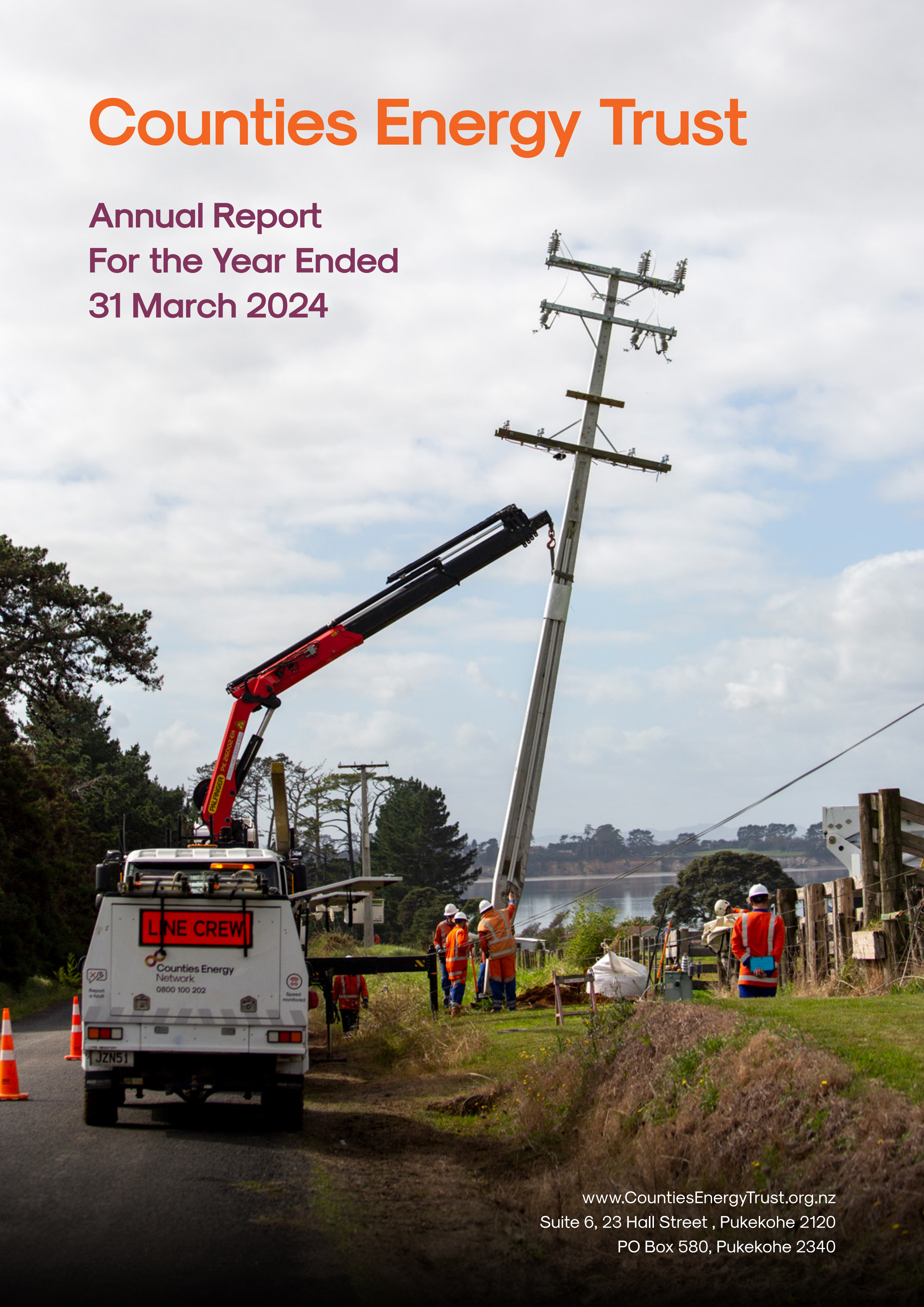
Counties Energy Trust

Annual Report
For the Year Ended
31 March 2024



www.CountiesEnergyTrust.org.nz
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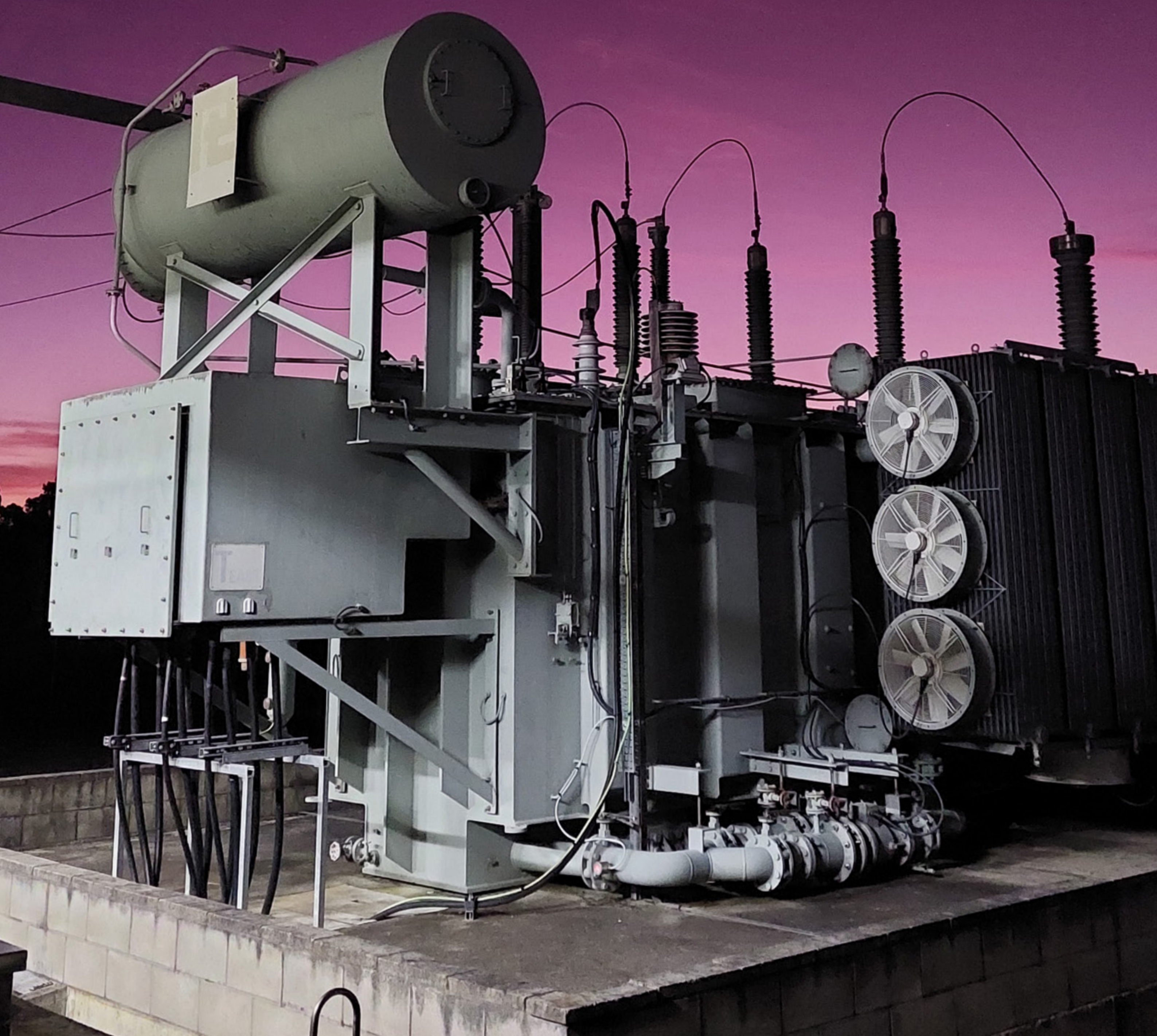

Counties Energy Trust Directory
for the year ended 31 March 2024

Nature of Business

The Trustees have 100% ownership of Counties Energy Limited (the "Company").

The shares of the Company are held in Trust for the users of the Company Lines network, the beneficiaries, also known as consumers, of the Trust.

The Counties Power Trust was constituted on 17 May 1993 by a Trust Deed dated 10 May 1993. By a Deed of Resettlement, dated 14 September 1995, all the assets of the Counties Power Trust were resettled on the Trustees of the Counties Power Consumer Trust.

In August 2021 the Trustees changed the name of the Trust to Counties Energy Trust. The purpose was to align itself with the renaming of the Company – from Counties Power Limited to Counties Energy Limited.

Trustees (L to R): Mike Marr, Christine Rupp (Chair), Don Thomson, Megan Matthews, Alan Eyes.

Christine P. Rupp	(re-elected August 2021)	JP, Post Grad Dip Sc
Phillip S. Beston	(retired August 2023)	Registered Electrician
Alan D. Eyes	(re-elected August 2023)	M Com, Dip Mgt, CA, CMA
Michael J. Marr	(elected August 2021)	Adv Dip Bus, Dip Mgt, Dip Integrated Risk Mgt, Dip Project Mgt
Donald W. Thomson	(stood unopposed August 2019)	Retired Company Director
Megan E. Matthews	(elected August 2023)	Company General Manager

Secretariat Service:	**Red Office Limited**
Solicitor:	**Simpson Grierson**
Bankers:	**ANZ Bank New Zealand Limited** **ASB Bank Limited** **Bank of New Zealand**
Independent Auditor:	**PricewaterhouseCoopers**

Chair's Report
for the year ended 31 March 2024

To the Beneficiaries (Connected Consumers) of Counties Energy Limited:

It is my privilege to present this report on behalf of the Trustees of Counties Energy Trust, for the year ended 31 March 2024.

Highlights:

In March this year, the company celebrated their Centenary – 100 years of providing electricity in our area. This was a fantastic event enjoyed by all those that attended the celebrations and many thanks to those involved at the company for the organisation which was very well appreciated.

