

The background of the cover is a scenic landscape. In the foreground, there is a blurred green field. A wire fence runs across the middle ground. Behind the fence, there are rolling hills with patches of yellow and green vegetation. Several utility poles with power lines are visible, stretching across the landscape. The sky is filled with large, white, fluffy clouds, and the overall lighting suggests a bright, sunny day.

MainPower Trust

2023 Annual Report

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(L - R) Richard Allison, Andrew Thompson, Kevin Brookfield (Chair), Gary Walton, Cameron Henderson, Jo Ashby, Allan Berge, Kathy Hansell (Secretary)



Directory

Trustees

Kevin Brookfield
Richard Allison
Jo Ashby
Allan Berge
Cameron Henderson
Andrew Thompson
Gary Walton

Chair
Deputy Chair
Trustee
Trustee
Trustee
Trustee
Trustee

Secretary

Kathy Hansell

Koller & Hassall Limited

Trust Office

267 High Street
PO Box 370,
Rangiora 7440

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 four 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 his wife 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 35 years she has lived in the Waimakariri district.

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.

Meet The Trustees

Cameron Henderson



Cameron was elected to the MainPowerTrust in 2023. Cameron and his family operate two irrigated farms near Oxford. One is home to a 50kw solar farm.

He has been involved in a range of local community groups having served as a president of North Canterbury Federated Farmers, deputy chair of the Waimakariri Zone Committee and current trustee of Waimakariri Landcare Trust.

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 Presbyterian 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 and 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 business and is the Chairman of Loburn Irrigation Company.

Kathy Hansell – Secretary



Kathy is a Chartered Accountant and a Director of Koller & Hassall Ltd in Rangiora. Kathy has been assisting the Trust as Trust Secretary since 2010.

Chair's Report

To the Annual General Meeting Wednesday 23rd August 2023

Welcome to MainPower Trust's 2023 Annual General Meeting.

Again it is my pleasure to introduce you to your Trustees. Myself, Richard, Jo, Andrew, Allan and Gary have been joined by Cameron Henderson. Cameron brings farming and governance experience to sit along side his keen interest and knowledge of the energy sector.

Cameron effectively replaced Quentin de Hamel who decided to stand down after 9 years as a Trustee. Thank you Quentin for your valued contribution to the Trust's work and responsibilities.

There were no changes to the make up of the MainPower New Zealand Board during the financial year ended 31 March 2023. Every year prior to the AGM, the Trustees meet with the directors retiring by rotation to consider their reappointment. The trust has held discussions with Tony King and Stephen Lewis and we were pleased to advise both that they would be reappointed for another 3 years at the AGM. The Trust is mindful that certainty and stability is critical during ongoing negotiations pertaining to the Mt Cass windfarm proposal.

We continue to support the Board's progression of the windfarm decision and in turn the Trust is kept fully informed of all developments. No doubt the Board Chair, Tony King, will have provided an update to all attendees.

The constitution update referenced in the 2021 and 2022 reports has been completed. Thank you to the Board and their legal team for their cooperation. We now have a fit for purpose document fully in line with our Trust Deed.

Trustees continue to support and attend annual conferences provided by Energy Trusts of New Zealand. ETNZ is the national body representing the interests of energy trusts throughout the country. Industry leaders, regulators and MP's provide up to date analysis of our fast moving industry. Richard Allison sits on the ETNZ Board and was recently appointed Chair for the ensuing 12 months. Well done Richard.

To conclude, my personal thanks to our Board, Executive team and all company employees for their efforts over the last 12 months. And to our professional advisors; with particular reference again to the Trusts' secretary, Kathy, who keeps us on the straight and narrow.

Thanks for your attendance and we will see you all in 12 months!



