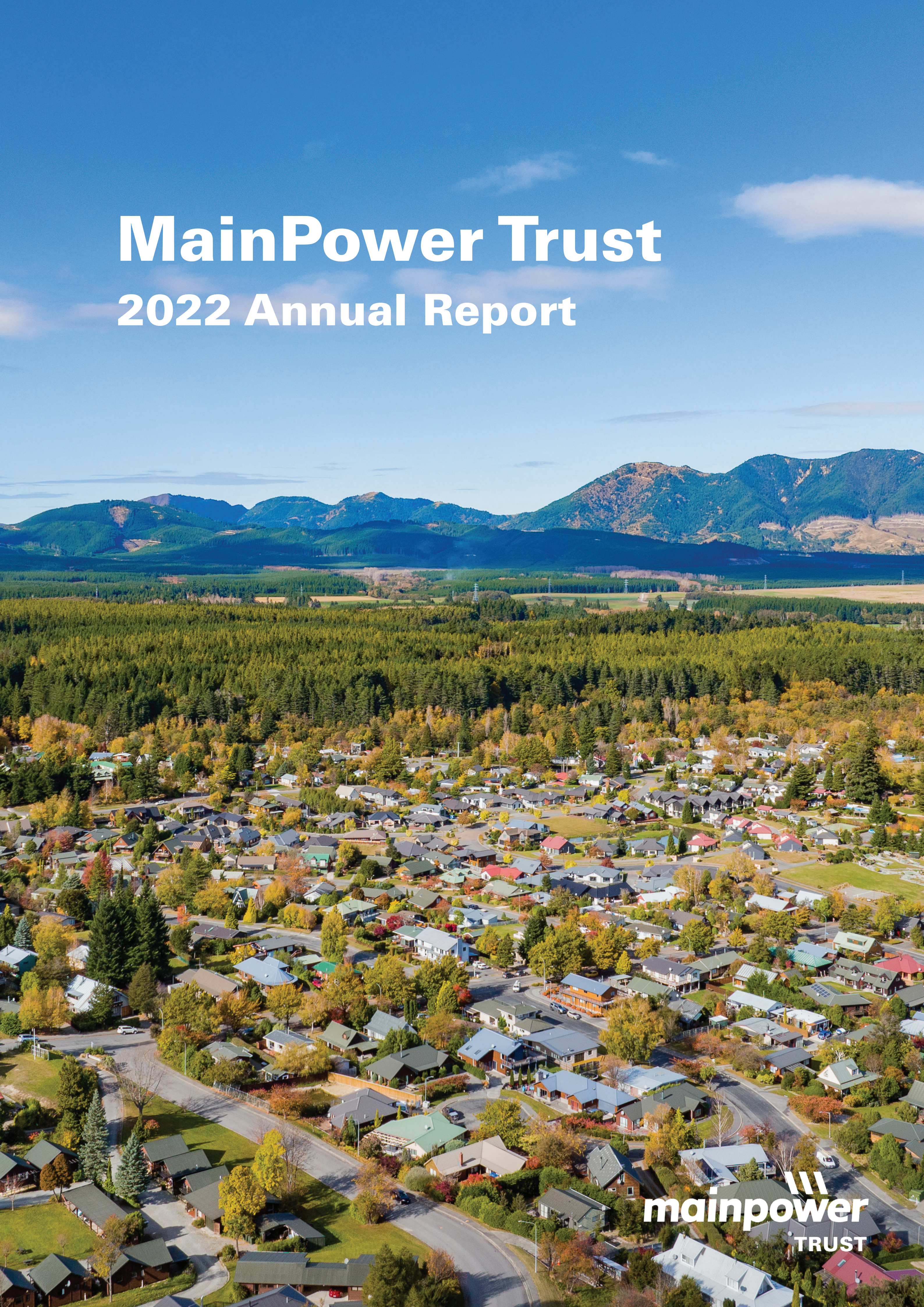
# MainPower Trust

## 2022 Annual Report



mainpower TRUST

# Contents

# Directory

## Trustees

| | |
|---|---|
| Kevin Brookfield | Chair |
| Richard Allison | Deputy Chair |
| Jo Ashby | Trustee |
| Allan Berge | Trustee |
| Quentin de Hamel | Trustee |
| Andrew Thompson | Trustee |
| Gary Walton | Trustee |

## Secretary

Kathy Hansell — Koller & Hassall Ltd

## Trust Office

267 High Street,
PO Box 370
Rangiora 7400

Telephone: 03 313 8103
Email: info@mainpowertrust.co.nz
Website:www.mainpowertrust.co.nz

## Banker

Westpac New Zealand

## Solicitors

Simpson Grierson, Christchurch

## Auditor

Deloitte, Christchurch

# Meet The Trustees

## Kevin Brookfield

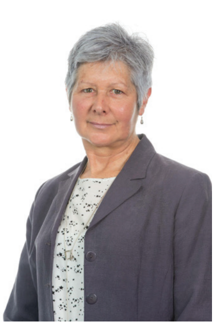
Kevin has been the Trust Chair since March 2018. The added time to Kevin's role with MainPower Trust effectively means other business ventures stay on hold.

Alongside MainPower Trust, Kevin presides over a 15 hectare lifestyle block in Amberley. Kevin enjoys a close input with 4 growing grandchildren, and wouldn't have it any other way.

## Richard Allison

Richard was first elected to MainPower Trust in 1999 and is Deputy Chair. Following Massey University, he and Jeanette worked in London and backpacked around Europe. They returned to New Zealand and went farming. From 2001, they have been managing preschools in Rangiora and Christchurch.

## Jo Ashby



Jo was elected to the MainPower Trust in 2013. Jo and her family run a dairy farm business they have owned for more than 20 years. She is a qualified accountant (currently retired status) having specialised in rural accounting.

Jo has been involved with a number of community organisations over the more than 35 years she has lived in the Waimakariri district.

## Quentin de Hamel

Quentin works locally as a solicitor. His specialist areas are in property law, commercial transactions, conveyancing, farming, leases and business advice.

He has been on the Board of Trustees of both Rangiora Borough School and Rangiora High School. He is also actively involved in the local Lions Club. Quentin is married with two adult children and lives in Rangiora.

# Meet The Trustees

## Allan Berge

Allan was elected as a Trustee in March 2017. Allan held the position of Chief Executive and Managing Director of MainPower for 28 years prior to his retirement in 2015.

Allan is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Management New Zealand and a member of the Institute of Directors.

## Andrew Thompson

Andrew is Deputy Chairman of the Woodend-Sefton Community Board, a member of the Northern Pegasus Bay Advisory Group and a trustee of Presbytarian Support Upper South Island.
He has been the General Manager of a horticultural export business and has previously held senior commercial roles with Fulton Hogan and Sealord. He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. A development role with MainPower in the mid 2000's advancing the Mt Cass windfarm and energy efficiency programmes cemented his interest in the electricity industry.