Trustees

Five elected Trustees continue to hold 100% of the shares of Counties Energy Limited (the Company), in trust for the present and future Consumers served by the company's lines network, who are the only beneficiaries. At the last biennial election in August 2023, the successful candidates were Alan Eyes, a Trustee since 2002; and Megan Matthews as a new Trustee succeeded Phillip Beston, who had been a Trustee with continuous service since 2007. We acknowledge the contributions Phil made over the years as he always put the consumers first and working in the electricity area, had a first-hand knowledge of any issues. Megan has brought a fresh perspective with her electricity and marketing knowledge and was appointed to the Mana Wahine Steering Committee in February this year.

Meetings

During the financial year ended 31 March 2024 there were 19 scheduled meetings held: including

14 Trustee meetings, the Company's AGM (July), the Trust's AGM (August), various meetings with Company Directors as well as combined Company / Trust workshop and strategy meetings.

In addition to the scheduled meetings, the Chair, Secretary and one or more Trustees and/or Directors held other meetings and had discussions on numerous occasions to give attention to particular matters.

The past Board Chair, Vern Dark, retired after our AGM in August 2023. The Trust gratefully acknowledges that the Company's Chair, Directors and Management have been readily available for consultation.

Professional Development

- The Trust is a member of Energy Trusts of New Zealand Inc. www.etnz.org.nz the national organization for energy trusts, who provide support and guidelines to promote the best outcomes for the people and regions the trusts serve. Trustees attend the ETNZ conferences held in May and November each year, which are opportunities to share knowledge and to hear from key stakeholders involved in the energy sector. I was reappointed Deputy Chair of ETNZ.
- Downstream Conference is the energy sector's annual strategic forum, and this was held in March which I attended.

10 Yearly Ownership Review and amendment to the Trust Deed's definition of the term 'Beneficiaries':

The Trustees consulted with beneficiaries during the period 29th September to 8th December 2023 as to:

1. a proposed change to the term 'Beneficiaries' to exclude embedded network consumers; and
2. a review of the best option for the future ownership of the Trust's assets.

There were no submissions received. The Trustees unanimously resolved on 13 February 2024 to amend the definition of 'Beneficiaries' in the Trust Deed and to retain 100% ownership of the Trust's assets (including all of the Company's shares) and to issue the formal Ownership Review report.

Chair's Report (continued)
for the year ended 31 March 2024

The Trust's Foundation and the Trust Deed

The Annual Report is an appropriate vehicle to re-state the foundation of the Trust. Beneficiaries of the Trust are, in general terms, those persons who have premises directly connected to the Counties Energy Network. More specifically, a beneficiary of the Trust is a person which includes individuals, corporations, partnerships, joint ventures, associations, trusts, organisations, government departments and local authorities. Below is the amended definition of the term 'Beneficiaries' as in the 13 February 2024 amended and restated Trust Deed:

''Beneficiaries (hereinafter referred to as the "Consumer" or "Consumers") means all persons who, at a date designated by the Trustees from time to time are able to establish to the Trustees' satisfaction that they purchase electricity conveyed through the electricity distribution network owned or managed by the Company at a point of connection in the District, but does not include embedded network consumers.

The definitions of an embedded network and an embedded network consumer is explained in the definitions section of the Trust Deed available on the website. Link to Trust Documents

Ownership of the Trust's assets including the shares in Counties Energy Limited

Between them, the Trustees hold 100% of shares in Counties Energy Limited in trust. Under this form of ownership only the Trustees can sell the shares. The advantage to you as a connected consumer is that the company is directed and managed so that you may receive the benefits.

Compare this with a private ownership structure (as occurs with some lines network companies in New Zealand) whereby the companies are managed so as to maximise profits for their owners, who frequently are from outside the region or even overseas.

Trust ownership of our network company therefore ensures the economic benefits remain in our area.

Trustees' Functions

As the holders of all the shares in Counties Energy Limited, Trustees have an important role:-

1. The Trustees appoint and remove the Directors of Counties Energy Limited;
2. The Trustees monitor the performance of the Company;
3. The Trustees participate in the direction of the Company by commenting on the annual Statement of Corporate Intent as it is developed. They also review (and report) on the performance of the Company against the previous years' Statements of Corporate Intent;
4. The Trustees are required by law to act as diligent shareholders. This duty includes being fully aware of the strategic long-term likely value of the Company to its consumers. Taking this into account, Trustees exercise their voting powers in respect of any matters proposed by the Company which affect either the level of the shareholding or which propose modifications of the rights of the shareholders.

   Examples of the Trustees acting as diligent shareholders include:-

   - At intervals of no more than 10 years, prepare an Ownership Review report considering options for the future ownership of the Trust's assets including the Company's shares. This report was issued in February this year.
   - Decide upon any Company recommendations to alter the capital structure of the Company;
   - Review and monitor the performance of Counties Energy Limited on a quarterly basis.
5. The Trustees attend to the management of Trust affairs through monthly meetings and the engagement of a Secretariat service as primary adviser; and
6. The Trustees must prudently seek out independent qualified advice in regard of major issues.

In exercising these powers, the Trustees are required by law to hold the interests of the consumers paramount over the interests of other parties.

The Trustees have no power, no authority and no discretion to participate in the management of the Company, but require accountability from the Board who collectively is responsible for Governance of the Company.

Chair's Report (continued)
for the year ended 31 March 2024

Performance Measures of Counties Energy Limited

Under section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent.

The Company, with the support of Trustees, granted discounts of $12.9 million (including GST) in the December calendar year just passed. (The previous year saw $12.7 million returned to consumers).

The growth in the Franklin area has seen a further increase in the number of consumers to approximately 48,480 as at 31 March 2024, with an average of 48,147[1] during the year. (2023: 47,610 av. 46,963) with a result that the average annual discount received, per connection, was approximately $268 (2023: $270).

It is considered that discounts are the most cost-effective means of providing returns to the beneficiaries. Beneficiaries may wish to take notice that such discounts can only be provided whilst the shares of the company remain in Trust ownership. If the Trust is ever wound up or its shareholding is diluted, a new form of ownership would be established and such distributions would cease.

The financial performance of Counties Energy Ltd and the Counties Energy Trust for the year ended

31 March 2024 is set out in the accompanying consolidated financial statements.

Strategic Considerations

Each month the Chair and CE of the Company meet with the Trust Chair and another Trustee, to review and discuss key aspects of the Company's performance.

The Management team, led by Judy Nicholl, has added great value to the Company this past year. Trustees congratulate Management and the Board of the Company, led by Keith Watson, for their success.

An operating lease between Trust (Lessor) and the Company (Lessee) was put in place in 2021 for property the Trust bought at 17 Nelson Street. The Trust received $337,965 in lease payments from the Company for the period 1 April 2023 – 31 March 2024 (2023: $241,425 for the period 1 July 2022 – 31 March 2023).

Emerging technologies – solar, battery storage, electric vehicles, smart meters and smart grids – will revolutionise the electricity industry. The unknowns are how quickly these technologies will reach critical mass from a commercial perspective and how they will combine. These factors, coupled with the unprecedented consumer growth occurring in the Counties Energy supply area, makes the Franklin area probably the most exciting and challenging in the country from an electricity distribution perspective.

This growth and development continues to place increasing demands on the electricity distribution side of the business and Trustees are fully aware that this is core business and will be continuing to ensure that consumers' interests are looked after and protected.

As in past years, the Trust takes an active interest in considering broader industry and ownership issues including through the forum of the Energy Trusts of New Zealand (ETNZ).

Trust Finances

The Trust's finances are represented in the 'Parent Trust' column within the consolidated financial statements.

Although the Company has its energy efficiency and hardship programmes, the Trust purchased energy efficient LED ecobulbs at a cost of $4,164 (+GST) as giveaways for consumers attending at the Franklin A&P Show in February 2024. This was an opportunity for trustees to talk to consumers and invite them to this AGM. Trustees also assisted on the Company's stall at the December Christmas In the Park in Pukekohe.

Directors of Counties Energy Limited

The Directors of Counties Energy Limited at 31 March 2024 were Messrs Keith Watson (Chair), Hamish Stevens (Deputy Chair), David Tompkins, Jonathan Kay and Ben Iosefa.

The Trustees would like to thank and acknowledge their forward thinking and contributions.

[1] Average number of connection points used in Commerce Commission disclosure reporting for the year.

Chair's Report (continued)
for the year ended 31 March 2024

Information for Consumers

Information is available to view and download from the Trust's website: www.CountiesEnergyTrust.org.nz and the following documents and reports are available on the Trust's website.

1. Trust Deed
2. Beneficiary Guidelines for access to information
3. 10-Yearly Ownership review
4. Statement of Corporate Intent
5. The audited Consolidated Financial Statements

The Trust wishes to promote the value of Consumer ownership and to engage with it's Consumers.

The Trust provides regular news highlights of it's recent activities that either affect or benefit it's Consumers. The Trust will continue to seek engagement with its Consumers in a variety of ways, including collaborative opportunities with the Company.

With the exception of Consumer connection, discount or election enquiries, there have otherwise been no formal requests made by beneficiaries for information during the year.

Conclusion

Your Trustees will continue to monitor the investment in Counties Energy Limited.

The mutual objectives we share with the Chairman and Directors of the Company will continue, as we strive for the best outcomes for consumers of Counties Energy Limited.

The major asset of the Trust, Counties Energy Limited, has been governed by the Directors and managed by its executive. Thanks are accorded them and the staff who carry out the day to day functions of the business. In particular, I pay tribute to Mr Vern Dark for his contribution to the Company as past Chairman and Keith Watson as the current Chairman.

I thank my fellow Trustees for their contributions to the various matters considered during the year regarding the Trust. Lastly to our very efficient Secretary, Sheena O'Flaherty, for her devotion to providing an excellent service during the year under the umbrella of Red Office Ltd here in Pukekohe.

Christine Rupp
Chair
21 August 2024

Trustees' Statement
for the year ended 31 March 2024

Scheduled Trustee Meetings and Attendance

	Formal Meetings Held	Attendance
Christine P. Rupp	19	19
Phillip S. Beston (retired 22 August 2023)	10	9
Alan D. Eyes	19	16
Michael J. Marr	19	18
Megan E. Matthews (commenced 22 August 2023)	9	9
Donald W. Thomson	19	19

Professional Development

	Professional Development Meetings Attended
Christine P. Rupp	14
Phillip S. Beston	7
Alan D. Eyes	6
Michael J. Marr	3
Megan E. Matthews	3
Donald W. Thomson	6

Remuneration

Trustees' total remuneration received during the year

	31 March 2024 $	31 March 2023 $
Christine P. Rupp (Chair)	47,433	44,380
Phillip S. Beston	10,223	24,190
Alan D. Eyes	24,742	23,590
Michael J. Marr	24,992	23,290
Megan E. Matthews	15,743	–
Donald W. Thomson	26,267	23,590
Total for the year ended 31 March	**149,400**	**139,040**

Employees

The Trust is not an employer. Secretarial services are provided by Red Office Limited who are engaged to carry out the administrative tasks of the Trust.