Kevin Brookfield
Trust Chair

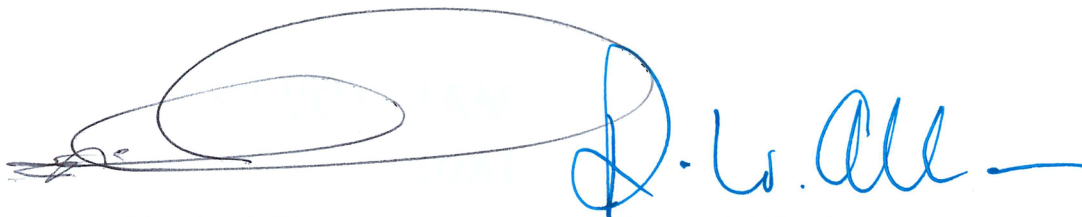
Financial Report 2023

Financial Report 2023

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 2023.

Authorised for issue on 18 July 2023
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 2023

	Notes	Group 2023 \$000	Group 2022 \$000
Operating revenue	2	67,204	61,911
Other income	3	(398)	135
		<hr/>	<hr/>
		66,806	62,046
Operating expenses	4	(35,577)	(36,085)
Depreciation and amortisation	5	(17,537)	(15,344)
Net finance income/(expense)	6	(2,139)	7
		<hr/>	<hr/>
		(55,253)	(51,422)
		<hr/>	<hr/>
Profit before income tax expense		11,553	10,624
Income tax expense	7	(4,261)	(1,357)
		<hr/>	<hr/>
Profit after Income Tax Expense		7,292	9,267
Attributable to:			
Equity holders of the parent		7,296	9,270
Non-controlling interests		(4)	(3)
		<hr/>	<hr/>
		7,292	9,267
Net Gain/(Loss) on cash flow hedges for interest rate swaps		369	283
Gain on Revaluation, Net of Deferred Tax	13	-	3,006
		<hr/>	<hr/>
Total Comprehensive Income		7,661	12,556
Attributable to:			
Equity holders of the parent		7,665	12,559
Non-controlling interests		(4)	(3)
		<hr/>	<hr/>
		7,661	12,556
		<hr/>	<hr/>

MainPower Trust Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	Group 2023 \$000	Group 2022 \$000
Current assets			
Cash and Cash Equivalents	8	1,080	1,124
Trade and Other Receivables	9	6,716	5,689
Inventories	10	7,786	4,888
Prepayments		1,621	1,392
Tax Assets	7	1,676	3,542
Other Current Financial Assets	11	4,328	3,303
Current Interest Rate Swaps	30	6	-
Assets Held for Sale	16	20,593	-
Total Current Assets		43,806	19,938
Non-current assets			
Other Financial Assets	12	8,460	10,009
Property, Plant and Equipment	13	312,218	308,856
Capital Works Under Construction	14	16,736	21,128
Right-of-Use Assets	15	12,084	12,826
Non-Current Interest Rate Swaps	30	832	283
Intangible Assets	17	3,517	2,990
Total Non-Current assets		353,847	356,092
Total Assets		397,653	376,030
Current liabilities			
Trade and Other Payables	18	8,885	8,665
Advances Payable		39	-
Current Interest Rate Swaps	30	-	59
Other Current Financial Liabilities	19	1,765	1,960
Liabilities Directly Associated with Assets Held for Sale	16	2,801	-
Total current liabilities		13,490	10,684
Non-current liabilities			
Other Non-Current Financial Liabilities	20	10,858	11,223
Deferred Tax Liabilities	21	49,812	47,448
Interest Rate Swaps	30	-	391
Non-Current Borrowings	22	45,150	35,600
Non-Current Provisions	23	801	801
Total non-current liabilities		106,621	95,463

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

MainPower Trust Consolidated Statement of Financial Position continued

As at 31 March 2023

	Group 2023 \$000	Group 2022 \$000
	Notes	
Trust Funds		
Retained Earnings	234,057	226,762
Reserves / Gain on Revaluation	43,413	43,044
Total equity attributable to members of the trust	277,470	269,806
Non-Controlling Interest	73	77
Total liabilities and equity	397,653	376,030

