,347
Impairment of assets	**1,920**	-

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

4. Net finance cost

	Note	2024 $000s	2023 $000s
Interest income		**275**	119
Interest expense		**(8,288)**	(5,584)
Capitalised interest	13	**1,544**	641
Interest on leases	14	**(2,849)**	(2,389)
Net finance cost		**(9,318)**	(7,213)

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 $8.8 million (2023: $4.8 million). Eligible borrowing costs were capitalised at an average interest rate of 6.7% (2023: 4.7%).

5. Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory comprises of finished goods. The carrying amount of inventory held for distribution is measured on a weighted average cost basis. Inventory issued of $36.1 million was recognised in the profit or loss during the year (2023: $32.1 million). Inventory written off during the period amounted to $0.3 million (2023: nil). No inventory was pledged as securities for liabilities; however some inventory is subject to retention of title clauses.

6. Employee benefits and entitlements

	2024 $000s	2023 $000s
Salaries and wages	**163,955**	149,701
Defined contribution plan employer contributions	**4,440**	4,029
Movement in employee entitlements	**794**	434
Total employee benefit expenses	**169,189**	154,164

Employee entitlements are represented by:	2024 $000s	2023 $000s
Current		
Accrued salaries and wages	**6,205**	5,152
Annual leave	**12,760**	12,620
Sick leave	**1,004**	973
Total current portion	**19,969**	18,745
Non-current		
Retirement and long service leave	**671**	1,101
Total non-current portion	**671**	1,101
Balance as at 31 March	**20,640**	19,846

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

	2024 $000s	2023 $000s
Short-term benefits	**4,570**	4,300
Termination benefits	**-**	-
Total compensation of key management personnel	**4,570**	4,300

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.

7. Deferred income

	2024 $000s	2023 $000s
Balance as at 1 April	**6,700**	6,919
Granted during the year	**223**	122
Income recognised during the year	**(245)**	(341)
Balance as at 31 March	**6,678**	6,700
Current	**247**	248
Non-current	**6,431**	6,452
Balance as at 31 March	**6,678**	6,700

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

8. Trade and other receivables

	Note	2024 $000s	2023 $000s
Trade receivables		**52,002**	47,677
Less provision for expected credit loss	20	**(834)**	(355)
Prepayments		**3,295**	3,177
Balance as at 31 March		**54,463**	50,499

The Group's exposure to credit risk and impairment losses related to trade receivables are disclosed in Note 20 in these financial statements.

9. Trade and other payables

	2024 $000s	2023 $000s
Trade payables	**21,468**	20,451
Accrued payables	**10,039**	10,781
Balance as at 31 March	**31,507**	31,232

10. Income tax expense

	2024 $000s	2023 $000s
Profit before income tax	**24,143**	26,348
At New Zealand's statutory tax rate of 28% (2023: 28%)	**6,760**	7,377
Plus/(less) tax effect of:		
- Non-deductible expense	**375**	464
- Non-taxable income	**(66)**	(100)
- Prior period adjustment	**(356)**	(104)
Deferred tax adjustment on building due to change in tax rules	**2,172**	-
	8,885	7,637
The taxation charge is represented by:		
- Current taxation	**5,586**	6,262
- Deferred taxation	**3,655**	1,479
- Prior period adjustment relating to current tax	**(762)**	(498)
- Prior period adjustment relating to deferred tax	**406**	394
	8,885	7,637
Imputation credits available for use in subsequent reporting periods	**75,168**	68,129

Income tax expense comprises current and deferred tax using tax rates and tax laws that have been enacted or substantively enacted at balance date. Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

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

On 28 March 2024, the Government passed the Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill into law. The Bill included the removal of tax deductions for depreciation on non-residential buildings, effectively setting the tax depreciation rate to 0% for buildings with an estimated useful life of 50 years or more, with application from the 2024/25 income year.

This has resulted in additional deferred tax liability of $2.2 million being recognised.