Trustee Insurance

The Trust Deed indemnifies its Trustees and Officers against any losses or liabilities which arise out of their normal duties as Trustees and Officers, unless the loss or liability relates to dishonesty or breach of trust.

To manage this risk, the Trust carries Trustee Liability Insurance.

Statements of Comprehensive Income for the year ended 31 March 2024

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Gross revenue from continuing operations	5	**169,417**	–	**171,043**	–
Less Customer discount	5	(11,219)	–	(11,064)	–
Net revenue from continuing operations		**158,198**	**–**	**159,979**	**–**
Other income and gains	6	211	754	275	1,679
Expenses, excluding finance costs	7	(127,703)	(555)	(130,225)	(386)
Finance costs	7	(10,098)	(1)	(6,205)	(39)
Net profit (Loss) before income tax		**20,608**	**198**	**23,824**	**1,254**
Income tax credit/(expense)	8	(12,829)	–	(6,928)	–
Net Profit for the year after income tax		**7,779**	**198**	**16,896**	**1,254**
Net profit for the year is attributable to:					
Beneficiaries of Counties Energy Trust		7,779	198	16,896	1,254
Net profit for the year		**7,779**	**198**	**16,896**	**1,254**
Items that may be subsequently reclassified to profit:					
Cash flow hedges – net of tax		(673)	–	806	–
Items that will not be reclassified to profit:					
Gain on the revaluation of land and buildings	13	–	–	4,464	–
Deferred tax on revaluation of land and buildings	9	–	–	586	–
Items that will not be reclassified to profit		**–**	**–**	**5,050**	**–**
Total comprehensive income for the year		**7,106**	**198**	**22,752**	**1,254**
Total comprehensive income for the year is attributable to:					
Beneficiaries of Counties Energy Trust		7,106	198	22,752	1,254
Total comprehensive income for the year		**7,106**	**198**	**22,752**	**1,254**

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

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Statements of Changes in Equity for the year ended 31 March 2024

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Opening balance as at 1 April		**315,967**	**36,246**	**293,215**	**34,992**
Profit for the year		7,779	198	16,896	1,254
Other comprehensive income		(673)	–	806	–
Revaluation of land and buildings		–	–	5,050	–
Purchase of non-controlling interest		–	–	(6,775)	–
Total comprehensive income		**7,106**	**198**	**15,977**	**1,254**
Transactions with owners in their capacity as owners:					
– Put option arrangement	2(x)	–	–	6,775	–
Closing balance as at 31 March		**323,073**	**36,444**	**315,967**	**36,246**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Financial Position
for the year ended 31 March 2024

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	10	7,211	176	4,677	188
Short term investments		302	302	100	100
Trade and other receivables	11	18,715	18	19,937	14
Inventories	12	5,679	–	7,744	–
Tax receivable		217	–	1,130	–
Derivative financial instruments		1,402	–		
Total current assets		**33,526**	**496**	**33,588**	**302**
NON-CURRENT ASSETS					
Property, plant and equipment	13	544,182	5,181	498,390	5,184
Intangible assets	14	30,389	1	30,347	2
Right of use assets	24	10,194	38	11,688	20
Derivative financial instruments	15	562	–	2,899	–
Investment in subsidiary		–	30,797	–	30,797
Total non-current assets		**585,327**	**36,017**	**543,324**	**36,003**
Total assets		**618,853**	**36,513**	**576,912**	**36,305**
LIABILITIES					
CURRENT LIABILITIES					
Borrowings	18	400	–	15,600	–
Trade and other payables	16	21,435	36	29,132	45
Employee benefits	17	4,642	–	5,158	–
Lease liabilities	24,27	2,359	18	2,377	14
Deferred income	4 (ii)	1,189	–	648	–
Total current liabilities		**30,025**	**54**	**52,915**	**59**
NON-CURRENT LIABILITIES					
Deferred tax liabilities	9	73,966	–	62,407	–
Borrowings	18	183,067	–	135,567	–
Lease liabilities	24, 27	8,722	15	10,056	–
Total non-current liabilities		**265,755**	**15**	**208,030**	**–**
Total liabilities		**295,780**	**69**	**260,945**	**59**
Net assets		**323,073**	**36,444**	**315,967**	**36,246**
EQUITY					
Trust funds	20	30,797	30,797	30,797	30,797
Retained earnings	21	259,654	5,647	251,875	5,449
Cash flow hedge reserve	21	1,414	–	2,087	–
Revaluation reserve	21	31,208	–	31,208	–
Total equity attributable to the owners		**323,073**	**36,444**	**315,967**	**36,246**
Total equity		**323,073**	**36,444**	**315,967**	**36,246**

Christine P. Rupp
Chair
21 August 2024

Donald W. Thomson
Trustee
21 August 2024

Statements of Cash Flows
for the year ended 31 March 2024

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		159,352	389	158,677	277
Payments to suppliers and employees		(99,277)	(603)	(96,051)	(377)
Net GST (paid) / received		(6,053)	10	(5,271)	6
Dividend received		–	400	–	1,433
Interest received		170	15	2	2
Interest paid		(10,374)	–	(6,430)	(37)
RWT & income taxes paid		(95)	–	(1,573)	–
Net cash inflows from operating activities	23	**43,723**	**211**	**49,354**	**1,304**
CASH FLOWS FROM INVESTING ACTIVITIES					
(Purchases of)/proceeds from short term investments		(203)	(203)	(100)	(100)
Proceeds from sale of property, plant &equipment		505	–	348	–
Purchases of property, plant and equipment		(66,775)	–	(72,051)	–
Purchases of intangible assets-computer software		(4,270)	–	(2,845)	–
Purchase of right of use assets		–	–	11	–
Acquisition of non-controlling interest		–	–	(6,775)	–
Net cash (outflow) from investing activities		**(70,743)**	**(203)**	**(81,412)**	**(100)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of borrowings		48,000	–	59,000	–
Repayment of borrowings		(15,700)	–	(21,033)	–
Repayment of related party loan		–	–	–	(1,133)
Lease repayments		(2,746)	(20)	(2,303)	(19)
Net cash (outflows)/inflow from financing activities		**29,554**	**(20)**	**35,664**	**(1,152)**
Net (decrease)/increase in cash and cash equivalents		2,534	(12)	3,606	52
Cash and cash equivalents at the beginning of the year		4,677	188	1,071	136
Cash and cash equivalents at end of the year		**7,211**	**176**	**4,677**	**188**

Notes to (and forming part of) the Financial Statements for the year ended 31 March 2024

1. General Information

Entities Reporting
Counties Power Trust was constituted on 17 May 1993 by a Trust Deed dated 10 May 1993 and resettled on 14 September 1995 as Counties Power Consumer Trust.

In August 2021 the Trust changed the name of the Trust to Counties Energy Trust ("the Trust") to align itself with the renaming of the Company, from Counties Power Limited to Counties Energy Limited ("the Company").

Counties Energy Limited owns and operates an electricity distribution network for the conveyance of electricity, supplies electrical equipment, and provides electrical contracting services in the Counties region of New Zealand. The Company, its subsidiaries and joint arrangements, are designated as a profit oriented entity for financial reporting purposes.

ECL Group Limited, a subsidiary, is a leading technical services company specialising in fuel systems and technology solutions in New Zealand. The Company is an unlisted limited liability Company incorporated and domiciled in New Zealand. The address of its registered office is 14 Glasgow Road, Pukekohe.

These financial statements are for the year ended 31 March 2024. The financial statements for the "Parent Trust" are those of the Trust. The Trust is designated as a profit oriented entity for financial reporting purposes.

The consolidated financial statements for the "Group" are for the economic entity comprising the Trust and its wholly owned subsidiary, Counties Energy Limited. For the purposes of complying with NZ GAAP, the Group is designated as a for-profit entity.

The authorisation and distribution of the financial statements will be ratified by the Trustees for issue on 21 August 2024.

2. Summary of material accounting policies

The principal accounting policies adopted in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with New Zealand generally accepted accounting practice ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable New Zealand Financial Reporting Standards as appropriate for profit-oriented entities. The consolidated financial statements also comply with International Financial Reporting Standards Accounting Standards ('IFRS Accounting Standards').

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Trust and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in note 4.

Statutory base
The consolidated financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992, Financial Reporting Act 2013 and the New Zealand Companies Act 1993.

Historical cost convention
The consolidated financial statements are prepared under the historical cost convention, and where appropriate, modified by the revaluation of financial assets and liabilities and certain classes of property, plant and equipment.

2. Summary of material accounting policies *(continued)*

(b) Basis for consolidation

All material transactions between the Trust and its wholly owned subsidiary are eliminated on consolidation. The Trust's investment in the subsidiaries is stated at cost. Accounting policies for the Group's entities have been changed where necessary to ensure consistency across the Group.

As the consolidated and separate financial statements of the parent Trust present both the Group and individual Trust balances, there is no requirement to also present a separate set of financial statements for the Trust.

(c) Foreign currency translation

Functional and presentation currency

Items included in the consolidated and separate financial statements of the Trust and Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand dollars, which is the Trust and Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated and Separate Statement of Comprehensive Income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services (including lines charges) provided in the normal course of business, net of consumer discounts and Goods and Services Tax. Consumer discounts are annual power account discounts returned to consumers and recognised when paid.

The Trust and Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Trust and Group's activities as described below.

i) Lines revenue

The Group provides lines services to customers allowing connection to the wider distribution network.

Such services are recognised as a series of distinct goods or services and are one performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits of the service. Revenue is recognised as the service is being provided using an output method based on the actual delivery services provided on a daily basis. Customer discounts represents the annual power discounts returned to the consumers and recognised when paid.