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 2023

	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 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
Balance at 31 March 2022		226,762	42,761	77	283	269,883
Profit after Income Tax Expense		7,296	-	(4)	-	7,292
Net Gain/(Loss) on Cash Flow Hedges		-	-	-	369	369
Preference Shares Gifted to Beneficiaries		(1)	-	-	-	(1)
		7,295	-	(4)	369	7,660
Balance at 31 March 2023		234,057	42,761	73	652	277,543

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 2023

	Notes	Group 2023 \$000's	Group 2022 \$000's
Cash flows from operating activities			
Receipts from customers		65,702	62,411
Interest received		200	134
Dividends received		232	162
Payments to suppliers and employees		(37,034)	(36,312)
Interest and other finance costs paid		(2,281)	(1,498)
Income tax (paid)		(19)	(4,474)
Net cash provided by operating activities		26,800	20,423
Cash flows from investing activities			
Proceeds from investment securities		400	300
Payment for investment securities		(274)	(174)
Payment for property, plant and equipment		(32,893)	(31,621)
Proceeds from sale of property, plant and equipment		41	400
Payment for intangible assets		(1,225)	(714)
Acquisition of a Subsidiary		-	(247)
Net cash used in investing activities		(33,951)	(32,056)
Cash flows from financing activities			
Repayment of Lease Liabilities		(2,096)	(2,075)
Advances from Third Party		1,000	-
Advances from Non-controlling Interests		39	-
Proceeds from borrowing		9,550	13,600
Net cash used in financing activities		8,493	11,525
Net increase/(decrease) in cash and cash equivalents		1,342	(108)
Summary			
Cash and cash equivalents at beginning of year		1,124	1,232
Net increase/(decrease) in cash and cash equivalents		1,342	(108)
Cash and cash equivalents at end of year		2,466	1,124
Represented by:			
Cash and bank balances	8	1,080	1,124
Cash and bank balances attributable to held for sale operations	16	1,386	-
Cash and Cash Equivalents at End of Year		2,466	1,124

Notes to the consolidated financial statements

For the year ended 31 March 2023

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 14th March 2023.

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's principal activities are providing electricity distribution services and contracting services for end users of its network.

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 consolidated financial statements continued

For the year ended 31 March 2023

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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

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

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 on a diminishing value basis. Useful lives are generally between three to five years.

Computer software is capitalised only to the extent to which the Group controls the software.

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. Any 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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

1. Statement of accounting policies continued

(h) Impairment of non-financial assets continued

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.

(i) Leased assets

The Group leases certain motor vehicles, plant and equipment, sites, accessways, concessions, and electricity distribution equipment. 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 45
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 24).

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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

1. Statement of accounting policies continued

(i) Leased assets continued

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.

(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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

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 30. 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 depending on the hedge accounting designation of the derivative.

(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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

1. Statement of accounting policies continued

(n) Basis of consolidation continued

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) *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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

	Group 2023 \$000	Group 2022 \$000
2. Operating revenue		
Distribution Revenue	47,602	46,179
Pass-through and Recoverable Cost Revenue	12,991	12,154
Customer Rebates	(4,739)	(6,619)
Net Electricity Delivery Services Revenue	55,854	51,714
Capital Contributions Revenue	6,886	5,460
Contracting Revenue	2,395	2,622
Generation Revenue	1,075	1,293
Interest Revenue	211	136
Dividends	232	161
Gain on sale of Property, Plant & Equipment	22	145
Gain on Purchase of Subsidiary	-	53
Sundry Revenue	529	327
Operating revenue	67,204	61,911
Timing of Revenue Recognition		
Over Time	57,901	53,631
At a Point in Time	9,303	8,280
Operating revenue	67,204	61,911
3. Other income		
Fair value movement on investments	(398)	135
	(398)	135
4. Operating expenses		
Bad debts written off	53	59
Directors fees and expenses	398	391
Trustees fees and expenses	150	151
Network Operations	2,336	3,276
Network Maintenance	6,852	7,367
Employee remuneration and benefits	7,779	6,670
Loss on disposal of property, plant and equipment	524	974
Operating Lease Costs	79	141
Generation Production & Operations	888	1,164
Community Relationship Expenses	772	730
Transmission Rental Charges ¹	10,627	11,140
Audit of the Consolidated Financial Statements	92	76
Other Audit Services ²	25	25
Other	5,002	4,479
Impairment charge/ (reversal) on revaluation	-	(558)
Operating Expenses	35,577	36,085

1. 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.