11. Deferred tax

	Property, plant and equipment $000s	Employee entitlements $000s	Provisions and other $000s	Tax losses $000s	Total $000s
Balance as at 1 April 2023	**(71,489)**	**4,199**	**(2,306)**	**819**	**(68,777)**
Charged to profit/(loss)	**(4,357)**	**(76)**	**1,191**	**(819)**	**(4,061)**
Charged directly to equity	**-**	**-**	**-**	**-**	**-**
Acquisition of business	**(405)**	**-**	**-**	**-**	**(405)**
Balance as at 31 March 2024	**(76,251)**	**4,123**	**(1,115)**	**-**	**(73,243)**
Balance as at 1 April 2022	(69,850)	4,134	(2,645)	1,457	(66,904)
Charged to profit/(loss)	(1,639)	65	339	(638)	(1,873)
Balance as at 31 March 2023	(71,489)	4,199	(2,306)	819	(68,777)

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is measured at tax rates that are expected to be applied to the temporary differences when they reverse.

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

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

12. Intangible assets

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

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

Goodwill arises on the acquisition of subsidiaries and business combinations. Goodwill is allocated to the Group's cash-generating units (CGU), being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill is not amortised but is tested for impairment annually or whenever there is an indicator of impairment.

The recoverable amount was determined using the value in use model. The calculation of value in use in calculations for all cash-generating unit is most sensitive to movements in gross margin, discount rates and growth rates. Gross margins are based on the expected results as per next year's budget and future ten years' forecasts, which reflects the nature of energy infrastructure industry. 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. For Northpower Fibre Limited goodwill impairment testing, discount rate of 7.42% and growth rate of 1% was used.

	Goodwill $000s	Software $000s	Easements $000s	Customer relationships $000s	Carbon credits $000s	Capital work in progress $000s	Total $000s
Cost							
Balance as at 1 April 2023	**12,358**	**40,229**	**453**	**-**	**-**	**1,292**	**54,332**
Acquisition of business	**4,390**	**-**	**-**	**1,725**	**-**	**-**	**6,115**
Additions	**-**	**-**	**-**	**-**	**656**	**3,540**	**4,196**
Transfer between asset categories	**-**	**754**	**92**	**-**	**-**	**(3,113)**	**(2,267)**
Disposals	**-**	**(1,229)**	**-**	**-**	**-**	**-**	**(1,229)**
Balance as at 31 March 2024	**16,748**	**39,754**	**545**	**1,725**	**656**	**1,719**	**61,147**
Accumulated amortisation and impairment							
Balance as at 1 April 2023	**(1,745)**	**(26,680)**	**-**	**-**	**-**	**-**	**(28,425)**
Amortisation for the year	**-**	**(3,185)**	**-**	**(173)**	**-**	**-**	**(3,358)**
Transfer between asset categories	**-**	**(172)**	**-**	**-**	**-**	**-**	**(172)**
Disposals	**-**	**1,217**	**-**	**-**	**-**	**-**	**1,217**
Balance as at 31 March 2024	**(1,745)**	**(28,820)**	**-**	**(173)**	**-**	**-**	**(30,738)**
Net carrying amount as at 31 March 2024	**15,003**	**10,934**	**545**	**1,552**	**656**	**1,719**	**30,409**
Cost							
Balance as at 1 April 2022	12,358	38,249	453	-	-	1,624	52,684
Additions	-	-	-	-	-	1,940	1,940
Transfer between asset categories	-	1,980	-	-	-	(2,272)	(292)
Balance as at 31 March 2023	12,358	40,229	453	-	-	1,292	54,332
Accumulated amortisation and impairment							
Balance as at 1 April 2022	(1,745)	(23,375)	-	-	-	-	(25,120)
Amortisation for the year	-	(3,305)	-	-	-	-	(3,305)
Balance as at 31 March 2023	(1,745)	(26,680)	-	-	-	-	(28,425)
Net carrying amount as at 31 March 2023	10,613	13,549	453	-	-	1,292	25,907

Allocation of goodwill to cash-generating units

	2024 $000s	2023 $000s
Northern contracting	**877**	877
Central contracting	**5,890**	1,500
Northpower Fibre Limited	**8,236**	8,236
Balance as at 31 March	**15,003**	10,613