Pricing includes a transmission and distribution charge relating to the operation of the network. Payment is due in respect of the network line service in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

As the delivery services are a promise to transfer a series of distinct services that are substantially the same, revenue is recognised based on a measure of progress for the single performance obligation that best depicts the transfer of services to the customer. It is therefore appropriate for revenue to be recognised in line with billing, as this best reflects the transfer of value to the customer. Revenue will be recognised over time.

ii) Metering Revenue

Revenue received from the rental of meters is recognised in accordance with the relevant agreements.

iii) Capital Contributions Revenue

The Group provides electrical connection services to customers to support and provide a connection to the wider distribution network. Such contracts are considered to have an enforceable right to payment for the performance obligation for key milestones achieved. This single performance obligation is satisfied over time.

Pricing is determined with reference to the time and material associated with a specific contract for electrical work and is based on the level of cost required to enable a connection.

Notes to (and forming part of) the Financial Statements for the year ended 31 March 2024

2. Summary of material accounting policies *(continued)*

iv) Interest income

Interest income is recognised using the effective interest method.

The Trust and Group recognise interest when received. Interest on any unexpired investment at the end of the reporting period is accrued at the rate of the particular investment.

v) Dividend income

Dividends are recognised when received or receivable excluding imputation credits attached to that dividend.

vi) Rental income

Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

vii) Sales of Goods

Revenue from sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on shipment of goods to the customer.

viii) Sales of Services

Contracted maintenance services include preventative maintenance (e.g. periodic inspections), corrective maintenance (e.g. repair / replacement of components on an 'as needed' basis) and customer service support (e.g. help line access).

The contract duration is typically 1-5 years and revenue is recognised over time as service is rendered. The customer pays a fixed amount over the contract term in accordance with the payment frequency specified in the contract.

ix) Financing Components

The Trust and the Group do not expect to have any significant contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Trust and the Group do not adjust any of the transaction prices for the time value of money as this is considered to not have a material impact.

x) Contract Revenue and Contract Costs

The Group provides contracting services to customers ancillary to its electricity distribution business. Such contracts have an enforceable right to payment for the performance obligation for key milestones specified in the agreement. There is one single performance obligation and it is satisfied over a period of time.

Pricing is determined with reference to the labour and material associated with a specific job. Payment is due in respect of contracting services in the month following the service being provided. A receivable is recognised by the Group reflecting the amount owing for services provided.

2. Summary of material accounting policies *(continued)*

Contract revenue is recognised over the period of the contract by reference to stage of completion. The construction contract accounting policy requires estimates to be made of the outcome under each contract, which requires assessments and judgments to be made on a range of factors, such as: recovery of pre-contract costs, changes in the scope of work, contract programmes, maintenance and defect liabilities, and changes in costs.

The Group uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

Contract costs are recognised as an expense by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that the contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is only recognised to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

On the balance sheet the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where the costs incurred plus recognised profit (less recognised costs), exceed progress billings; a contract represents a liability where the opposite is the case.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer, conditioned on something other than the passage of time, if the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due.

A contract asset is recognised for the earned consideration that is conditional. The contract assets of the Group include retentions relating to services already preformed, but where the right to consideration is dependent on acceptance by the customer. These balances were classified as part of trade receivables in the Consolidated Statement of Financial Position.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services, a contract liability is recognised. Contract liabilities are recognised as revenue when the Group performs under the contract. These balances were represented as deferred income in the Consolidated Statement of Financial Position.

Notes to (and forming part of) the Financial Statements for the year ended 31 March 2024

2. Summary of material accounting policies *(continued)*

(e) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated and separate financial statements.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability.

No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(f) Goods and Services Tax (GST)

The Group's Statement of Comprehensive Income is prepared so that all components are stated exclusive of GST. All items in the Consolidated and Separate Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are shown within borrowings in current liabilities in the Consolidated and Separate Statement of Financial Position.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. The Trust and the Group recognise lifetime expected credit loss for trade receivables (see details in Note 3 [b]).

(j) Inventories

Merchandise, raw materials and consumables are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on a first-in-first-out basis.

2. Summary of material accounting policies *(continued)*

(k) Property, plant and equipment

Land, buildings and distribution assets are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation and any impairment losses (excluding land).

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. At the end of each reporting period, between the triennial period and the valuation, a review is undertaken to ensure that the carrying value of the distribution network is recorded at fair value.

All other property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated and Separate Statement of Comprehensive Income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land, buildings and distribution assets are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss.

Decreases that reverse previous increases of the same assets are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged against profit or loss.

When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

Land is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using either straight-line (SL) or the diminishing value (DV) method.

The following estimated useful lives are used in the calculation of depreciation.

Distribution system	5–60 years SL/DV
Buildings	40–100 years SL/DV
Leasehold improvements	1–40 years SL/DV
Meters and relays	10–15 years SL/DV
Plant and vehicles	1–15 years SL/DV
Fibre network	10–11 years SL/DV

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period and adjusted if appropriate.

An asset's carrying amount 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 the carrying amount. These are included in the Consolidated and Separate Statement of Comprehensive Income.

2. Summary of material accounting policies *(continued)*

(l) Intangible assets

Computer software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a diminishing-value basis (one to seven years). Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

Brands

Brands acquired in a business combination are recognised at fair value at the acquisition date. They have an infinite useful life and are tested for impairment on an annual basis.

Customer contracts

The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis according to the timing of projected cash flows of the contracts over their estimated useful lives (10 years).

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of a business is included in intangible assets.

Goodwill acquired on business combination is not amortised. Instead, goodwill is tested for impairment on an annual basis or more frequently if events or changes in circumstances indicate that it may be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units of groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(m) Leases

Leases are accounted for in accordance with NZIFRS 16 Leases. The Trust and the Group recognise the right of use assets and lease liabilities, except for the leases with a lease term of less than 12 months on adoption and low value leases. Right of use assets are depreciated on a straight-line basis over the remaining term of the leases. Interest on the leases are calculated using the Trust and the Group's incremental borrowing rates. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(n) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Trust and the Group prior to the end of a financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The Trust and the Group have defined the threshold for capitalising interest as being any assets taking longer than three months to construct, or greater than $500,000.

All other borrowing costs are recognised in the Consolidated and Separate Statement of Comprehensive Income in the period in which they are incurred.

2. Summary of material accounting policies *(continued)*

(p) Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Trust and the Group's accounting policy for borrowing costs.

Borrowings are classified as current liabilities unless the Trust and the Group have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(q) Provisions

Provisions are recognised when the Trust and the Group have a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the provision can be measured reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at balance date, and are discounted to present value where the effect is material.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the effective interest method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

Retirement benefit obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where this is a past practice that has created a constructive obligation.

Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(a) when the Group can no longer withdraw the offer of those benefits; and

(b) when the entity recognises costs for a restructuring that is within the scope of NZ IAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

(s) Trust Funds

Ordinary shares are classified as equity.

2. Summary of material accounting policies *(continued)*

(t) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at reporting date.

(u) Financial Assets

The Trust and the Group classify their financial assets in the following categories in accordance with NZ IFRS 9 Financial Instruments: assets at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The classification of financial assets under NZ IFRS 9 is generally based on the business model in which the financial assets are managed and upon its contractual cash flows characteristics.

On initial recognition a financial asset is classified as measured at amortised cost, FVOCI and FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Trust and the Group change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- if it is held with the objective to collect contractual cash flows; and
- it's contractual terms give rise on specified dates to cash flows that are solely for the payments of principal and interest on the principal amount being outstanding.

On initial recognition of an equity investment that is not held for trading, the Trust and the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

(v) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised as a financing cost in profit or loss immediately unless the derivative is designated and effective as a hedge instrument, in which event timing of the recognition in profit or loss depends on the nature of the hedge relationship. Derivatives are classified as current or non-current based on the effective date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Comprehensive Income within 'other income and gains'.

Amounts accumulated in equity are reclassified to profit and loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Comprehensive Income within 'other income and gains.'

2. Summary of material accounting policies *(continued)*

(w) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interest issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

For the non-controlling interests, the Group elected to recognise its proportionate share of the acquired net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets of the business acquired, the difference is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

3. Financial risk management

Financial risk factors
The Trust and the Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Trust and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Trust and the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Trust and the Group manages exposure in forecasted foreign currency exposure arising out of the capital expenditure programme in accordance with its treasury policy. The Trust and the Group treasury risk management policy is to hedge up to 100% of anticipated cash flows, in each major foreign currency for the subsequent 12 months. In this respect, the Trust and the Group have hedged the forecasted foreign currency exposure arising out of the capital expenditure programme through forward exchange contracts. There is no exposure to foreign currency risk at year end.

(ii) Cash flow and fair value interest rate risk

As the Trust and the Group has no significant variable rate interest-bearing assets, the Trust and the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Trust and the Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Trust and the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust and the Group to fair value interest rate risk.

Group policy currently, for non-core debt, is to maintain a funding facility that provides the appropriate flexibility for the fluctuating requirements at the lowest cost.

Hedging arrangements using swaps, collars or options for up to 100% of the exposure are permitted.

Where operational activities lead to the creation of a core level of borrowings, between 50% and 100% of this debt will be hedged by an interest rate swap with the remainder placed in at least two facilities with maturity periods aligned to optimise risk and value.

(iii) Sensitivity analysis

Interest rate swap contracts hedging the forecasted variability in cash flows arising out of variable interest rates on borrowings are treated as cash flow hedges. Any changes in variable interest rates would have no material impact on profit or loss in relation to the portion of borrowings hedged, as changes in the fair value of these interest rate swap contracts are taken through other comprehensive income where the hedge is an effective hedge.

A 100 basis points increase or decrease in interest rates is used for the interest rate sensitivity analysis. The impact of this movement on profit or loss and equity for 2024 and 2023 is immaterial.

3. Financial risk management *(continued)*

(b) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The Trust considers only those institutions with a minimum rating of 'AA-.'

Otherwise, the management of the Company assesses the credit quality of customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash.

The maximum exposure to credit risk is best represented by the carrying value of cash and cash equivalents, short term investments and trade and other receivables (Note 19).