2. Commerce Commission Information Disclosure audit.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

	Group 2023 \$000	Group 2022 \$000
5. Depreciation and Amortisation		
Depreciation Expense on Property, Plant & Equipment	14,952	12,788
Amortisation Expense on Intangible Assets	697	666
Depreciation Expense on Right-of-Use Assets	1,888	1,890
	<u>17,537</u>	<u>15,344</u>

6. Finance expenses		
Interest Expense on Loans	2,281	1,483
Interest Rate Swaps Fair Value Movement	(637)	(1,865)
Interest Expense on Lease Liabilities	410	334
Sundry Finance Expenses	85	41
	<u>2,139</u>	<u>(7)</u>

7. Income taxes

Income tax expense recognised in profit

Tax expense comprises:

Current tax expense	1126	50
Adjustments to Prior Years	771	(1,409)
Temporary Differences	2,364	2,716
Total income tax expense recognised in profit	<u>4,261</u>	<u>1,357</u>

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	<u>11,557</u>	<u>10,624</u>
Prima facie income tax expense calculated at respective tax rates	3,212	2,973
Other permanent differences	278	(207)
	<u>3,490</u>	<u>2,766</u>
(Over)/Under Provision in previous year	771	(1,409)
Total income tax expense recognised in profit	<u>4,261</u>	<u>1,357</u>

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 \$879,614 (2022: \$855,783).

Current tax assets and liabilities

Current Tax Asset	<u>1,676</u>	<u>3,542</u>
Current Tax Liability	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

8. Cash and Cash Equivalents

	Group 2023 \$000	Group 2022 \$000
Current Accounts	1,080	1,124
	<hr/> 1,080	<hr/> 1,124

9. Trade and other receivables

	Group 2023 \$000	Group 2022 \$000
Trade receivables and Other Accruals	6,848	5,817
Provision for Doubtful Debts	(148)	(131)
Interest receivable	16	3
	<hr/> 6,716	<hr/> 5,689

10. Inventories

Inventory on Hand	<hr/> 7,786	<hr/> 4,888
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11. Other Current Financial Assets

	Group 2023 \$000	Group 2022 \$000
Distribution Network Self-Insurance Fund Investment	3,095	3,048
Forsyth Barr Portfolio	1,233	255
	<hr/> 4,328	<hr/> 3,303

12. Other Non-Current Financial Assets

	Group 2023 \$000	Group 2022 \$000
Forsyth Barr Portfolio	8,460	10,009
	<hr/> 8,460	<hr/> 10,009

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

13. Property, plant and equipment

	Freehold Land	Buildings	Electricity Distribution Network	Plant, Equipment, Vehicles, Furniture & Fittings	Generation Assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Consolidated Group						
Gross carrying amount						
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
Additions	-	222	25,809	607	602	27,240
Disposals	-	-	(723)	(490)	(28)	(1,241)
Classified as Assets Held for Sale (note 16)	-	-	-	-	(8,623)	(8,623)
Balance at 31 March 2023	5,970	16,653	362,354	13,355	7,905	406,237
Accumulated depreciation and impairment						
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
Disposals	-	-	(242)	(462)	-	(704)
Depreciation expense	-	766	13,255	708	223	14,952
Classified as Assets Held for Sale (note 16)	-	-	-	-	(234)	(234)
Balance at 31 March 2023	-	766	78,571	10,540	4,142	94,019
Net book value at 31 March 2022	5,970	16,431	271,710	2,944	11,801	308,856
Net book value at 31 March 2023	5,970	15,887	283,783	2,815	3,763	312,218

a) Generation Assets

Generation assets relating to the Mt Cass wind farm project have been classified as held for sale as at 31 March 2023. Refer to note 16. The balance at 31 March 2023 in Generation Assets largely relates to the Cleardale Hydro Station and solar generation panels.