Cloud computing arrangements

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

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

13. Property, plant and equipment

	Freehold land $000s	Freehold buildings $000s	Distribution systems $000s	Fibre $000s	Generation $000s	Plant and equipment $000s	Motor vehicles $000s	Leasehold improvements $000s	Meters $000s	Capital work in progress $000s	Total $000s
Cost or fair value											
Balance as at 1 April 2023	**17,605**	**15,711**	**356,711**	**100,497**	**15,879**	**47,042**	**4,031**	**3,705**	**308**	**19,034**	**580,523**
Acquisition of business	-	-	-	-	-	**184**	**2,524**	**174**	-	-	**2,882**
Additions	-	-	-	-	-	-	-	-	-	**75,116**	**75,116**
Transfer between asset categories	**12,513**	**390**	**43,301**	**7,689**	**1,744**	**3,951**	**96**	**135**	**3**	**(72,162)**	**(2,340)**
Disposals	-	-	**(364)**	-	-	**(4,734)**	**(240)**	**(122)**	-	-	**(5,460)**
Balance as at 31 March 2024	**30,118**	**16,101**	**399,648**	**108,186**	**17,623**	**46,443**	**6,411**	**3,892**	**311**	**21,988**	**650,721**
Accumulated depreciation and impairment											
Balance as at 1 April 2023	-	**(596)**	**(10,328)**	**(10,679)**	**(11,766)**	**(30,594)**	**(2,082)**	**(1,558)**	**(81)**	-	**(67,684)**
Depreciation charge for the year	-	**(581)**	**(11,223)**	**(5,237)**	**(543)**	**(4,627)**	**(661)**	**(272)**	**(15)**	-	**(23,159)**
Impairment	-	-	**(1,644)**	-	-	**(276)**	-	-	-	-	**(1,920)**
Transfers	-	**(5)**	**43**	**18**	**(36)**	**138**	**9**	**3**	**2**	-	**172**
Disposals	-	-	**25**	-	-	**4,822**	**138**	**66**	-	-	**5,051**
Balance as at 31 March 2024	-	**(1,182)**	**(23,127)**	**(15,898)**	**(12,345)**	**(30,537)**	**(2,596)**	**(1,761)**	**(94)**	-	**(87,540)**
Net carrying amount as at 31 March 2024	**30,118**	**14,919**	**376,521**	**92,288**	**5,278**	**15,906**	**3,815**	**2,131**	**217**	**21,988**	**563,181**
Cost or fair value											
Balance as at 1 April 2022	17,605	15,093	335,353	94,108	15,879	43,341	3,575	3,573	308	10,114	538,949
Additions	-	-	-	-	-	-	-	-	-	42,212	42,212
Transfer between asset categories	-	618	21,483	6,510	-	4,074	767	132	-	(33,292)	292
Disposals	-	-	(125)	(121)	-	(373)	(311)	-	-	-	(930)
Balance as at 31 March 2023	17,605	15,711	356,711	100,497	15,879	47,042	4,031	3,705	308	19,034	580,523
Accumulated depreciation											
Balance as at 1 April 2022	-	-	-	(5,469)	(11,281)	(26,688)	(2,211)	(1,294)	(66)	-	(47,009)
Depreciation charge for the year	-	(596)	(10,337)	(5,210)	(485)	(4,036)	(119)	(264)	(15)	-	(21,062)
Disposals	-	-	9	-	-	130	248	-	-	-	387
Balance as at 31 March 2023	-	(596)	(10,328)	(10,679)	(11,766)	(30,594)	(2,082)	(1,558)	(81)	-	(67,684)
Net carrying amount as at 31 March 2023	17,605	15,115	346,383	89,818	4,113	16,448	1,949	2,147	227	19,034	512,839

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

	Freehold land	Freehold buildings	Distribution systems
2024	$000s	$000s	$000s
Cost	**18,917**	**20,302**	**455,230**
Accumulated depreciation & impairment	**-**	**(6,245)**	**(127,508)**
Net carrying amount	**18,917**	**14,057**	**327,722**
2023			
Cost	6,223	19,538	412,586
Accumulated depreciation & impairment	-	(5,602)	(117,581)
Net carrying amount	6,223	13,936	295,005

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 $5.0 million at balance date (2023: $4.8 million).