The Group incurs credit risk from transactions with trade debtors and financial institutions in the normal course of business. At reporting date the Group had a significant concentration of credit risk relating to the amount receivable from Electricity Retailers. The Group has a programme to manage this risk concentration, including monitoring the credit status of the major debtors, adhering to specific credit policy requirements and having the contractual ability to require security to be provided by these customers under certain circumstances.

The Trust and the Group do not generally require collateral or security to support financial instruments other than as outlined above, due to the quality of the financial institutions dealt with.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The Trust and the Group apply the NZ IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected credit loss rates are based on the payment profiles over a 12-month period before 31 March 2024 and the corresponding historical credit losses during the period, adjusted for any significant amounts that are not receivable (Note 11[b]).

3. Financial risk management *(continued)*

(c) Liquidity risk

Liquidity risk management has the objective of maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities to meet the short and long-term commitments of the Company as they arise in an orderly manner. Management monitors rolling forecasts of the Company's liquidity requirements on the basis of expected cash flow. The Board of Directors approve all new borrowing facilities for the Company.

The Trustees manage the liquidity risk of the Parent.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12-months equal their carrying balances as the impact of discounting is not significant.

	Total $'000	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
AT 31 MARCH 2024					
Trade and other payables	21,435	21,435	–	–	–
Lease liabilities	11,081	2,359	2,100	3,649	2,973
Bank loans (refer note 18)	183,467	400	168,067	15,000	–
Total	**215,983**	**24,194**	**170,167**	**18,649**	**2,973**

AT 31 MARCH 2023					
Trade and other payables	29,132	29,132	–	–	–
Lease liabilities	12,433	2,377	1,888	4,473	3,695
Bank loans (refer note 18)	151,167	15,600	134,400	1,167	–
Total	**192,732**	**47,109**	**136,288**	**5,640**	**3,695**

3. Financial risk management *(continued)*

(d) Fair value estimation

The Group has discounted long term receivables and payables at the implicit rate for finance leases receivable, and at the incremental borrowing rate. This balance is presented net in Trade and other receivables and Trade and other payables in the Consolidated Statement of Financial Position.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Trust and to the Group for similar financial instruments.

Financial assets and financial liabilities are recognised in the Trust and the Group's Consolidated and Separate Statement of Financial Position when the Trust and the Group become a party to the contractual provisions of the instrument.

NZ IFRS 13, Fair Value Measurement: Disclosures requires disclosure of the fair value measurements by level from the following fair value hierarchy:

- Level 1 – Quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – Inputs, other than quoted price included within level 1, that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 – Inputs for assets and liabilities that are not based on observable market data (that is, unobservable inputs).

The only financial instruments held by the Group that are measured at fair value are over the counter derivatives. These derivatives have all been determined to be within level 2 of the fair value hierarchy as all significant inputs required to ascertain the fair value of these derivatives are observable (refer note 3(a) (ii)). Credit risk is incorporated into the valuation of derivatives.

Distribution system assets and land and buildings are classified within level 3 of the fair value hierarchy. The valuation techniques and assumptions for distribution system assets and land and buildings measured at fair value are disclosed in note 13.

(e) Capital risk management

The Group manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the existing structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 31 March 2024 and 2023.

The Group monitors its compliance with banking covenants as required by its bankers, ANZ Bank New Zealand Limited, ASB Bank Limited, and Bank of New Zealand (Note 18). There have been no breaches during the year.

The Company monitors equity using a gearing ratio (a non-GAAP measure), which is net debt divided by total equity plus debt. The Company includes within net debt borrowings less cash and cash equivalents. Lease liabilities in the below table are before consolidation.

The gearing ratios are as follows:	NOTE	2024 $'000	2023 $'000
Borrowings	18	183,467	151,167
Lease liabilities (before consolidation)	24	17,584	18,189
Less: cash and cash equivalents	10	(7,035)	(4,489)
Net debt		**194,016**	**164,867**
Equity		316,943	310,105
Equity plus net debt		**510,959**	**474,972**
Gearing ratio		38%	35%

The Trust has no external borrowings and is therefore not included in the gearing ratio calculation above.

4. Critical Judgements in Applying the Entity's Accounting Policies

Critical accounting judgements and key sources of estimation uncertainty
In the process of applying the entity's accounting policies, which are described in note 2, the Company's management has made the following judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements (apart from those involving estimates, as shown below).

(i) Electricity line revenue recognition

Part of the line revenues are based on normalisation, where consumption is estimated to the end of the billing period based on historic actual electricity usage. Occasionally historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue (Note 5).

(ii) Construction contracting and capital contributions

The Group recognises revenue for construction contracting and capital contributions as performance obligations are met. This method requires the Group to review key milestones specified in the agreement to determine the level of completion.

Contract liability – capital contributions	NOTES	2024 $'000	2023 $'000
Opening Balance		**9,016**	**12,194**
Amount of transaction price received for unsatisfied performance obligations		14,932	19,920
Revenue recognised from performance obligations satisfied	5	(16,973)	(23,098)
Closing Balance	16	**6,975**	**9,016**

The above table pertains to contract liability in relation to capital contributions and is presented as a deferred capital contribution liability in note 16.

Contract liability – deferred income	NOTES	2024 $'000	2023 $'000
Opening Balance		**648**	**3,076**
Amount of transaction price received for unsatisfied performance obligations		19,424	24,117
Revenue recognised from performance obligations satisfied	5	(18,883)	(26,545)
Closing Balance		**1,189**	**648**

(iii) Valuation of network distribution system

The Group estimates the fair value of the distribution network using independent valuers in accordance with the property, plant and equipment accounting policy. Because of the specialised nature of the network and the infrequency of network sale transactions, there is a lack of market-based evidence available to determine fair value. The valuation has therefore been determined using the discounted cash flow method. The major inputs that are used in the valuation model, that require judgement by the Company's management, include load growth and pricing, projected capital expenditure profiles and discount and inflation rates.

(iv) Valuation of Buildings and Land

In accordance with its accounting policy the Group revalues its properties at least once every three years. The valuations, which are performed by independent valuers, involve estimates and judgements as detailed in Note 13.

(v) Depreciation

Judgements have been made in relation to the Trust and the Group's depreciation rates as per note 2(k).

4. Critical Judgements in Applying the Entity's Accounting Policies *(continued)*

(vi) Goodwill

The Group assesses at the end of each reporting period whether there is any indication that goodwill may be impaired. The Group estimates the recoverable amount for each Cash Generating Unit, and should an impairment exist, adjusts the carrying value to that amount.

The determination of the fair value of the assets and liabilities is based, to a considerable extent, on the judgement of the Company's management (Note 14).

(vii) Lease Liability

Lease liability calculations have used incremental borrowing rates determined by the Group taking into account bank margins and interest rate swaps. The incremental borrowing rates for the Group range from 3.2% to 5.9% depending on the nature and term of the lease. These rates have been applied to leases over a range of terms determined by the Group to represent the reasonable length of the lease.

5. Revenue

	2024 $'000		2023 $'000	
FROM CONTINUING OPERATIONS	Group	Parent Trust	Group	Parent Trust
Electricity line revenue – gross	80,628	–	72,937	–
Customer discount	(11,219)	–	(11,064)	–
Net electricity line revenue	**69,409**	**–**	**61,873**	**–**
Metering revenue	4,852	–	4,457	–
Construction contract revenue	3,937	–	4,063	–
Capital contributions	16,973	–	23,098	–
	25,762	**–**	**31,618**	**–**
ECL GROUP LIMITED				
Fixed price service revenue	11,573	–	11,210	–
Cost plus maintenance	22,635	–	19,281	–
Projects revenue	14,587	–	21,928	–
Other revenue	14,232	–	14,069	–
	63,027	**–**	**66,488**	**–**
Total	**158,198**	**–**	**159,979**	**–**

6. Other income and gains

	2024 $'000		2023 $'000	
	Group	Parent Trust	Group	Parent Trust
Gain/(loss) on disposal of fixed assets	(122)	–	94	–
Rent income	162	–	176	–
Dividend income	–	400	–	1,433
Interest income	171	16	5	5
Lease income	–	338	–	241
Total	**211**	**754**	**275**	**1,679**

7. Expenses

	NOTES	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
EXPENSES, EXCLUDING FINANCE COSTS, INCLUDED IN THE STATEMENTS OF COMPREHENSIVE INCOME					
Employee benefits expense		51,640	–	51,641	–
Depreciation and amortisation expense*		27,410	24	25,654	24
Election expenses		114	114	–	–
Transmission costs		11,868	–	11,801	–
Less: Rental rebates		(108)	–	(2,193)	–
Raw materials and consumables used		27,233	–	29,778	–
Loss on building revaluation		–	–	3,708	–
Other expenses, excluding finance costs		9,546	417	9,836	362
Total expenses, excluding finance costs		**127,703**	**555**	**130,225**	**386**
FINANCE COSTS					
Borrowings		9,389	–	5,547	38
Lease interest		709	1	658	1
Total finance costs		**10,098**	**1**	**6,205**	**39**
DEPRECIATION* (included in above expenses)	13, 24				
Plant and vehicles		5,021	–	4,371	1
Land and Buildings		409	2	437	2
Leasehold improvements		36	–	49	–
Distribution system		12,823	–	11,690	–
Meters and relays		2,252	–	2,280	–
Managed network		48	–	48	–
Right of use assets		2,828	21	2,750	20
Total depreciation		**23,417**	**23**	**21,625**	**23**
AMORTISATION* (included in above expenses)	14				
Computer software		2,943	1	2,979	1
Customer goodwill		1,050	–	1,050	–
Total amortisation		**3,993**	**1**	**4,029**	**1**
Total depreciation and amortisation		**27,410**	**24**	**25,654**	**24**

8. Income tax expenses

(a) Income tax expense

	NOTES	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group as follows:					
Current tax		1,008	–	460	–
Deferred tax	9	11,821	–	6,468	–
		12,829	**–**	**6,928**	**–**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	NOTES	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
Profit from continuing operations before Income tax expense		20,608	198	23,824	1,254
Add imputation credits attached to dividend		–	156	–	557
Less Trust income (including imputation credits attached to Dividend)		(353)	–	(1,811)	–
Add Gross Dividend (eliminated on consolidation)		556	–	1,990	–
Less Depreciation expense on ROU Asset (eliminated on consolidation)		(133)	–	(264)	–
Less Finance charge added to ROU Liability (eliminated on consolidation)		(276)	–	(113)	–
Add Operating Lease income paid to Trust (eliminated on consolidation)		338	–	241	–
Taxable profit		**20,740**	**354**	**23,867**	**1,811**
Income tax expense attributable to taxable profits @ 28%		5,807	–	6,683	–
Non taxable – interest accrual		–	(1)	–	(3)
Non-deductible expenses		20	–	24	–
IRD change to Commercial Building depreciation deductibility		6,937	–	–	–
Prior year adjustments		65	–	221	–
Tax losses utilised		–	(353)	–	(1,808)
Income tax expense		**12,829**	**–**	**6,928**	**–**

In March 2024, the New Zealand Government enacted the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill. As a result, from the 2024-25 income tax year onwards, the Group can no longer claim any tax depreciation on all of its commercial buildings with estimated useful lives of 50 years or more in New Zealand. The claim of tax depreciation of building fit-out separate from the related building structures will not be affected. The Group assessed the impact and increased its deferred tax liability and deferred tax expense during the year.