## Gary Walton

Gary was elected to the Trust in 2020. He is married to Julie, has five children and two grandchildren.

Together, they intensively farm a small block in Loburn, producing eggs at the gate, beef, lamb and a range of vegetables.

Gary operates his own farm advisory busines and is the Chairman of Loburn Irrigation Company.

# Chair’s Report

## To the Annual General Meeting Wednesday 17th August 2022

Welcome all to today’s second 2022 AGM, this time on behalf of the MainPower Trust. Those of you who have attended in the past will be aware of the delineation between the Trust and the company. The Trust represents the interests of you: the 40,000+ beneficial owners. Effectively we own two assets: 100% ownership of MainPower New Zealand Limited, together with a $10 million investment portfolio which funds our running costs.

I introduced the existing Trust members at last year’s AGM and it remains unchanged. Myself, Jo, Quentin, Richard, Andrew, Allan and Gary. Feel free to approach any of us over your cup of tea. You will all be sent details of the next Trustee Election (3 year cycle) in January/February 2023.

The Trust appoints MainPower New Zealand Limited’s Board of Directors. This year Janice Fredric and Graeme Abbott retired by rotation. The Board is functioning well at an important time in the company’s development. Both Janice & Graeme have agreed to reappointment for a further 3 years.

The Trust meets for scheduled meetings at least 10 times per year, more in recent times. The Constitution update prefaced in last year’s report has taken a little longer to finalise than expected.

Our refreshed website is up and running. Special thanks for Penny Kibblewhite for her enthusiastic approach to help facilitate and design. Penny’s role at the company provided an “in-house” understanding of our unique ownership and governance model.

Board Chair Tony King will have updated you on the Mt Cass Windfarm. The Trust remains at the shoulder of the Board in assisting this project to reach Financial Close. Updated costings and equity sharing arrangements continue to be provided to the Trust. We will again be analysing these updates with our independent consultant.

Thanks to: Tony King and the Board for their collaborative input and keeping the Trustees fully updated; our Professional Advisors – with special mention once again to Kathy Hansell (the Trust’s Secretary) for another hugely supportive year; the company’s Executive Team together with everyone in MainPower New Zealand’s wider work force and finally my fellow Trustees, for another year of effective mahi.

See you in August 2023.

**Kevin Brookfield**
Trust Chair

# MAINPOWER TRUST

# FINANCIAL REPORT 2022

## Audited consolidated financial statements

**The Trustees are pleased to present the audited consolidated Group financial statements of MainPower Trust for the year ended 31 March 2022.**

Authorised for issue on 26 July 2022

for and on behalf of trustees:

K.W. Brookfield (Chair)

R.W. Allison (Deputy Chair)

# MainPower Trust Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

| | Notes | Group 2022 $000 | Group 2021 $000 |
|---|---|---|---|
| Operating revenue | 2 | 61,911 | 59,853 |
| Other income | 3 | 135 | 1,399 |
| | | 62,046 | 61,252 |
| Operating expenses | 4 | (36,085) | (32,185) |
| Depreciation and amortisation | 5 | (15,344) | (16,054) |
| Net finance income/(expense) | 6 | 7 | (804) |
| | | (51,422) | (49,043) |
| **Profit before income tax expense** | | **10,624** | **12,209** |
| Income tax expense | 7 | (1,357) | (3,215) |
| **Profit after Income Tax Expense** | | **9,267** | **8,994** |
| **Attributable to:** | | | |
| Equity holders of the parent | | 9,270 | 8,994 |
| Non-controlling interests | | (3) | - |
| | | 9,267 | 8,994 |
| Net Gain/(Loss) on cash flow hedges for interest rate swaps | | 283 | - |
| Gain on Revaluation, Net of Deferred Tax | 13 | 3,006 | - |
| **Total Comprehensive Income** | | **12,556** | **8,994** |
| **Attributable to:** | | | |
| Equity holders of the parent | | 12,559 | 8,994 |
| Non-controlling interests | | (3) | - |
| | | **12,556** | **8,994** |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

# MainPower Trust Consolidated Statement of Financial Position

As at 31 March 2022

| | Notes | Group 2022 $000 | Group 2021 $000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and Cash Equivalents | 8 | 1,124 | 1,232 |
| Trade and Other Receivables | 9 | 5,689 | 6,650 |
| Inventories | 10 | 4,888 | 3,422 |
| Prepayments | | 1,392 | 985 |
| Tax Assets | 7 | 3,542 | - |
| Other Current Financial Assets | 11 | 3,303 | 4,227 |
| Total Current Assets | | 19,938 | 16,516 |
| **Non-current assets** | | | |
| Other Financial Assets | 12 | 10,009 | 9,076 |
| Property, Plant and Equipment | 13 | 308,856 | 290,892 |
| Capital Works Under Construction | 14 | 21,128 | 16,393 |
| Right-of-Use Assets | 15 | 12,826 | 14,494 |
| Non-Current Interest Rate Swaps | 29 | 283 | - |
| Intangible Assets | 16 | 2,990 | 3,076 |
| Total Non-Current assets | | 356,092 | 333,931 |
| **Total Assets** | | **376,030** | **350,447** |
| **Current liabilities** | | | |
| Trade and Other Payables | 17 | 8,665 | 7,319 |
| Current Tax liabilities | 7 | - | 2,291 |
| Current Interest Rate Swaps | 29 | 59 | 231 |
| Other Current Financial Liabilities | 18 | 1,960 | 1,985 |
| Total current liabilities | | 10,684 | 11,826 |
| **Non-current liabilities** | | | |
| Other Non-Current Financial Liabilities | 19 | 11,223 | 12,718 |
| Deferred Tax Liabilities | 20 | 47,448 | 43,671 |
| Interest Rate Swaps | 29 | 391 | 2,085 |
| Non-Current Borrowings | 21 | 35,600 | 22,000 |
| Non-Current Provisions | 22 | 801 | 918 |
| Total non-current liabilities | | 95,463 | 81,392 |
| **Trust Funds** | | | |
| Retained Earnings | | 226,762 | 217,474 |
| Reserves / Gain on Revaluation | | 43,044 | 39,755 |
| Total equity attributable to members of the trust | | 269,806 | 257,229 |
| Non-Controlling Interest | | 77 | - |
| **Total liabilities and equity** | | **376,030** | **350,447** |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