Revalued assets

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

Asset revaluation reserve

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

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

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

Revaluation

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

The most recent valuation for land and buildings was completed at 31 March 2022 by AON Risk Solutions, a registered independent valuer. The valuation was carried out in accordance with International Valuation Standards. Fair value was determined by direct reference to recent market transactions on arm's length terms. To establish the valuation of properties, the valuer used a combination of income capitalisation, market comparison and depreciated replacement cost approaches. Fair value was assessed with reference to the"highest and best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". For the current year, the movement in the fair value of land and buildings was assessed at balance date. Accordingly, the land and buildings asset were not revalued during the year as the carrying value of land and buildings did not differ materially from its fair value.

Electricity distribution network assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation to determine the fair value of the electricity distribution network assets was completed at 31 March 2022 by PriceWaterhouseCoopers (PwC), an independent registered valuer. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow (DCF) methodology over a 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 6.3% was used. The posted discount was not included in the valuation cash flows for FY26 – FY34 as it only forms part of the contract price once declared.

The movement in the fair value of distribution systems was assessed at balance date. Accordingly, valuation movement during the year was not recognised as the carrying value did not differ materially from its fair value. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% movement in the discount rate would change the mid-point valuation by +/- 3%. A 5% movement in the distribution revenue would change the mid-point valuation by +/- 6%.

Insurance cover

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

Depreciation

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

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

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

Gain/Loss on disposal of PPE

During the year a loss on disposal of PPE of $0.3 million (2023: $0.01 million gain) was recognised in the profit or loss within other income.

Impairment of non-financial assets other than inventory and goodwill

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

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

During the year, no impairment was recognised on intangible assets (2023: nil). Impairment provision of $1.6 million was recognised on distribution system assets and $0.3 million recognised on plant and equipment assets.

14. 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 2023	**33,776**	**88,834**	**122,610**
Additions	**3,309**	**10,509**	**13,818**
Acquisition of business	**1,243**	**-**	**1,243**
Disposals	**-**	**(288)**	**(288)**
Remeasurement	**760**	**-**	**760**
Balance as at 31 March 2024	**39,088**	**99,055**	**138,143**
Accumulated amortisation and impairment			
Balance as at 1 April 2023	**(13,804)**	**(44,661)**	**(58,465)**
Amortisation	**(3,907)**	**(13,827)**	**(17,734)**
Impairment	**(990)**	**-**	**(990)**
Disposals	**-**	**-**	**-**
Other adjustments	**-**	**59**	**59**
Balance as at 31 March 2024	**(18,701)**	**(58,429)**	**(77,130)**
Net book value	**20,387**	**40,626**	**61,013**
Cost			
Balance as at 1 April 2022	33,079	78,449	111,528
Additions	244	10,238	10,482
Disposals	-	-	-
Remeasurement	453	147	600
Balance as at 31 March 2023	33,776	88,834	122,610
Accumulated amortisation			
Balance as at 1 April 2022	(10,173)	(31,650)	(41,823)
Amortisation	(3,631)	(12,953)	(16,584)
Disposals	-	-	-
Other adjustments	-	(58)	(58)
Balance as at 31 March 2023	(13,804)	(44,661)	(58,465)
Net book value	19,972	44,173	64,145

Lease liabilities	2024 $000s	2023 $000s
Balance as at 1 April	**66,959**	72,266
Additions	**13,818**	10,482
Acquisition of business	**1,243**	-
Interest	**2,849**	2,389
Remeasurement	**760**	600
Termination	**(307)**	-
Payments	**(20,137)**	(18,517)
Other adjustments	**33**	(261)
Balance as at 31 March	**65,218**	66,959

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	2024 $000s	2023 $000s
Within one year	**35**	27
After one year but not more than five years	**69**	84
More than five years	**68**	75
Balance of non-cancellable operating leases	**172**	186

15. Provisions

Provision for onerous contracts of $6.3 million (2023: $1.5 million) at balance date relates to unavoidable costs of meeting the obligations under the contracts that were estimated to exceed the economic benefits expected to be received under it. In addition, there was a provision of $1.0 million impairment of right of use asset as part of the onerous contract assessment (Note 14). Accordingly, cumulative movement in the year through the consolidated statement of comprehensive income was $7.3 million. During the year $1.5 million provision was utilised (2023: $2.8 million).

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.