8. Income tax expenses *(continued)*

(c) Imputation credit account

The value of imputation credits available to the Company for subsequent reporting periods as at 31 March 2024 is $37.7 million (2023: $37.2m).

The above amounts represent the balance of the imputation account as at the end of the reporting period adjusted for:

i) Imputation credits that will arise from the payment of the amount of the provision for income tax;

ii) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date;

iii) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(d) Tax losses available (Trust)

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Balance as at 1 April		2,207	2,207	2,327	2,327
Tax losses applied to Trustee income		(353)	(353)	(1,808)	(1,808)
Imputation credits converted to loss carried forward		471	471	1,688	1,688
Closing balance		**2,325**	**2,325**	**2,207**	**2,207**

9. Deferred tax liabilities

	NOTES	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
MOVEMENTS					
Opening deferred tax liability		62,407	–	56,211	–
Charged to income tax expense		11,821	–	6,468	–
Cash flow hedges		(262)	–	314	–
Deferred tax recognised on revalued assets		–	–	(586)	–
Closing balance at 31 March		**73,966**	**–**	**62,407**	**–**
DEFERRED TAX ASSETS:					
Deferred income tax asset to be recovered after more than 12 months		(6,591)	–	(1,429)	–
DEFERRED TAX LIABILITIES:					
Deferred tax income tax liability to be paid after more than 12 months		80,557	–	63,836	–
Net deferred income tax liability to be paid after more than 12 months		**73,966**	**–**	**62,407**	**–**

	Property, plant, equipment and intangibles $'000	Right of use Assets $'000	Lease Liabilities $'000	Other $'000	Total $'000
DEFERRED TAX LIABILITIES:					
At 31 March 2022	**57,246**	**4,900**	**(5,143)**	**(792)**	**56,211**
Charged to income tax expense	6,770	(97)	87	(292)	6,468
Cash flow hedges	–	–	–	314	314
Charged directly to equity	(586)	–	–	–	(586)
At 31 March 2023	**63,430**	**4,803**	**(5,056)**	**(770)**	**62,407**
Charged to income tax expense	5,102	(265)	132	(85)	4,884
Cash flow hedges	–	–	–	(262)	(262)
IRD change to Commercial Building depreciation deductibility	6,937	–	–	–	6,937
At 31 March 2024	**75,469**	**4,538**	**(4,924)**	**(1,117)**	**73,966**

Notes to (and forming part of) the Financial Statements for the year ended 31 March 2024

10. Cash and cash equivalents

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Bank balances	2 (h)	7,211	176	4,677	188
Closing Balance		**7,211**	**176**	**4,677**	**188**

11. Trade and other receivables

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Trade receivables	2(i), 3(b)	9,757	–	10,486	–
Accrued revenue	2(d)	7,912	–	8,324	–
Allowance for expected credit losses	2(i)	(929)	–	(367)	–
Net trade receivables		**16,740**	–	**18,443**	**–**
Other receivables and prepayments	2(i)	1,975	18	1,494	14
Total Receivables		**18,715**	**18**	**19,937**	**14**

ALLOWANCE FOR EXPECTED CREDIT LOSSES				
Opening balance	367	–	337	–
Plus additional provision recorded during the year	562	–	30	–
Closing balance	**929**	**–**	**367**	**–**

(a) Bad and doubtful trade receivables

The Group has recognised an expense of $237,000 in respect of bad and doubtful trade receivables during the year ended 31 March 2024 (2023: $299,000). The movement has been included in 'Expenses' in the Statements of Comprehensive Income.

(b) Credit risk

Information about the impairment of trade receivables and the Group's exposure to credit risk can be found in note 3(b).

	Current	30 days+ past due	60 days+ past due	90 days+ past due	Total
At 31 March 2024					
Expected loss rate	0%	49%	17%	52%	**10%**
Gross carrying value – trade receivables ($'000)	7,673	715	454	915	**9,757**
Loss Allowance ($'000)	**27**	**347**	**75**	**480**	**929**
At 31 March 2023					
Expected loss rate	1%	17%	12%	31%	**3%**
Gross carrying value – trade receivables ($'000)	9,361	275	177	673	**10,486**
Loss Allowance ($'000)	**93**	**47**	**21**	**206**	**367**

12. Inventories

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Raw materials and consumables		6,629	–	8,698	–
Provision for obsolescence		(949)	–	(954)	–
		5,680	**–**	**7,744**	**–**

13. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant & vehicles $'000	Leasehold improvements $'000	Meters & relays $'000	Distribution system $'000	Managed network $'000	Parent Trust Freehold land $'000	Parent Trust Plant & equipment $'000	Group Total $'000
YEAR ENDED 31 MARCH 2023										
Opening net book value	**28,730**	**18,391**	**15,323**	**216**	**8,947**	**367,077**	**841**	**5,179**	**7**	**444,711**
Additions	1,089	2,073	6,027	8	896	53,989	–	–	1	64,083
Change in WIP	–	7,764	205	–	–	–	–	–	–	7,969
Disposals	–	–	(254)	–	–	–	–	–	–	(254)
Revaluation gain/(loss)	5,651	(4,895)	–	–	–	–	–	–	–	756
Depreciation charge (note 7)	–	(435)	(4370)	(49)	(2,280)	(11,690)	(48)	(2)	(1)	(18,875)
Closing net book value	**35,470**	**22,898**	**16,931**	**175**	**7,563**	**409,376**	**793**	**5,177**	**7**	**498,390**
AT 31 MARCH 2023										
Cost	35,470	23,032	34,308	1,305	22,918	421,154	2,186	5,179	17	545,569
Accumulated depreciation	–	(134)	(17,377)	(1,130)	(15,355)	(11,778)	(1,393)	(2)	(10)	(47,179)
Net book value	**35,470**	**22,898**	**16,931**	**175**	**7,563**	**409,376**	**793**	**5,177**	**7**	**498,390**
YEAR ENDED 31 MARCH 2024										
Opening net book value	**35,470**	**22,898**	**16,931**	**175**	**7,563**	**409,376**	**793**	**5,177**	**7**	**498,390**
Additions	1,052	16,605	5,414	28	617	56,567	–	–	–	80,283
Change in WIP	–	(13,303)	(205)	–	–	–	–	–	–	(13,508)
Disposals	–	–	(393)	–	–	–	–	–	–	(393)
Depreciation charge	–	(407)	(5,021)	(36)	(2,252)	(12,823)	(48)	(2)	(1)	(20,590)
Closing net book value	**36,522**	**25,793**	**16,726**	**167**	**5,928**	**453,120**	**745**	**5,175**	**6**	**544,182**
AT 31 MARCH 2024										
Cost or valuation	36,522	26,334	37,175	1,333	23,452	477,721	2,186	5,179	17	609,919
Accumulated depreciation	–	(541)	(20,449)	(1,166)	(17,524)	(24,601)	(1,441)	(4)	(11)	(65,737)
Net book value	**36,522**	**25,793**	**16,726**	**167**	**5,928**	**453,120**	**745**	**5,175**	**6**	**544,182**

13. Property, plant and equipment *(continued)*

Distribution system assets
Distribution system assets were subject to an independent (three-yearly) valuation as at 31 March 2023. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using discounted cash flow methodology. The valuation was independently prepared by Deloitte and the key assumptions used are shown in the table below. In all cases an element of judgement is required. The valuation was based on revenue and cost assumptions applied against a combination of WACC and CPI inflation rates that are generally in the mid-point of the range.

2023 Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact $'m (Low)/High
WACC	6.4%	6.9%	5.9%	(19.2) / 20.2
Regulatory Asset Base (RAB) Multiple	1.01x	0.97x	1.05x	(19.2) / 20.2

For purposes of assessing the fair value of the distribution system assets as at 31 March 2024, the Company's Management updated the key inputs to develop an estimated valuation range. The Company engaged Deloitte, an independent third party valuer, to update the distribution system assets valuation for the year ended 31 March 2024 using those key inputs. No revaluation adjusment was required.

The updated key inputs have resulted in a valuation range for the distribution system assets of $421 million to $461 million, with a mid-point of $441 million (based on sensitivity to WACC and RAB low/high estimates). The Company Directors consider that the current carrying value of the distribution system assets of $453 million be retained, as the carrying value materially reflects estimated fair value.

2024 Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact $'m (Low)/High
WACC	6.6%	7.1%	6.1%	(19.5) / 20.5
Regulatory Asset Base (RAB) Multiple	1.01x	0.96x	1.05x	(16.5) / 13.2

Land and Buildings
The Company's network land and buildings were revalued upwards by $0.8 million as at 31 March 2023, with $4.5 million added to the revaluation reserve, offset by $3.7 million downward adjustment to the Consolidated Statement of Comprehensive Income.

This three yearly valuation was prepared by JLL, independent valuers and property consultants. These valuations were carried out in accordance with PINZ Practice Standards and New Zealand equivalent to International Accounting Standard IAS 16 Property, Plant and Equipment. The valuations were determined based on discounted cashflow, capitalisation of net income, sales comparison and depreciated replacement cost approaches and on the basis of continued use. The valuations took into account the nature of the property, age and conditions of the buildings.