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 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.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

13. Property, plant and equipment continued

ii) Cleardale hydro station

The Cleardale Hydro Station assets were reviewed for impairment at 31 March 2023. The review concluded that these assets were not impaired.

The major assumptions within the impairment review included:

- Weighted average cost of capital 7.83%;
- Risk Free rate based on the ten-year Government Stock Yield of 4.36%;
- 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 2023. The review concluded that these assets were not impaired.

The major assumptions within the impairment review included:

- Weighted average cost of capital 7.45%;
- Risk Free rate based on the ten-year Government Stock Yield of 4.36%;
- Electricity pricing forecast taking into account expected supply and demand factors;
- Forecast cashflow, including operating costs and capital expenditure. Construction 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 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.

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 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
Additions	-	222	27,230	506	4,935	32,893
Transfers	-	(222)	(25,809)	(607)	(602)	(27,240)
Classified as Assets Held for Sale (note 16)	-	-	-	-	(10,045)	(10,045)
	-	-	1,421	(101)	(5,712)	(4,392)
Balance at 31 March 2023	-	-	16,635	93	8	16,736

Capital Works Under Constructions relating to the Mt Cass wind farm project have been classified as held for sale as at 31 March 2023. Refer to Note 16.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

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 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
Additions	105	285	1,522	1,912
Modifications	-	(8)	-	(8)
Classified as Assets Held for Sale	(758)	-	-	(758)
Balance at 31 March 2023	426	5,735	13,272	19,433
Accumulated depreciation				
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
Depreciation expense	66	943	879	1,888
Disposals	-	-	-	-
Balance at 31 March 2023	265	3,669	3,415	7,349
Net book value at 31 March 2022	880	2,732	9,214	12,826
Net book value at 31 March 2023	161	2,066	9,857	12,084

Right of Use assets relating to the Mt Cass wind farm project have been classified as held for sale. Refer to Note 16.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

16. Assets Held for Sale

In March the Group entered into a Heads of Terms agreement with a third party to set the terms for the sale of 50% of its subsidiary GreenPower New Zealand Limited (GPNZ), the holding company of Mt Cass Wind Farm Limited (MCWFL). Additionally, the terms of the agreement confirm the Group's commitment to sell property, plant and equipment, and the capital work-in-progress to Mt Cass Wind Farm Limited. The sale of shares and of assets was expected to be completed within one year of the reporting date. At 31 March 2023, GPNZ and MCWFL, and the assets held by the Group relating to the Mt Cass wind farm project, were classified as a disposal group held for sale.

The share sale transaction was completed in May 2023. The asset sale is expected to be completed within 12 months of the reporting date.

The Major classes of assets and liabilities classified as held for sale as at 31 March 2023, are as follows:

	Group	Group
	2023	2022
	\$000	\$000
Major Classes of Assets and Liabilities Held for Sale		
Cash	1,386	-
Prepayments	16	-
Property, Plant, and Equipment	8,389	-
Capital Works Under Construction	10,045	-
Right of Use Assets	758	-
Total Assets Held for Sale	20,593	-
<i>Comprised of:</i>		
All Assets Relating to the Subsidiaries GPNZ and MCWFL	11,220	-
Other Assets Held by the Group	9,373	-
	20,593	-
Trade and Other Payables	(1,021)	-
Loan from Third Party	(1,000)	-
Lease Liabilities	(53)	-
Other Non-Current Liabilities	(727)	-
Total Liabilities Relating to Assets Held for Sale	(2,801)	-

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

17. Intangible Assets

	Computer Software \$000	Development Costs \$000	Total \$000
Gross carrying amount			
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
Additions	-	1,225	1,225
Transfers	1,525	(1,525)	-
Disposals	-	-	-
Balance at 31 March 2023	7,581	207	7,788
Accumulated amortisation			
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	-	3,573
Amortisation expense	698	-	698
Disposals	-	-	-
Balance at 31 March 2023	4,271	-	4,271
Net book value at 31 March 2022	2,483	507	2,990
Net book value at 31 March 2023	3,310	207	3,517