16. Cash flow statement reconciliation

	2024 $000s	2023 $000s
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after income tax	**15,258**	18,711
Adjustments for:		
- Depreciation & amortisation	**44,251**	40,951
- Loss/(gain) on sale of property, plant and equipment	**330**	(14)
- Deferred income release	**(245)**	(341)
- Non cash capital contribution revenue	**(7,267)**	(5,314)
- Fair valuation (gain)/loss on derivative financial instruments	**632**	(1,790)
- Capitalised interest	**(1,544)**	(641)
- Non cash interest	**519**	474
- Carbon credits	**656**	-
- Provision for impairment of assets	**1,920**	290
Changes in assets & liabilities		
- Increase in trade and other payables	**4,485**	5,814
- Less related to property, plant and equipment	**(1,806)**	389
- (Decrease)/increase in contract liabilities	**(2,195)**	2,345
- Increase/(decrease) in provision	**5,066**	(2,855)
- Increase in contract assets	**(25)**	(1,973)
- Decrease in income tax	**(937)**	(1,656)
- Increase in trade and other receivables	**(3,964)**	(1,634)
- Decrease/(increase) in inventory	**3,348**	(555)
- Increase in deferred tax liabilities	**4,061**	1,873
- Increase in employee entitlements	**676**	434
Net cash from operating activities	**63,219**	54,508

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.

2024	Cash and cash equivalents $000s	Lease liabilities $000s	Borrowings $000s	Total $000s
Net debt as at 1 April 2023	(1,115)	66,959	110,183	176,027
Cash flows	(2,153)	(17,333)	34,100	14,614
Non cash movements	9	15,592	273	15,874
Net debt as at 31 March 2024	(3,259)	65,218	144,556	206,515

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

17. Equity

Share capital

The total number of shares authorised and issued is 35,981,848 (2023: 35,981,848). Share capital consists of ordinary shares which are classified as equity. All ordinary shares are issued, fully paid, have no par value and are ranked equally. Fully paid shares carry one vote per share and the right to dividends.

Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation. Net revaluation amount recognised in other comprehensive income at balance date was nil (2023: 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, a posted discount of $13.97 million (2023: $12.4 million) was paid to the consumers.

18. Borrowings

	Maturity	2024 $000s	2023 $000s
Current	Less than 12 months	**10,000**	18,800
Non current			
Unsecured loans	Within 1-2 yrs	**48,600**	-
Unsecured loans	Within 2 & 3 yrs	**32,700**	10,000
Unsecured loans	Within 3 & 5 yrs	**35,000**	63,900
Interest free Crown loan	Beyond 5 years	**11,578**	10,783
Balance of non current as at 31 March		**127,878**	84,683
Total as at 31 March		**137,878**	103,483

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 $11.6 million (2023: $10.8 million) using prevailing market interest rates at drawdown date for an equivalent loan, ranging between 3.04% and 7.39%. During the year, interest charges of $0.5 million (2023: $0.5 million) were recognised on this loan. The difference of $6.7 million (2023: $6.7 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 7.

At balance date the Group had $155 million of lending facilities with an average rate of interest during the year of 5.7% (2023: 3.7%). Security held by the bank is in the form of a negative pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained. The bank covenants have all been met for the years ended 31 March 2024 and 2023.

19. Derivatives

	2024 $000s	2023 $000s
Current asset/(liability)		
Forward foreign exchange contracts	**267**	-
Interest rate swaps	**146**	88
Total as at 31 March	**413**	88
Non-current asset/(liability)		
Interest rate swaps	**1,635**	2,235
Interest rate swaps	**(366)**	(10)

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.

20. Financial risk management objectives and policies

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

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 2024 forward foreign exchange contracts outstanding was $0.9 million (2023: Nil).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates.

The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held using interest rate swaps. Based on the Group's interest rate risk exposure at balance date, an increase (or decrease) of 1% in the interest rates will likely cause a $1.4 million (2023: $1.0 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 $73 million (2023: $56.0 million). The fixed interest rates of interest rate swaps range between 0.9% to 5.5% (2023: 0.9% to 4.2%).

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.