The Company's Board determined that no revaluation adjustment was required at 31 March 2024.

The Trust land has been recorded at historical cost. The Auckland Council notice of valuation dated 15 March 2022 rating valuation for the land as at 1 June 2021 was $5,080,000.

Land and Buildings – historical cost
If distribution network, land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2024 $'000		2023 $'000	
	Group	Parent Trust	Group	Parent Trust
Distribution Network – deemed cost	588,656	–	532,089	–
Less accumulated depreciation	(124,895)	–	(112,072)	–
Net book value	**463,761**	**–**	**420,017**	**–**
Land – deemed cost	15,426	5,179	14,374	5,179
Buildings – deemed cost	26,529	–	23,227	–
Less accumulated depreciation	(3,371)	–	(2,964)	–
Net book value	**38,584**	**5,179**	**34,637**	**5,179**

14. Intangible assets

	Brands $'000	Customer Goodwill $'000	Goodwill $'000	Computer Software $'000	Parent Trust Computer Software $'000	Group Total $'000
YEAR ENDED 31 MARCH 2023						
Opening net book value	3,400	7,350	15,556	5,222	3	31,531
Additions	–	–	–	3,005	–	3,005
Change in WIP	–	–	–	(160)	–	(160)
Disposals	–	–	–	–	–	–
Amortisation charge (note 7)	–	(1,050)	–	(2,978)	(1)	(4,029)
Closing net book value	**3,400**	**6,300**	**15,556**	**5,089**	**2**	**30,347**
AT 31 MARCH 2023						
Cost	3,400	10,500	23,556	12,138	4	49,598
Accumulated amortisation / impairment	–	(4,200)	(8,000)	(7,049)	(2)	(19,251)
Net book value	**3,400**	**6,300**	**15,556**	**5,089**	**2**	**30,347**
YEAR ENDED 31 MARCH 2024						
Opening net book value	3,400	6,300	15,556	5,089	2	30,347
Additions	–	–	–	4,270	–	4,270
Disposals	–	–	–	(234)	–	(234)
Amortisation charge (note 7)	–	(1,050)	–	(2,942)	(1)	(3,993)
Closing net book value	**3,400**	**5,250**	**15,556**	**6,183**	**1**	**30,390**
AT 31 MARCH 2024						
Cost	3,400	10,500	23,556	11,548	3	49,007
Accumulated amortisation	–	(5,250)	(8,000)	(5,365)	(2)	(18,617)
Net book value	**3,400**	**5,250**	**15,556**	**6,183**	**1**	**30,390**

Policies
Goodwill represents the excess of the consideration transferred over the fair value of the group's share of the net identifiable assets of an acquired subsidiary.

Goodwill is carried at cost less accumulated impairment losses.

Allocation of goodwill
For the purpose of assessing impairment, assets are grouped in the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets ('CGU'). The identification of CGU and operating segment at 31 March 2024 has been performed in line with guidance in NZ IAS 36 Impairment of assets and NZ IFRS 8 Operating segments, including how the Company makes decisions about resource allocation and how it reviews operating results and assesses performance.

Critical estimates and judgements
To assess impairment, the Company's management must estimate the future cash flows for each CGU. This entails making judgements including:

- the expected rate of growth of revenues;
- the terminal growth rate;
- the level of future expenditure required to support these outcomes; and
- the appropriate discount rate to apply when discounting future cash flows.

14. Intangible assets *(continued)*

Impairment
Goodwill is tested at least annually for impairment against the recoverable amount of the CGU to which it has been allocated or when there is an indication that the assets may be impaired.

An asset is impaired if the Carrying Amount of the CGU is less than the Recoverable Amount at the Measurement Date. The Recoverable Amount of the CGU is defined as the higher of Fair Value Less Costs of Disposal (FVLCD) and its Value in Use (VIU).

At 31 March 2024, there was no impairment of goodwill (2023: nil).

Assumptions
In the current financial period the recoverable amount attributed to the CGU is calculated based on FVLCD. (2023: VIU).

The FVLCD was calculated based on cashflows discounted using the applicable WACC rate.

NZIAS 36 requires the higher of FVLCD and VIU to be used for the goodwill impairment calculation and as a result the FVLCD method has been used in the current financial period.

Future cash flows are forecast based on actual results and strategic business plans. A five-year plan as approved by the Company Directors has been used.

The table below sets out the key assumptions for the CGU:

Revenue growth (% annual increase – FY25)	13.4%
COGS and direct wages (% annual increase – FY25)	14.1%
Revenue growth (% annual increase – average FY26 to FY29)	8.7%
COGS and direct wages (% annual increase – average FY26 to FY29)	8.7%
WACC rate	12.1%
Terminal growth rate	2.1%

Revenue is driven by a combination of organic growth and large project works. New market segments have been identified which are expected to provide significantly high mid-term and long-term growth prospects. The business has proven capability within these market segments and the capacity to scale as required as new customers are brought on.

COGS and wages can be scaled up or down to the level of business growth with pricing set on a sustainable basis.

WACC rates take into account the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Company using the capital asset pricing model. The cost of debt takes into account incremental borrowing rates for the Company.

The terminal growth assumption is based on the current implied inflation rates, calculated as the difference between inflation adjusted and vanilla government bond yields at the valuation date.

Sensitivity to changes in key assumptions
The following summarises the effect on goodwill headroom of a reasonably possible change in the key assumptions for the CGU with all other assumptions remaining constant:

	$m
Revenue growth (1% decrease year on year from FY26 to FY29)	(5.6)
COGS and direct wages (1% increase year on year from FY26 to FY29)	(5.8)
WACC (0.5% increase)	(2.8)
Terminal growth (1% decrease)	(3.8)

The recoverable amount of the CGU could equal its carrying amount if the key assumptions were to change as follows:

Revenue growth	3.2% decrease
Gross margin	3.0% decrease
WACC	4.3% increase
Terminal growth rate	7.3% decrease

Any further impact to the above key assumptions would trigger an impairment.

15. Derivative Financial Instruments

	2024 $'000		2023 $'000	
	Group	Parent Trust	Group	Parent Trust
Current	1,402	–	–	–
Non-current	562	–	2,899	
Interest rate swap asset	**1,964**	**–**	**2,899**	**–**

The Company had outstanding interest rate swaps of $128,000,000 at 31 March 2024 (2023: $53,000,000).

The Company had no forward foreign exchange contracts at 31 March 2024 (2023: $nil).

16. Trade and other payables

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Trade payables		9,551	9	11,058	16
Sundry accruals		3,873	25	8,624	28
Deferred capital contributions liability		6,975	–	9,016	–
Other payables		1,036	2	434	1
Total current payables		**21,435**	**36**	**29,132**	**45**
NON-CURRENT TRADE AND OTHER PAYABLES					
Non-interest bearing liabilities		–	–	–	–
Total trade and other payables		**21,435**	**36**	**29,132**	**45**

17. Employee benefits

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
Employee benefits		689	–	774	–
Holiday pay		3,829	–	4,260	–
Other leave		124	–	124	–
Total provisions		**4,642**	**–**	**5,158**	**–**

Provision is made for annual leave, bonuses and superannuation payments due to employees.

The Trust is not an Employer.

18. Borrowings

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
UNSECURED – INTEREST BEARING					
Bank loan – current		400	–	15,600	–
Bank loan – non-current		183,067	–	135,567	–
Total borrowings		**183,467**	**–**	**151,167**	**–**

(a) Interest rate risk exposures
Details of the Group's exposure to interest rate changes on interest bearing liabilities are set out in note 3.

(b) Financing arrangements
Unrestricted access was available at reporting date to the following lines of credit:

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
CREDIT STANDBY ARRANGEMENTS TOTAL FACILITIES					
Counties Energy Limited		200,000	–	175,000	–
ECL Group Limited		1,467	–	17,167	–
Total facilities		**201,467**	**–**	**192,167**	**–**
USED AT REPORTING DATE					
Bank Loans		183,467	–	151,167	–
UNUSED AT REPORTING DATE					
Bank Loans		18,000	–	41,000	–
Total facilities		**201,467**	**–**	**192,167**	**–**

Counties Energy Limited
The revolving credit bank loan facilities may be drawn down at any time. The ASB banking loan facility limit is $200.0 million (2023: $175.0 million). Tranche A for $175.0 million expires on 31 March 2026 and Tranche B for $25.0 million expires on 30 June 2026. There have been no breaches of debt covenants during the year and the Group forecasts it will continue to comply with covenants.

ECL Group Limited
In December 2022, the Group drew down a $2.0 million 5 year fixed term loan to finance assets leased to a customer. The facility term matches the length of the lease term.

Weighted average interest rate
The weighted average interest rate on borrowings was 5.7% (2023: 4.5%). The Distribution System assets include capitalised borrowing costs of $164,000 (2023: $419,000).

(c) Fair value
The fair value of current borrowings equals their carrying amount, as all borrowings are at floating interest rates.

(d) Foreign currency risk exposure
All of the Group's borrowings are denominated in New Zealand dollars.

19. Financial Instruments by category

Assets as per statement of financial position	Assets through other comprehensive income $000		Amortised cost $'000		Total $'000	
	Group	Parent Trust	Group	Parent Trust	Group	Parent Trust
AT 31 MARCH 2024						
Derivative financial instruments	1,964	–	–	–	1,964	–
Trade and other receivables	–	–	16,740	–	16,740	–
Cash and cash equivalents	–	–	7,215	180	7,215	180
	1,964	**–**	**23,955**	**180**	**25,919**	**180**
AT 31 MARCH 2023						
Derivative financial instruments	2,899	–	–	–	2,899	–
Net trade receivables	–	–	18,443	–	18,443	–
Cash and cash equivalents	–	–	4,680	191	4,680	191
	2,899	**–**	**23,123**	**191**	**26,022**	**191**

Liabilities as per statement of financial position	Liabilities through other comprehensive income $000		Financial liabilities at amortised cost $'000		Total $'000	
	Group	Parent Trust	Group	Parent Trust	Group	Parent Trust
AT 31 MARCH 2024						
Borrowings	–	–	183,467	–	183,467	–
Lease liability	–	–	21,432	33	21,432	33
Trade and other payables	–	–	17,620	36	17,620	36
	–	**–**	**222,519**	**69**	**222,519**	**69**
AT 31 MARCH 2023						
Borrowings	–	–	151,167	–	151,167	–
Lease liability	–	–	12,433	14	12,433	14
Trade and other payables	–	–	29,132	45	29,132	45
	–	**–**	**192,732**	**59**	**192,732**	**59**

20. Trust Funds

	Notes	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
Trust funds at resettlement		30,797	30,797	30,797	30,797
Total Trust Funds		**30,797**	**30,797**	**30,797**	**30,797**

At 31 March 2024 there were 15,000,000 fully paid ordinary shares in Counties Energy Limited vested in the Trust in terms of the Energy Companies (Counties Energy Limited) Vesting Order 1993, represented by shares and reserves being Opening Shareholders' Funds in Counties Energy Limited.