## MainPower Trust Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

| | Notes | Retained earnings $000 | Asset Revaluation Reserve $000 | Non-Controlling Interests $000 | Cash flow Hedge Reserve $000 | Total equity $000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Balance at 31 March 2020 | | 208,480 | 39,755 | - | - | 248,235 |
| Profit after Income Tax Expense | | 8,994 | - | - | - | 8,994 |
| Gain on revaluation, net of deferred tax | | - | - | - | - | - |
| Balance at 31 March 2021 | | 217,474 | 39,755 | | | 257,229 |
| Profit after Income Tax Expense | | 9,270 | - | (3) | - | 9,267 |
| Non-controlling Interests arising on a business combination | | 18 | - | 80 | - | 98 |
| Net Gain /(Loss) on Cash Flow Hedges | | - | - | - | 283 | 283 |
| Gain on revaluation, net of deferred tax | | - | 3,006 | - | - | 3,006 |
| | | 9,288 | 3,006 | 77 | 283 | 12,654 |
| Balance at 31 March 2022 | | 226,762 | 42,761 | 77 | 283 | 269,883 |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

# MainPower Trust Consolidated Cashflow Statement

For the year ended 31 March 2022

| | Notes | Group 2022 $000's | Group 2021 $000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 62,411 | 58,490 |
| Interest received | | 134 | 340 |
| Dividends received | | 162 | 145 |
| Payments to suppliers and employees | | (36,312) | (32,046) |
| Interest and other finance costs paid | | (1,498) | (1,417) |
| Income tax (paid) | | (4,474) | (1,378) |
| Net cash provided by operating activities | | 20,423 | 24,134 |
| **Cash flows from investing activities** | | | |
| Proceeds from investment securities | | 300 | 400 |
| Payment for investment securities | | (174) | (189) |
| Payment for property, plant and equipment | | (31,621) | (22,919) |
| Proceeds from sale of property, plant and equipment | | 400 | 195 |
| Payment for intangible assets | | (714) | (2,250) |
| Acquisition of a Subsidiary | | (247) | - |
| Net cash used in investing activities | | (32,056) | (24,763) |
| **Cash flows from financing activities** | | | |
| Repayment of Lease Liabilities | | (2,075) | (2,121) |
| Proceeds from borrowing | | 13,600 | - |
| Net cash used in financing activities | | 11,525 | (2,121) |
| Net increase/(decrease) in cash and cash equivalents | | (108) | (2,750) |

| **Summary** | | | |
|---|---|---|---|
| Cash and cash equivalents at beginning of year | | 1,232 | 3,982 |
| Net increase/(decrease) in cash and cash equivalents | | (108) | (2,750) |
| Cash and cash equivalents at end of year | | 1,124 | 1,232 |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

# Notes to the financial statements

For the year ended 31 March 2022

## 1. Statement of accounting policies

### Reporting Entity

MainPower Trust (the 'Trust') is a Trust for the benefit of customers connected to the network of MainPower New Zealand Limited. The Group consists of MainPower Trust and MainPower New Zealand Limited and its subsidiaries.

The MainPower Trust was established by deed on 24th October 1995 and most recently amended 25th May 2021.

### Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS – RDR') and other applicable accounting standards as appropriate for profit-oriented entities.

The Group has adopted External Reporting Board Standard A1 'Accounting Standards Framework (For Profit Entities Update)' ('XRB A1'). For the purposes of complying with Generally Accepted Accounting Practice in New Zealand (NZ GAAP), the Group is eligible to apply Tier 2 For-profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and it is not a large for profit public sector entity.

### Basis of financial statement preparation

The Consolidated Financial Statements have been prepared in accordance with NZ GAAP and NZ IFRS RDR.

These Consolidated Financial Statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments as outlined in Note 1(m) and property, plant and equipment as outlined in Note 1(e) below. Cost is based on the fair value of the consideration given in exchange for assets.

These Consolidated Financial Statements are presented in New Zealand dollars, rounded to the nearest thousand.

### Use of Estimates and Judgements

Preparing financial statements to conform with NZ IFRS RDR requires the trustees to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. The Group regularly reviews these estimates and assumptions. Actual results may differ from these estimates.

### Specific Accounting Policies

The following significant accounting policies have been applied in the preparation and presentation of these Consolidated Financial Statements:

**(a) Revenue recognition**

The Group is in the business of providing electricity distribution and generation services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

i. *Electricity Line Revenue*

Electricity Line Revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of Electricity distribution services, revenue is recognised over time based on an output method as the service is delivered to match the pattern of consumption.

Pass-through and recoverable cost revenue charged to customers includes transmission costs, statutory levies and utility rates.

ii. *Generation Revenue*

Generation revenue is recognised at the fair value of electricity generation services provided.

iii. *Customer Contribution Revenue*

Customer contribution revenue is recognised at the fair value of the works completed at a point in time.

iv. *Contracting Revenue*

Contracting revenue is recognised at the fair value of the works completed or goods provided. For contracts with multiple performance obligations, revenue is recognised at a point in time when the performance obligation is satisfied.

## Notes to the financial statements

For the year ended 31 March 2022

### 1. Statement of accounting policies continued

#### (a) Revenue recognition continued

v. *Revenue from Sale of Assets*

Revenue from sale of an asset is recognised when control of the asset is transferred.

vi. *Interest Revenue*

Interest revenue is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest rate method.

vii. *Dividend Revenue*

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

#### (b) Finance Expenses

Finance Expenses are expensed using the effective interest rate method to the Consolidated Statement of Comprehensive Income unless they directly relate to the construction of qualifying assets, in which case they are capitalised.

#### (c) Distinction between capital and revenue expenditure

Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that has been incurred in the maintenance and operation of the property, plant and equipment of the Group.

#### (d) Inventories

Inventories are valued at the lower of cost at weighted average cost price or net realisable value.

#### (e) Property, plant and equipment

All property, plant and equipment are initially recognised at cost less accumulated depreciation and impairment losses. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended use. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads.

Land and buildings are valued at fair value as determined on the basis of a periodic independent valuation prepared by external valuers, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in these Consolidated Financial Statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not significantly different from fair value.

The electricity distribution network is valued at fair value as determined on the basis of a periodic independent valuation prepared by external valuers, based on a discounted cash flow methodology. The fair values are recognised in these Consolidated Financial Statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of the distribution network is not materially different from fair value. Consideration is given as to whether the distribution network is impaired as detailed in note 1(h).

Any revaluation increase arising on the revaluation of land and buildings and the distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Consolidated Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution network is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

*Capital Works Programme*

The Group operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/ refurbishment programme, consistent with the Group's approved Asset Management Plan. Losses on contracts are taken to the Consolidated Statement of Comprehensive Income in the period in which they are identified. Refer also to Note 13 Property, Plant and Equipment regarding revaluations.

## 1. Statement of accounting policies continued

### (f) Depreciation

Depreciation is charged to the Consolidated Statement of Comprehensive Income on a combination of straight line and diminishing value basis on all tangible assets with the exception of land, at rates calculated to allocate the assets' fair value, less any residual value, over their useful lives.