	2024			2023		
Trade receivables	**Gross $000s**	**Impairment $000s**	**Net $000s**	Gross $000s	Impairment $000s	Net $000s
Less than 30 days past due	**50,969**	**-**	**50,969**	46,925	-	46,925
Past due 31-60 days	**98**	**-**	**98**	26	-	26
Past due 61-90 days	**101**	**-**	**101**	369	-	369
Past due 91 days plus	**834**	**(834)**	**-**	357	(355)	2
Total	**52,002**	**(834)**	**51,168**	47,677	(355)	47,322

	2024			2023		
Contract assets	**Gross $000s**	**Impairment $000s**	**Net $000s**	Gross $000s	Impairment $000s	Net $000s
Less than 30 days past due	**21,296**	**-**	**21,296**	19,403	-	19,403
Past due 31-60 days	**2,423**	**-**	**2,423**	2,720	-	2,720
Past due 61-90 days	**1,791**	**-**	**1,791**	2,452	-	2,452
Past due 91 days plus	**1,196**	**-**	**1,196**	1,203	-	1,203
Total	**26,706**	**-**	**26,706**	25,778	-	25,778

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:

	2024 $000s	2023 $000s
Balance as at 1 April	**355**	375
Additions	**528**	195
Bad debts written off	**(49)**	(172)
Released	**-**	(43)
Balance as at 31 March	**834**	355

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank funding facilities. The Group has a maximum amount that can be drawn against its lending facilities of $155.0 million (2023: $155.0 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 (2023: $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

2024

$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	**27,384**	**-**	**-**	**-**	**27,384**
Lease liabilities	**18,829**	**16,200**	**30,655**	**6,771**	**72,455**
Interest bearing loans	**11,997**	**49,765**	**68,893**	**-**	**130,655**
Interest free Crown loan	**-**	**-**	**-**	**17,093**	**17,093**
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	**267**	**-**	**-**	**-**	**267**
Forward exchange contracts outflow	**-**	**-**	**-**	**-**	**-**
Net settled derivatives					
Interest rate swaps	**439**	**67**	**909**	**-**	**1,415**
Total contractual cash flows	**58,916**	**66,032**	**100,457**	**23,864**	**249,269**

2023

$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	27,993	-	-	-	27,993
Lease liabilities	17,824	15,345	29,401	11,458	74,028
Interest bearing loans	19,837	10,979	65,338	-	96,154
Interest free Crown loan	-	-	-	16,592	16,592
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	-	-	-	-	-
Forward exchange contracts outflow	-	-	-	-	-
Net settled derivatives					
Interest rate swaps	(88)	(238)	(1,587)	(400)	(2,313)
Total contractual cash flows	65,566	26,086	93,152	27,650	212,454

The maturity profile of lease liabilities over the next 2-5 years comprises $12.7 million due within 2-3 years (2023: $12.6 million), $10 million due within 3-4 years (2023: $9.3 million), and $8 million due within 4-5 years (2023: $7.5 million).

21. Recognised fair value measurements

Financial assets and financial liabilities

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

	2024 $000s	2023 $000s
Financial assets at fair value through profit or loss		
Interest rate swaps	**1,781**	2,323
Forward foreign exchange contracts	**267**	-
Balance of financial assets at fair value through profit or loss	**2,048**	2,323
Financial assets at amortised cost		
Cash and cash equivalents	**3,259**	1,115
Trade and other receivables	**51,168**	47,322
Balance of financial assets at amortised cost	**54,427**	48,437
Financial liabilities at fair value through profit or loss		
Interest rate swaps	**366**	10
Forward foreign exchange contracts	**-**	-
Balance of financial liabilities at fair value through profit or loss	**366**	10
Financial liabilities at amortised cost		
Borrowings	**137,878**	103,483
Lease liabilities	**65,218**	66,959
Trade and other payables	**27,384**	27,993
Balance of financial liabilities at amortised cost	**230,480**	198,435

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 other than Crown Loan which is disclosed in Note 18. 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 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 (2023: 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 and equipment			
Distribution systems	**-**	**376,521**	**376,521**
Freehold land	**7,545**	**22,573**	**30,118**
Freehold buildings	**4,859**	**10,060**	**14,919**
Balance as at 31 March 2024	**12,404**	**409,154**	**421,558**

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

22. Business combinations

On 3 April 2023, the Group acquired Linepower, a New Plymouth-based contracting organisation for $9.0 million. 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.