18. Trade and other payables

	Group 2023 \$000	Group 2022 \$000
Trade payables	4,944	4,380
Other Accruals	1,301	1,569
Employee Entitlements	2,338	2,531
GST Payable	302	185
	8,885	8,665

19. Other Current Financial Liabilities

	Group 2023 \$000	Group 2022 \$000
Lease Liabilities (refer Note 24)	1,765	1,960

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

20. Other Non-Current Financial Liabilities

	Group 2023 \$000	Group 2022 \$000
Rebate Shares at Cost	6	4
Lease Liabilities (refer Note 24)	10,852	11,219
	<u>10,858</u>	<u>11,223</u>

Rebate shares have a nominal value of 10 cents per share. MainPower Trust holds 14,804 redeemable preference shares with the remainder (40,983) relating to unclaimed redemptions from Qualifying Customers who have left the MainPower Network. 587 rebate shares were redeemed during the year at 10 cents each (2022: 657).

21. Deferred Tax Liabilities

	Group 2023 \$000	Group 2022 \$000
Opening Balance	47,448	43,671
Charged to Profit and Loss:		
- Property, Plant & Equipment	2,330	2,604
- Intangible Assets	225	163
- Other Temporary Differences	(191)	(50)
	<u>2,364</u>	<u>2,717</u>
Charged to Statement of Comprehensive Income:		
- Property Plant and Equipment	-	1,386
	<u>-</u>	<u>1,386</u>
Deferred taxes acquired during business combinations		
- Tax losses	-	(326)
	<u>-</u>	<u>(326)</u>
Closing Balance	<u>49,812</u>	<u>47,448</u>
<i>Represented as:</i>		
Deferred Tax on Property, Plant and Equipment	50,538	48,208
Deferred Tax on Intangible Assets	506	281
Deferred Tax on Other Temporary Differences	(894)	(715)
Deferred Tax on tax losses	(338)	(326)
	<u>49,812</u>	<u>47,448</u>

22. Non-Current Borrowings

Westpac Term Loan	<u>45,150</u>	<u>35,600</u>
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The Group has a multi option credit facility with Westpac New Zealand Limited of \$85m which is unsecured and subject to a negative pledge arrangement. Tranche A of \$30m was renewed in December 2022 and will expire on 16 December 2025, together with a new tranche of \$20m (tranche D).

At 31 March 2023 the group had drawn down \$45.2m from tranches A, B and C (2022: \$35.6m)

During the year, no interest was capitalised to the Group's Generation or Electricity Distribution Network Assets (2022: Nil).

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

23. Non-current provisions

	Employee Entitlements \$000
Balance at 31 March 2022	801
Amounts Utilised	(656)
Other Movements	656
Balance at 31 March 2023	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.

24. Lease Liabilities

	Group 2023 \$000	Group 2022 \$000
Opening Balance at 1 April	13,179	14,697
Additions	1,912	370
Modifications	(8)	(57)
Disposals	-	(90)
Accretion of Interest	410	334
Payments	(2,096)	(2,075)
Liabilities Directly Attributed to Assets Held for Sale (Note 16)	(780)	-
Closing Balance as at 31 March	12,617	13,179
<i>Represented as:</i>		
Current (refer Note 19)	1,765	1,960
Non-Current (refer Note 20)	10,852	11,219
	12,617	13,179

	Group 2023 \$000	Group 2022 \$000
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The following amounts are represented in the Statement of Comprehensive Income:

Depreciation Expense on Right-to-Use Assets	1,888	1,890
Interest Expense on Lease Liabilities	410	334
Expenses relating to Short-Term Leases	22	80
Expenses relating to Low-Value Leases	58	61
	2,378	2,365

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

25. Subsidiaries

Details of the Group's material subsidiaries for the year ended 31 March 2023 are as follows:

Name of subsidiary	Principal activity	Place of Operation	Ownership Interest and Voting Power	
			2023	2022
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%	80%

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

26. Commitments

The Group was committed to capital expenditure amounting to \$5.4m (2022: \$1.1m) at the reporting date of which \$4.1m relates to the Mt Cass wind farm project.