Depreciation on revalued buildings and the distribution network is charged to the Consolidated Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to Retained Earnings.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The main bases for the calculation of depreciation are as follows:

| | Years |
|---|---|
| Electricity distribution network | 1 to 102 |
| Buildings | 1 to 100 |
| Plant, Equipment, Vehicles, Furniture and Fittings | 2 to 25 |
| Generation Assets | 1 to 50 |

The carrying amount for an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are included in the Consolidated Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the Revaluation Reserve in respect of those assets are transferred to Retained Earnings.

### (g) Intangible assets

i. *Computer Software*

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed five years.

ii. *Research and Development Costs*

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if future benefits are expected to exceed these costs. Otherwise, development expenditure is recognised as an expense in the period in which it is incurred.

### (h) Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired; any impairment is recognised immediately in the Consolidated Statement of Comprehensive Income and is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the related component of the Revaluation Reserve, with any remaining impairment loss expensed in the Consolidated Statement of Comprehensive Income. If the impairment loss is subsequently reversed, the reversal is firstly applied to the Consolidated Statement of Comprehensive Income to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the Revaluation Reserve. For assets which are not revalued, an impairment loss is expensed immediately in the Consolidated Statement of Comprehensive Income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Equity instruments, being shares in subsidiaries, are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the Consolidated Statement of Comprehensive Income.

## 1. Statement of accounting policies continued

### (i) Leased assets

The Group leases certain motor vehicles, plant and equipment, sites, accessways and concessions. At contract inception all contracts are assessed as to whether they contain a lease. That is, if the contract conveys the right to control the use of the identified asset(s) for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-Use Assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use.) Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset, as follows:

| | Years |
|---|---|
| Sites, Accessways and Concessions | 3 to 50 |
| Plant, Equipment and Vehicles | 3 to 10 |
| Electricity Distribution Equipment | 20 to 21 |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use asset is also subject to impairment in accordance with Note 1 (h).

ii. Lease Liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease period. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (IBR) at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Financial Liabilities apportioned into Current and Non-Current terms. (refer Note 23).

iii. Short-term and Lease of Low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.) It also applies the lease of low-value assets recognition to leases of office equipment that are considered to be low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as Lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the Consolidated Statement of Comprehensive Income due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

## 1. Statement of accounting policies continued

### (j) Goods and services tax

Revenues, expenses, cash flows and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expense. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the Consolidated Statement of Cash Flows. The Trust is not registered for GST and therefore all Trust transactions are inclusive of GST.

### (k) Income tax

Income tax expense in relation to the surplus for the year comprises current tax and deferred tax. Current tax is the amount of 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 tax is calculated using rates that have been enacted or substantially enacted by balance date.

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

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

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantially enacted by balance date. Current tax and deferred tax are charged or credited to the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the tax is dealt with in the Consolidated Statement of Changes in Equity.

### (l) Employee benefits

Provisions made in respect of employee benefits expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve months, such as long service, sickness and retiring leave, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date, taking into account years of service, years to entitlement and the likelihood staff will reach the point of entitlement.

### (m) Financial Instruments

The Group classifies its financial assets and liabilities into one of the categories below, depending on the purpose for which the asset was acquired, or the liability was incurred. The Group's accounting policy for each category is as follows:

*i. Cash and Cash Equivalents*
Cash and cash equivalents comprise cash on hand, cash in banks, investments in money market instruments, and bank overdrafts.

*ii. Foreign Currency*
The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Exchange differences are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

## 1. Statement of accounting policies continued

### (m) Financial Instruments continued

iii. *Financial assets at amortised cost*

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position. Cash and cash equivalents include cash in hand, deposits held at call with banks, bonds and other short term highly liquid investments.

Accounts receivable are stated at amortised cost less impairment losses. Impairment provisions for trade receivables are based on the simplified approach within NZ IFRS 9 whereby the probability of the non-payment of the trade receivables is assessed based on an expected credit loss (ECL) approach. Trade receivables are reported net of impairment, provisions for impairment are recorded in a separate provision account with the loss being recognised within cost of sales in the Consolidated Statement of Comprehensive Income. On confirmation that the trade receivable will not be collected, the gross carrying value is written off against this provision. Inter-group balances due from subsidiaries and associates are stated at cost less impairment losses.

*iv. Fair value through Consolidated Statement of Comprehensive Income*

The Group has certain derivatives which are stated at fair value and the movements are recognised in the Consolidated Statement of Comprehensive Income (refer to Note 1(m)(viii)).

Equities and bonds held by the Trust to provide cash flow to support Trust activities are measured at fair value, represented by the quoted price in an active market. Movements in fair value of these investments are recognised in the Consolidated Statement of Comprehensive Income.

*v. Payables*

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at fair value (being cost), and subsequently at amortised cost.

*vi. Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowing using the effective interest rate method.

*vii. Financial instruments issued by the Group*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the Consolidated Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

*viii. Derivative financial instruments*

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and currency swaps. Further details of derivative financial instruments are disclosed in Note 29.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the Consolidated Statement of Comprehensive Income.

## 1. Statement of accounting policies continued

### (n) Basis of consolidation

i. *Subsidiaries*

Subsidiaries are entities controlled by the Group.

The Consolidated Financial Statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Trust (the parent entity) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the Consolidated Financial Statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired, exceeds the cost of acquisition, the difference is credited to the Consolidated Statement of Comprehensive Income in the period of acquisition. The Consolidated Financial Statements include the information and results of each subsidiary from the date on which the Group obtains control and until such time as the Group ceases to control the subsidiary. In preparing the Consolidated Financial Statements, all inter-Group balances and transactions, and unrealised profits arising within the Group are eliminated in full.

In dealing with acquisitions from entities under common control the assets and liabilities of the entity acquired is included at their pre-acquisition carrying amount. Equity of subsidiaries are shown separately in the Consolidated Statement of Financial Position.

### (o) Adoption of new and revised Standards and Interpretation

In the current year, the Group and Parent have adopted all new mandatory and amended standards and interpretations as issued by the External Reporting Board.

*i) IFRIC Agenda Decision on configuration and customization costs associated with SaaS arrangements.*

In April 2021, the International Financial Reporting Interpretations Committee ("IFRIC") issued an agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38). This Interpretation clarifies the accounting treatment in respect of costs of configuring or customizing a supplier's application software in a Software as a Service ("SaaS") arrangement. While such costs may be able to continue to be capitalized in limited circumstances, in many cases the costs will now need to be recognized as an operating expense.

The Group has reviewed its capitalized software costs in the light of the IFRIC decision and has concluded there is no material impact.

*ii) Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

### (p) Adoption of New and Revised Standards and Interpretations – Standards and Interpretations in Issue not yet Effective

No new accounting standards or interpretations have been adopted during the year that have a material impact on these Consolidated Financial Statements.