Fair value recognised on acquisition	1 April 2023 $000s
Assets	
Property, plant and equipment (Note 13)	**2,882**
Intangible assets (Note 12)	**1,725**
Inventory	**9**
Net Contract Asset (accrued revenue)	**903**
Right of use assets (Note 14)	**1,243**
Goodwill arising on the acquisition (Note 12)	**4,390**
	11,152
Liabilities	
Contract liabilities	**(419)**
Employee accruals	**(118)**
Deferred tax liability (Note 11)	**(405)**
Lease liability (Note 14)	**(1,243)**
	(2,185)
Total identifiable net assets at fair value	**8,967**
Total consideration transferred	
Cash	**8,967**
Net cash outflow on acquisition	
Transaction costs of the acquisition (included in cash flows from operating activities)	**776**
Cash consideration transferred	**8,967**
	9,743

23. Related parties

The Northpower Electric Power Trust, is the Group's ultimate parent entity. During the year fully imputed dividends of $0.8 million (2023: $0.6 million) was declared and $0.6 million (2023: $0.7 million) was paid during the year.

Subsidiaries

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

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

Northpower Fibre Limited is incorporated in New Zealand.

The financial statements of subsidiaries are reported in the financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation. Outstanding balances at year end are unsecured, interest-free and settlement occurs in cash.

Transactions between the Company and key management personnel

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

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

Key management personnel	Related party	Position	Sales to related parties $000s		Purchases from related parties $000s		Amounts owing to related parties $000s	
			2024	2023	**2024**	2023	**2024**	2023
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	**-**	-	**2,962**	2,886	**262**	296
Josie Boyd Chief Operating Officer Network	Electricity Engineers' Association	Board member	**1**	-	**109**	74	**-**	-

24. Guarantees and contingencies

	2024 $000s	2023 $000s
Performance bonds in relation to contract work	21,959	20,633
Balance as at 31 March	**21,959**	20,633

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 2023, the Scheme had a past service deficit of $0.2 million (1.1% of the liabilities).

25. Commitments

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

	2024 $000s	2023 $000s
Within one year	106	88
After one year but not more than five years	108	178
Balance of non-cancellable operating leases	214	266

Capital commitments contracted at balance date was $16.6 million including software of $0.1 million (2023: $3.8 million including software of $0.2 million).

26. Events after balance date

On 4 April 2024, Northpower secured a green loan facility of $26 million with a term of five years. There were no other significant events after balance date.

Deloitte.

Independent auditor's report

To the shareholder of Northpower Limited's Group financial statements and performance information for the year ended 31 March 2024

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 42 to 64, that comprise the consolidated statement of financial position as at 31 March 2024, 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 40 to 41.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2024; 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 IFRS Accounting Standards ('NZ IFRS') and IFRS Accounting Standards ('IFRS'); 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 2024.

Deloitte.

Our audit was completed on 26 June 2024. 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.

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- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 38 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 assurance engagements pursuant to the Electricity Information Disclosures Determination 2012, Fibre Information Disclosures 2021 and Telecommunications Development Levy, which is compatible with those independence requirements. Other than the audit and the assurance engagements, we have no relationship with or interests in the Group.

Silvio Bruinsma

Silvio Bruinsma
For Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand

Northpower

Northpower Limited

Chair
M D Trigg

Directors
R C Booth
K M Drinkwater
K M Friend
P G Hutchings
M K Kong
L S Kubiak
D J Prentice

Executive Officers

Chief Executive
A I McLeod

Chief Operating Officer Contracting (Acting)
S Bhikha

Chief Operating Officer Network
J M Boyd

Northpower Fibre Chief Executive
D Mason

Chief Financial Officer
O M O'Neill

Executive General Manager People and Capability
A M O'Brien

Executive General Manager Digital
E Overy

Northpower Electric Trust

Chairman
P R Heatley

Deputy Chair
S K McKenzie

Trustees
E A Angelo
C H Biddles
I M Durham
T Wilson
P M W Yovich

Bankers
Westpac Banking Corporation
ANZ Banking Corporation

Head office
28 Mount Pleasant Road, Raumanga, Whangārei 0110

Auditors
Deloitte New Zealand

Registered office
28 Mount Pleasant Road, Raumanga, Whangārei 0110