The Group's capital expenditure commitment in relation to the Mt Cass wind farm project was reduced by 50% to \$2.0m on the signing of the sale and purchase agreement as described further in note 29 below.

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 \$3.3m (2022: \$3.7m). The largest commitment is for the provision of cloud-based software services (\$0.9m).

27. 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	Group
2023	2022
\$000	\$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	2,746	2,472
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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, Stephen Lewis as a sole trader has provided services to the Network outside of his commitments as a director. This was invoiced monthly, and the total did not exceed \$1,000 for any individual transactions.

During the period, Brian Wood as a sole trader has provided services to the Group outside of his commitments as a director. This was invoiced monthly, and the total did not exceed \$1,000 for any individual transactions.

The Group may transact on an arm's length basis with companies in which Directors have a disclosed interest. During the period the total did not exceed \$1,000 for any individual transactions.

The Group paid directors' and trustees' fees totaling \$378,000 and \$144,722 respectively (2022: \$376,000 and \$144,570).

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 (2022: all less than \$1,000).

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

Other transactions involving related parties continued

There were no significant outstanding balances with key management personnel at the end of the period (2022: nil). All transactions were conducted on standard commercial terms.

28. Contingent Assets and Liabilities

The Group had no significant contingent assets or liabilities as at 31 March 2023 (2022: nil).

29. Significant events after balance date

In May 2023 the Group entered in a sale and purchase agreement for the sale of 50% of its equity holding in GreenPower New Zealand Limited (GPNZ) effective 1 April 2023. The result of the transactions is the derecognition of GPNZ and Mt Cass Wind Farm Limited (MCWF) as subsidiaries. Refer to note 16 for further details.

30. 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 2023 matures as follows:

\$15m on 30 June 2024

\$20m on 28 March 2025

\$50m on 31 December 2025

	Group 2023 \$000	Group 2022 \$000
Amount used at Reporting Date	45,150	35,600
Amount unused at Reporting Date	39,850	29,400
	<hr/> 85,000	<hr/> 65,000

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 2021 are recognized through Profit or Loss.

Notes to the consolidated financial statements continued

For the year ended 31 March 2023

30. 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		Carrying value asset/ (Liability)	
		2023 \$000	2022 \$000	2023 \$000	2022 \$000
29 September 2022	-	-	5,000	-	(59)
30 June 2023	4.72	5,000	5,000	6	(110)
31 March 2024	4.76	5,000	5,000	27	(145)
31 March 2026	3.91	7,000	7,000	153	(136)
30 June 2025 (future start date)	2.77	5,000	5,000	225	106
30 December 2025 (future start date)	2.84	5,000	5,000	245	107
30 June 2025 (future start date)	2.91	5,000	5,000	182	70
		32,000	37,000	838	(167)

Disclosed as:

Current Assets	6	-
Non-Current Assets	832	283
Current Liabilities	-	(59)
Non-Current Liabilities	-	(391)
	838	(167)

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 2023 \$000	Group 2022 \$000
Cash and Cash Equivalents (refer Note 8)	1,080	1,124
Trade and Other Receivables (refer Note 9)	6,716	5,689
Other Current Financial Assets (refer Note 11)	4,328	3,303
Trade and Other Payables (refer Note 18)	8,885	8,703

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 2023, 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 3 to 27, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2023, 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.

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
18 July 2023

This audit report relates to the consolidated financial statements of MainPower Trust (the 'Trust') for the year ended 31 March 2023 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 18 July 2023 to confirm the information included in the audited consolidated financial statements presented on this website.

Requests for Information by Beneficiaries

MainPowerTrust 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 2023 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 2023. As a result, there were no Trust decisions subject to review and no associated costs.

Notes

Notes

The logo for Mainpower Trust features a stylized icon of three slanted parallel lines above the word "mainpower" in a bold, lowercase, sans-serif font. Below "mainpower" is the word "TRUST" in a smaller, uppercase, sans-serif font.
mainpower
TRUST