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| **2. Operating revenue** | | |
| Distribution Revenue | 46,179 | 46,153 |
| Pass-through and Recoverable Cost Revenue | 12,154 | 12,208 |
| Customer Rebates | (6,619) | (8,224) |
| Net Electricity Delivery Services Revenue | 51,714 | 50,137 |
| Capital Contributions Revenue | 5,460 | 5,746 |
| Contracting Revenue | 2,622 | 2,613 |
| Generation Revenue | 1,293 | 825 |
| Interest Revenue | 136 | 178 |
| Dividends | 161 | 146 |
| Gain on sale of Property, Plant & Equipment | 145 | 44 |
| Gain on Purchase of Subsidiary | 53 | - |
| Sundry Revenue | 327 | 164 |
| Operating revenue | 61,911 | 59,853 |
| **Timing of Revenue Recognition** | | |
| Over Time | 53,631 | 51,450 |
| At a Point in Time | 8,280 | 8,403 |
| Operating revenue | 61,911 | 59,853 |
| **3. Other income** | | |
| Fair value movement on investments | 135 | 1,399 |
| | 135 | 1,399 |
| **4. Operating expenses** | | |
| Bad debts written off | 59 | 1 |
| Directors fees and expenses | 391 | 393 |
| Trustees fees and expenses | 151 | 135 |
| Network Operations | 3,276 | 1,869 |
| Employee remuneration and benefits | 6,670 | 7,661 |
| Loss on disposal of property, plant and equipment | 974 | 553 |
| Loss on disposal of investment | - | 47 |
| Operating Lease Costs | 141 | 66 |
| Network Maintenance | 7,367 | 5,706 |
| Generation Production & Operations | 1,164 | 683 |
| Community Relationship Expenses | 730 | 531 |
| Transmission Rental Charges | 11,140 | 10,624 |
| Audit of the Consolidated Financial Statements | 76 | 73 |
| Other Audit Services | 25 | 28 |
| Other | 4,479 | 3,815 |
| Impairment charge/ (reversal) on revaluation | (558) | - |
| Operating Expenses | 36,085 | 32,185 |

Transmission Rental Charges and Operating Lease Costs presented above are net of payments relating to lease liabilities and associated right-of-use assets accounted for under NZ IFRS 16. Such payments are presented within Depreciation and Finance Expenses as appropriate.

## Notes to the financial statements continued

For the year ended 31 March 2022

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| **5. Depreciation and Amortisation** | | |
| Depreciation Expense on Property, Plant & Equipment | 12,788 | 13,474 |
| Amortisation Expense on Intangible Assets | 666 | 832 |
| Amortisation Expense on Right-of-Use Assets | 1,890 | 1,748 |
| | 15,344 | 16,054 |
| **6. Finance expenses** | | |
| Interest Expense on Loans | 1,483 | 1,347 |
| Interest Rate Swaps Fair Value Movement | (1,865) | (890) |
| Interest Expense on Lease Liabilities | 334 | 336 |
| Sundry Finance Expenses | 41 | 11 |
| | (7) | 804 |

### 7. Income taxes

**Income tax expense recognised in profit**

| | | |
|---|---|---|
| Tax expense comprises: | | |
| Current tax expense | 50 | 3,292 |
| Adjustments to Prior Years | (1,409) | 143 |
| Temporary Differences | 2,716 | (220) |
| Total income tax expense recognised in profit | 1,357 | 3,215 |

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

| | | |
|---|---|---|
| Profit before tax | 10,624 | 12,209 |
| Prima facie income tax expense calculated at respective tax rates | 2,973 | 3,359 |
| Other permanent differences | (207) | (1) |
| | 2,766 | 3,358 |
| (Over)/Under Provision in previous year | (1,409) | 143 |
| Total income tax expense recognised in profit | 1,357 | 3,215 |

The tax rates used in the above reconciliation are the trustee tax rate of 33% payable by New Zealand trustees on taxable income, and the company tax rate of 28% payable by New Zealand companies on taxable profits under New Zealand tax law.

**Losses Carried Forward**
The Parent (MainPower Trust) has unrecognised tax losses to carry forward arising from unused imputation credits of $855,783 (2021: $723,571).

**Current tax assets and liabilities**

| | | |
|---|---|---|
| Current Tax Asset | 3,542 | - |
| Current Tax Liability | - | 2,291 |

## 8. Cash and Cash Equivalents

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Current Accounts | 1,124 | 1,232 |
| | 1,124 | 1,232 |

## 9. Trade and other receivables

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Trade receivables and Other Accruals | 5,817 | 6,721 |
| Provision for Doubtful Debts | (131) | (72) |
| Interest receivable | 3 | 1 |
| | 5,689 | 6,650 |

## 10. Inventories

| | | |
|---|---|---|
| Inventory on Hand | 4,888 | 3,422 |

## 11. Other Current Financial Assets

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Distribution Network Self-Insurance Fund Investment | 3,048 | 3,035 |
| Forsyth Barr Portfolio | 255 | 1,192 |
| | 3,303 | 4,227 |

## 12. Other Non-Current Financial Assets

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Forsyth Barr Portfolio | 10,009 | 9,076 |
| | 10,009 | 9,076 |

## 13. Property, plant and equipment

| | Freehold land $000 | Buildings $000 | Electricity distribution network $000 | Plant, equipment, vehicles, furniture & fittings $000 | Generation Assets* $000 | Total $000 |
|---|---|---|---|---|---|---|
| **Consolidated Group** | | | | | | |
| ***Gross carrying amount*** | | | | | | |
| Balance at 31 March 2020 | 4,195 | 17,890 | 296,738 | 13,812 | 15,740 | 348,375 |
| Additions | - | 32 | 16,997 | 902 | 252 | 18,183 |
| Disposals | - | - | (614) | (1,878) | - | (2,492) |
| Revaluations | - | - | - | - | - | - |
| Balance at 31 March 2021 | 4,195 | 17,922 | 313,121 | 12,836 | 15,992 | 364,066 |
| Additions | - | 136 | 25,963 | 787 | - | 26,886 |
| Acquisition of a subsidiary | - | - | - | 10 | - | 10 |
| Disposals | (54) | (207) | (1,816) | (395) | (38) | (2,510) |
| Revaluations | 1,829 | (1,420) | - | - | - | 409 |
| Balance at 31 March 2022 | 5,970 | 16,431 | 337,268 | 13,238 | 15,954 | 388,861 |
| ***Accumulated depreciation and impairment*** | | | | | | |
| Balance at 31 March 2020 | - | 3,576 | 43,430 | 10,722 | 3,664 | 61,392 |
| Disposals | - | - | (167) | (1,525) | - | (1,692) |
| Depreciation expense | - | 513 | 11,978 | 733 | 250 | 13,474 |
| Revaluations | - | - | - | - | - | - |
| Balance at 31 March 2021 | - | 4,089 | 55,241 | 9,930 | 3,914 | 73,174 |
| Disposals | - | (44) | (1,015) | (357) | - | (1,416) |
| Depreciation expense | - | 496 | 11,332 | 721 | 239 | 12,788 |
| Revaluations | - | (4,541) | - | - | - | (4,541) |
| Balance at 31 March 2022 | - | - | 65,558 | 10,294 | 4,153 | 80,005 |
| Net book value at 31 March 2021 | 4,195 | 13,833 | 257,880 | 2,906 | 12,078 | 290,892 |
| **Net book value at 31 March 2022** | **5,970** | **16,431** | **271,710** | **2,944** | **11,801** | **308,856** |

**a) Generation Assets**

Included in the Generation Assets is $9.7m for costs incurred to date in relation to the Mt Cass Wind Farm project. The remainder largely relates to the Cleardale Hydro Station.

**b) Revaluations and impairment review**

**i) Electricity distribution network**

A valuation of the Group's electricity network distribution assets was undertaken by Ernst & Young as at 31 March 2020 using the discounted cashflow (DCF) basis in accordance with NZ IFRS 13 Fair Value Measurement. The Group's electricity network distribution assets were revalued to fair value of $253.36m.

The major assumption in the valuation were reviewed at the reporting date with no changes identified that would have a material impact on the fair value of the assets.

## 13. Property, plant and equipment continued

### ii) Cleardale hydro station

The Group's Cleardale hydro station assets were reviewed for impairment at 31 March 2022. The review concluded that these assets were not impaired.
The major assumptions within the impairment review included:
Weighted average cost of capital 6.79%;
Risk Free rate based on the ten-year Government Stock Yield of 2.29%;
Forecast cashflow, including operating costs and capital expenditure required to maintain the asset at current operating levels.

### iii) Mt Cass Wind Farm project

The Group's Mt Cass assets were reviewed for impairment at 31 March 2022. The review concluded that these assets were not impaired.
The major assumptions within the impairment review included:
Weighted average cost of capital 7.35%;
Risk Free rate based on the ten-year Government Stock Yield of 2.29%;
Forecast cashflow, including operating costs and capital expenditure. Constructions costs have been updated to take into account the worldwide supply chain issues.

### iv) Land and non-substation buildings

The Group's Land and Buildings were revalued to fair value of $22.4m as at 31 March 2022 in accordance with the independent valuation conducted by FordBaker Limited.
The major assumptions within the valuation included:
Yield and rental value, drawing from sales and market rents for similar properties in the greater Christchurch area;
Rental growth rate model using CPI rates over a ten-year term;
Discount rate of 6.75% based on sales evidence;
Terminal yield of 6%

The valuation represents a total increase of $4.95m which has first been applied to reverse the impairment charge in 2019 of $0.6m with the remainder booked to the asset revaluation reserve, less deferred tax.

### v) Other

The Group's Plant, Equipment, Vehicles, Furniture and Fittings are carried at cost less accumulated depreciation.

## 14. Capital Works under construction

| | Freehold Land $000 | Buildings $000 | Electricity Distribution Network $000 | Plant, Equipment, Vehicles, Furniture & Fittings $000 | Generation Assets $000 | Total $000 |
|---|---|---|---|---|---|---|
| Balance at 31 March 2020 | - | - | 6,438 | 154 | 1,986 | 8,578 |
| Additions | - | 32 | 22,934 | 874 | 2,158 | 25,998 |
| Transfers | - | (32) | (16,997) | (902) | (252) | (18,183) |
| | - | - | 5,937 | (28) | 1,906 | 7,815 |
| Balance at 31 March 2021 | - | - | 12,375 | 126 | 3,892 | 16,393 |
| Additions | - | 136 | 28,802 | 855 | 1,828 | 31,621 |
| Transfers | - | (136) | (25,963) | (787) | - | (26,886) |
| | - | - | 2,839 | 68 | 1,828 | 4,735 |
| **Balance at 31 March 2022** | **-** | **-** | **15,214** | **194** | **5,720** | **21,128** |

## 15. Right-of-Use Assets at Present Value

| | Sites, Accessways and Concessions | Plant, Equipment and Vehicles | Electricity Distribution Equipment | Total |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| **Consolidated Group** | | | | |
| ***Gross carrying amount*** | | | | |
| Balance at 31 March 2020 | 236 | 5,330 | 13,594 | 19,160 |
| Additions | 742 | 49 | - | 791 |
| Modifications | - | (16) | (1,790) | (1,806) |
| Disposals | - | - | - | - |
| Balance at 31 March 2021 | 978 | 5,363 | 11,804 | 18,145 |
| Additions | 101 | 269 | - | 370 |
| Modifications | - | (3) | (54) | (57) |
| Disposals | - | (171) | - | (171) |
| Balance at 31 March 2022 | 1,079 | 5,458 | 11,750 | 18,287 |
| ***Accumulated depreciation*** | | | | |
| Balance at 31 March 2020 | 52 | 886 | 965 | 1,903 |
| Depreciation expense | 46 | 965 | 737 | 1,748 |
| Disposals | - | - | - | - |
| Balance at 31 March 2021 | 98 | 1,851 | 1,702 | 3,651 |
| Depreciation expense | 101 | 955 | 834 | 1,890 |
| Disposals | - | (80) | - | (80) |
| Balance at 31 March 2022 | 199 | 2,726 | 2,536 | 5,461 |
| Net book value at 31 March 2021 | 880 | 3,512 | 10,102 | 14,494 |
| **Net book value at 31 March 2022** | **880** | **2,732** | **9,214** | **12,826** |

## 16. Intangible Assets

| | Computer Software $000 | Development Costs $000 | Total $000 |
|---|---|---|---|
| **Gross carrying amount** | | | |
| Balance at 31 March 2020 | 7,248 | - | 7,248 |
| Additions | 952 | - | 952 |
| Disposals | (797) | - | (797) |
| Balance at 31 March 2021 | 7,403 | - | 7,403 |
| Additions | 3 | 711 | 714 |
| Transfers | 204 | (204) | - |
| Disposals | (1,554) | - | (1,554) |
| Balance at 31 March 2022 | 6,056 | 507 | 6,563 |
| **Accumulated amortisation** | | | |
| Balance at 31 March 2020 | 4,285 | - | 4,285 |
| Amortisation expense | 832 | - | 832 |
| Disposals | (797) | - | (797) |
| Balance at 31 March 2021 | 4,327 | - | 4,327 |
| Amortisation expense | 666 | - | 666 |
| Disposals | (1,420) | - | (1,420) |
| Balance at 31 March 2022 | 3,573 | - | 3573 |
| Net book value at 31 March 2021 | 3,076 | - | 3,076 |
| **Net book value at 31 March 2022** | **2,483** | **507** | **2,990** |

## 17. Trade and other payables

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Trade payables | 4,380 | 3,843 |
| Other Accruals | 1,569 | 1,037 |
| Employee Entitlements | 2,531 | 1,995 |
| GST Payable | 185 | 444 |
| | 8,665 | 7,319 |

## 18. Other Current Financial Liabilities

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Lease Liabilities (refer Note 23) | 1,960 | 1,985 |

## 19. Other Non-Current Financial Liabilities

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Redeemable Preference (Rebate) Shares at Cost | 4 | 6 |
| Lease Liabilities (refer Note 23) | 11,219 | 12,712 |
| | 11,223 | 12,718 |

Redeemable preference (rebate) shares confer special rights to participate in a customer rebate scheme, receive notices, attend, and speak, but not vote at any general meetings of MainPower NZ Limited. MainPower Trust holds 16,356 redeemable preference shares. The liability relates to unclaimed redemptions from Qualifying Customers who have left the MainPower Network (40,018 shares of 10 cents each.) 657 redeemable preference shares at 10 cents each were redeemed during the year (2021: 561).

## 20. Deferred Tax Liabilities

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Opening Balance | 43,671 | 43,891 |
| Charged to Profit and Loss: | | |
| - Property, Plant & Equipment | 2,604 | (246) |
| - Intangible Assets | 163 | 76 |
| - Other Temporary Differences | (50) | (50) |
| | 2,717 | (220) |
| Charged to Statement of Comprehensive Income: | | |
| - Property Plant and Equipment | 1,386 | - |
| | 1,386 | - |
| Deferred taxes acquired during business combinations | | |
| - Tax losses | (326) | - |
| | (326) | - |
| Closing Balance | 47,448 | 43,671 |
| *Represented as:* | | |
| Deferred Tax on Property, Plant and Equipment | 48,208 | 44,218 |
| Deferred Tax on Intangible Assets | 281 | 118 |
| Deferred Tax on Other Temporary Differences | (715) | (665) |
| Deferred Tax on tax losses | (326) | - |
| | 47,448 | 43,671 |

## 21. Non-Current Borrowings

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Westpac Term Loan | 35,600 | 22,000 |

The Group has a multi option credit facility with Westpac New Zealand Limited of $65m which is unsecured and subject to a negative pledge arrangement. Tranche A of $30m will expire on 31 December 2022 and tranche B of $15m on 30 June 2024. A new tranche, tranche C, of $20m will expire on 30 June 2024. At 31 March 2022 the Group had drawn down $35.6m from tranches A and B (2021: $22m).

During the year, no interest was capitalised to the Group's Generation or Electricity Distribution Network Assets (2021: Nil).

## 22. Non-current provisions

| | Employee Entitlements $000 |
|---|---|
| Balance at 31 March 2021 | 918 |
| Amounts Utilised | (758) |
| Other Movements | 641 |
| | (117) |
| Balance at 31 March 2022 | 801 |

The provision is an actuarial assessment of entitlements to long service, sick and retirement leave that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken.

The movements in the year comprise of the amounts paid out to employees during the year, a reclassification of vested long service leave to current liabilities, movements caused by reassessment of the actuarial assumptions at the reporting date and increases for estimates in sick leave payable to employees due to continued service.

## 23. Lease Liabilities

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Opening Balance at 1 April | 14,697 | 17,438 |
| Additions | 370 | 779 |
| Modifications | (57) | (1,807) |
| Disposals | (90) | - |
| Accretion of Interest | 334 | 336 |
| Payments | (2,075) | (2,049) |
| Closing Balance as at 31 March | 13,179 | 14,697 |
| *Represented as:* | | |
| Current (refer Note 18) | 1,960 | 1,985 |
| Non-Current (refer Note 19) | 11,219 | 12,712 |
| | 13,179 | 14,697 |

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| **The following amounts are represented in the Statement of Comprehensive Income:** | | |
| Depreciation Expense on Right-to-Use Assets | 1,890 | 1,748 |
| Interest Expense on Lease Liabilities | 334 | 336 |
| Expenses relating to Short-Term Leases | 80 | 16 |
| Expenses relating to Low-Value Leases | 61 | 50 |
| | 2,365 | 2,150 |

### 24. Subsidiaries

Details of the Group's material subsidiaries for the year ended 31 March 2022 are as follows:

| Name of subsidiary | Principal activity | Place of Operation | Ownership Interest and Voting Power 2022 | 2021 |
|---|---|---|---|---|
| MainPower New Zealand Limited | Provision of electricity infrastructure services | New Zealand | 100% | 100% |
| MPNZ Investments Limited | Provision of growth initiatives outside electricity distribution network | New Zealand | 100% | 100% |
| GreenPower New Zealand Limited | Non-Trading 100% Owner of Mt Cass Wind Farm Limited | New Zealand | 100% | 100% |
| Mt Cass Wind Farm Limited | Construction and operation of Wind Turbine Farm | New Zealand | 100%* | 100%* |
| Kakariki Power Limited | Electricity energy sales operations | New Zealand | 80% | - |

*(as 100% owner of GreenPower New Zealand Limited)

#### Acquisition of subsidiary

On 24 February 2022 the Group acquired 64% of the voting shares of Yes Power Limited, an electricity retailer operating in New Zealand. A further 16% was acquired on 16 March 2022. Yes Power Limited was renamed Kakariki Power Limited during the acquisition period.

The Group has elected to measure non-controlling interest at the proportionate share of net assets.

The acquisition resulted in a gain on bargain purchase of $53k which is included in the Operating Revenue of the Group.

### 25. Commitments

The Group was committed to capital expenditure amounting to $1.1m at the reporting date (2021: $3.6m).

The Group is contractually committed to cash outflows relating to several service agreements over the next four years from the reporting date. The total committed operating expenditure for these contracts is $3.7m (2021: $3.5m), including $0.6m in the 12 months from 31 March 2022. The largest commitment is for the provision of cloud-based software services. Such services are not considered SaaS and therefore are not affected by the IFRIC decision described above.

### 26. Related-party transactions

**Group structure**

There were no significant related party transactions within the Group during the period.

No provisions were made for doubtful debts relating to the amount of outstanding balances and no bad or doubtful debts expense was recognized in relation to related parties during the period.

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| **Key Management Personnel Compensation** | | |
| The compensation of the executives, being the key management personnel of MainPower New Zealand Ltd, is set out below: | | |
| Employee Remuneration and Benefits | 2,472 | 2,230 |

Executive staff remuneration comprises salary and other short-term benefits. MainPower executives appointed to the boards of related companies do not receive directors' fees personally.

**Other transactions involving related parties**

During the period, no transactions were entered into with any of the Company Directors other than the payment of Director Fees, and the reimbursement of valid company related expenses such as travel costs to Board meetings.

The Group paid directors' and trustees' fees totaling $376,000 and $144,570 respectively (2021: $376,000 and $128,861).

Key management personnel of the Group purchased sundry goods and services from Group companies during the period. The Group offers all employees and directors the option of joining its electricity retailer, Kakariki Power, and some Key Management Personnel have taken this up. Excluding Kakariki Power all other purchases by Key Management Personnel did not exceed $1,000 for any individual (2021: all less than $1,000). There were no significant outstanding balances with key management personnel at the end of the period (2021: nil). All transactions were conducted on standard commercial terms.

## 27. Contingent Assets and Liabilities

The Group had no significant contingent assets or liabilities as at 31 March 2022 (2021: nil).

## 28. Significant events after balance date

In April 2022 the IRD published a tax policy consultation document on the tax treatment of distribution networks. Submissions on the proposed legislative change were delivered to the IRD on 25 May 2022. MainPower is assessing the potential financial impact of the proposed changes. The Group is not aware of any other significant events between the preparation and authorisation of these Consolidated Financial Statements.

## 29. Financial instruments

The Group has exposure to the following risks in the normal course of the Group's business:

- Liquidity risk
- Interest Rate risk
- Credit risk

The Trustees have overall responsibility for the establishment and oversight of the Trust's risk management framework; while the Board of Directors of MainPower New Zealand Limited have overall responsibility for the establishment and oversight of the risk management framework for the remainder of the Group. The significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed In Note 1.

**Liquidity Risk Management**

Liquidity risk represents the risk that the group may not be able to meet its contractual obligations.

The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its contractual obligations and it has sufficient funding arrangements in place to cover potential shortfalls.

Unsecured multi option credit facility with Westpac New Zealand Limited as at 31 March 2022 matures as follows:
$30m on 31 December 2022
$15m on 30 June 2024
$20m on 30 June 2024

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Amount used at Reporting Date | 35,600 | 22,000 |
| Amount unused at Reporting Date | 29,400 | 23,000 |
| | 65,000 | 45,000 |

*Interest rate risk management*

Interest rate risk is the risk that the value of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group has interest bearing debt which is subject to interest rate variations in the market.

In accordance with the Group's treasury policy, interest rate swaps are used to manage the Group's interest rate exposure on long term floating rate borrowings within the range of 30% and 70% of borrowings. The Group has entered into interest rate swaps with Westpac Bank and annually undertakes a valuation to establish the fair value of those swaps.

Swaps entered into after December 2021 are hedge accounted, meaning that any fair value gain or loss is recognized in the Cash Flow Hedge Reserve through Other Comprehensive Income. Fair value gains or losses on hedges entered into prior to December are recognized through Profit or Loss.

### 29. Financial instruments continued

The following table details outstanding interest rate swaps as at the reporting date.

| Swap maturity dates | Average contracted fixed interest rates % | Notional principal swap amounts 2022 $000 | 2021 $000 | Carrying value asset/ (Liability) 2022 $000 | 2021 $000 |
|---|---|---|---|---|---|
| 31 March 2022 | - | - | 5,000 | - | (231) |
| 29 September 2022 | 4.50 | 5,000 | 5,000 | (59) | (306) |
| 30 June 2023 | 4.72 | 5,000 | 5,000 | (110) | (467) |
| 31 March 2024 | 4.76 | 5,000 | 5,000 | (145) | (609) |
| 31 March 2026 | 3.91 | 7,000 | 7,000 | (136) | (703) |
| 30 June 2025 (future start date) | 2.77 | 5,000 | - | 106 | - |
| 30 December 2025 (future start date) | 2.84 | 5,000 | - | 107 | - |
| 30 June 2025 (future start date) | 2.91 | 5,000 | - | 70 | - |
| | | **37,000** | **27,000** | **(167)** | **(2,316)** |

| **Disclosed as:** | 2022 | 2021 |
|---|---|---|
| Non-Current Assets | 283 | - |
| Current Liabilities | (59) | (231) |
| Non-Current Liabilities | (391) | (2,085) |
| | **(167)** | **(2,316)** |

**Credit Risk Management**
Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group.

The Group manages its exposure to credit risk by:
- Placing cash, short term investments and derivative instruments with registered New Zealand banks with a minimum rating in line with the MainPower New Zealand Limited treasury policy
- Performing credit evaluations on customers requiring credit wherever practical and monitoring credit exposures to individual customers.

| | Group 2022 $000 | Group 2021 $000 |
|---|---|---|
| Cash and Cash Equivalents (refer Note 8) | 1,124 | 1,232 |
| Trade and Other Receivables (refer Note 9) | 5,689 | 6,650 |
| Other Current Financial Assets (refer Note 11) | 3,303 | 4,227 |
| Trade and Other Payables (refer Note 17) | 8,703 | 4,865 |

Deloitte.

# Independent Auditor's Report

**To the Trustees of MainPower Trust**

**Opinion**

We have audited the financial statements of MainPower Trust and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 9 to 31, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2022, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR').

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the other assurance engagement in relation to the Commerce Commission disclosure audit, we have no relationship with or interests in the Trust or any of its subsidiaries, except that partners and employees of our firm deal with the Trust and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Trust and its subsidiaries.

**Other information**

The Trustees are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

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

Our responsibility is to read the other information obtained prior to the date of our audit report, and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

**Trustees' responsibilities for the consolidated financial statements**

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

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

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on at the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7

This description forms part of our auditor's report.

**Restriction on use**

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

Deloitte Limited

Anthony Smith, Partner
For Deloitte Limited
Christchurch, New Zealand
26 July 2022

This audit report relates to the consolidated financial statements of MainPower Trust (the 'Trust') for the year ended 31 March 2022 included on the Trust's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of the Trust's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website. The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report dated 26 July 2022 to confirm the information included in the audited consolidated financial statements presented on this website.

# Requests for Information by beneficiaries

MainPower Trust is a signatory to the ETNZ Guidelines for Access to Information by the Beneficiaries of Electricity Community and Consumer Trusts (the Guidelines). As such, the Trust is required to provide details of requests for information by beneficiaries during the previous year (excluding items referred to in Clause 6.2 of the Guidelines). The Trust is required to provide details of the number of requests received and the cost of processing those requests. It is also required to report on the number of Trust decisions not to supply such information which have been subject to review and the cost and outcomes of such reviews.

There were no requests received in the twelve months to 31 March 2022 for information by beneficiaries other than for items included in Clause 6.2 of the Guidelines. There was therefore no additional cost to the Trust in processing any requests.

There were no instances where information was not disclosed to qualifying customers during the year to 31 March 2022. As a result there were no Trust decisions subject to review and no associated costs.

mainpower
TRUST