21. Reserves

	Notes	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
RETAINED EARNINGS					
Opening balance		251,875	5,449	236,756	4,195
Purchase of non-controlling interest		–	–	(1,777)	–
Net Surplus for the year		7,779	198	16,896	1,254
Closing balance		**259,654**	**5,647**	**251,875**	**5,449**
ASSET REVALUATION RESERVE					
Opening balance		31,208	–	26,158	–
Revaluation of distribution system	13	–	–	4,464	–
Revaluation of land and buildings	13	–	–	–	–
Deferred tax	9	–	–	586	–
Closing balance		**31,208**	**–**	**31,208**	**–**
CASH FLOW HEDGE RESERVE					
Opening balance		2,087	–	1,281	–
Derivative contracts taken into equity		(935)	–	1,120	–
Deferred tax	9	262	–	(314)	–
Closing balance		**1,414**	**–**	**2,087**	**–**
OTHER RESERVES					
Total retained earnings and reserves		**292,276**	**5,647**	**285,170**	**5,449**

Dividends were paid by the Company to the Trust at 2.7 cents per share. (2023: 9.6 cents per share).
In the consolidated statements, dividends have been eliminated.

22. Remuneration of Auditors and other Advisors

During the year the following fees were paid or payable for services provided by the auditors of the Group, its related practices and non-related audit firms.

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
AUDIT SERVICES					
Auditing the Financial Statements – RSM Hayes		–	–	22	22
Auditing the Financial Statements – PWC		383	23	347	–
Auditing of Regulatory Statements - PWC		60	–	52	–
Total Audit services		**443**	**23**	**421**	**22**
OTHER SERVICES					
Other Advisory Services – Non-related audit firms		489	–	523	8
Total Remuneration of Auditors and Other Advisors		**932**	**23**	**944**	**30**

Advisory services from non-related accounting firms includes internal audit services and due diligence work.

23. Reconciliation of surplus after income tax to net cash inflows from operating activities

	NOTES	2024 $'000 Group	2024 $'000 Parent Trust	2023 $'000 Group	2023 $'000 Parent Trust
Reported surplus after tax		**7,779**	**198**	**16,896**	**1,254**
Depreciation and amortisation		27,410	24	25,654	24
Changes in Deferred Tax		11,821	–	6,468	–
Loss on revaluation of buildings		–	–	3,708	–
Net loss/(gain) on sale of assets		122	–	(94)	–
Finance charge		(10)	1	1	1
		39,343	**25**	**35,737**	**25**
DECREASE/(INCREASE) IN CURRENT ASSETS					
Receivables & Prepayments		1,891	(4)	(1,709)	6
Inventories		2,064	–	(2,853)	–
Deferred income		541	–	(2,428)	–
(DECREASE)/INCREASE IN CURRENT LIABILITIES					
Trade and other payables		(8,292)	(8)	4,064	19
Employee Benefits		(516)	–	759	–
Taxation payable		913	–	(1,112)	–
		(3,399)	**(12)**	**(3,279)**	**25**
Net cash inflow from operating activities		**43,723**	**211**	**49,354**	**1,304**

24. Right of use assets and lease liabilities

NZIFRS 16 Leases: For the lessee, all leases (other than short-term or low value), are recognised in the Consolidated Statement of Financial Position.

The leases for buildings relate to office and warehouse space throughout New Zealand. Distribution system assets are used exclusively by the Group.

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
RIGHT OF USE ASSETS					
Buildings		6,496	38	7,298	20
Plant and vehicles		2,543	–	3,094	–
Distribution system		1,155	–	1,296	–
Closing net book value		**10,194**	**38**	**11,688**	**20**
LEASE LIABILITIES					
Current		2,359	18	2,377	14
Non-current		8,722	15	10,056	–
Total lease liabilities		**11,081**	**33**	**12,433**	**14**
ACCUMULATED DEPRECIATION ON RIGHT OF USE ASSETS					
Buildings		4,651	50	3,757	30
Plant and vehicles		4,902	–	3,492	–
Distribution system		709	–	568	–
Total accumulated depreciation		**10,262**	**50**	**7,817**	**30**

Right of use assets are depreciated on a straight-line basis over the life of the lease. The current rates are:

Buildings	2–50%
Plant and vehicles	20–90%
Distribution system	6–14%

Right of use assets that had a lease term of less than 12 months or were low value leases were considered not material in 2024 or 2023.

An operating lease between the Trust (Lessor) to Counties Energy Limited (Lessee) was executed on 28 October 2021, in respect of land purchased by the Trust on 30 June 2021. The lease commenced on 1 July 2021.

The right of use asset and associated liability recorded by Counties Energy Limited have been eliminated upon consolidation of these financial statements. Refer note 27.

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
LEASE LIABILITIES					
Opening value		12,433	14	12,651	32
Additions		702	38	2,384	–
Remeasurements		630	–	–	–
Lease interest (note 7)		709	1	658	1
Lease payments		(3,393)	(20)	(3,260)	(19)
Closing value		**11,081**	**33**	**12,433**	**14**

25. Contingent liabilities

On 31 October 2023, a settlement was reached with another party in relation to an export capacity complaint reported to the Electricity Authority against Counties Energy Limited. Both parties have agreed to cooperate to install a STATCOM to enable the site to export up to 5MW. Once a supplier has been chosen, and provided a full costing, the parties will negotiate in good faith to agree on the sharing of costs.

The Group had no contingent liabilities as at 31 March 2024.

26. Commitments

(a) Capital commitments

The Group had $855,000 committed for property, plant and equipment at 31 March 2024. (2023: $4,851,000).

27. Related party transactions

(a) Parent Trust

The Company is 100% owned by the Trustees elected to the Counties Energy Trust.

(b) Transactions with related parties

The following transactions occurred with related parties:

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
COUNTIES ENERGY LIMITED					
Dividends paid to the Trust		–	400	–	1,433
Lease payments paid to the Trust		–	338	–	241
Loan to the Trust (Loan repaid by the Trust)		–	–	–	(1,133)
Loan interest paid by the Trust		–	–	–	(37)
OPTIMA INVESTMENT GROUP LIMITED (NOTE 2(X))					
Financial liabilities (note 2(x))		–	–	–	–
SMARTCO LIMITED (JOINT VENTURE)					
Contribution towards operating costs		6	–	6	–

Related Party – Loan

On 30 June 2021 Counties Energy Limited advanced $1,132,600 to it's Parent Trust to settle the purchase of land at 17-23 Nelson Street, Pukekohe. The loan incurred interest at the ASB borrowing rate for Counties Energy Limited (note 18) from 1 July 2022, as the parties agreed to a 'gratis' year from 1 July 2021 to 30 June 2022 in respect of interest payable on the loan by the Trust to Counties Energy Limited and rent due for the same period in respect of an operating lease as noted below.

The loan was fully repaid on 28 March 2023.

27. Related party transactions *(continued)*

(b) Transactions with related parties *(continued)*

Related Party - Operating Lease, re. 17-23 Nelson Street, Pukekohe
An operating lease from the Trust to the Counties Energy Limited was executed on 28 October 2021, and the lease commenced on 1 July 2021, with rights of renewal on 1 July 2042 (renewal term of 14 years) and 1 July 2056 (renewal term of 7 years) with a final expiry date of 30 June 2063.

As agreed between the Trust and the Company, the first year from 1 July 2021 through 30 June 2022 was a rent free period, and the Company in turn, granted the Trust interest free terms on the loan for the same period.

The annual rent per the registered lease is $300,000 plus GST ($25,000 per month) with annual increases for CPI, and should CPI decrease, the annual rent will be maintained at the previous level.

The expected rent payable by the Company from 1 July 2022 to the first renewal date of 1 July 2042 is:
- $1,425,000 1 July 2022 to 31 March 2027
- $4,575,000 1 April 2027 to the start of the first renewal date, being 1 July 2042
- $6,000,000 Total rent income for the period 1 July 2022 to 30 June 2042

The Trust has capitalised legal costs of $46,549 in respect of the property acquisition and lease negotiations which are amortised over the initial lease term of 20 years from 1 July 2022 through 30 June 2042 at $2,327 per year.

As the future rent transactions are symmetric with the income being recognised in the Trust's accounts when received by the Trust, and the lease expense paid by the Company, the amounts eliminate upon consolidation. Lease income received by the Trust for the current financial year $337,965 (2023: $241,425).

Related Party – Phillip Beston (retired Trustee)
During the year, the Trust rented office premises from SBH Investments, a partnership, in which retired Trustee, PS Beston, is a partner. The rent paid totalled $20,615 (net of GST) excluding insurance, rates and maintenance (2023: $19,448). Mr Beston retired from the Trust on 22 August 2023

		2024 $'000		2023 $'000	
	NOTES	Group	Parent Trust	Group	Parent Trust
KEY PERSONNEL COMPENSATION					
Trustees' fees		149	149	139	139
Directors' fees – Counties Energy Limited		424	–	364	–
Directors' fees – ECL Group Limited		202	–	169	–
		775	**149**	**672**	**139**
Counties Energy Limited – Leadership Team *Salaries and short-term employee benefits*		2,822	–	2,511	–
Total		**3,597**	**149**	**3,183**	**139**

(c) Outstanding balances
The Group had no outstanding balances with related parties at reporting date (2023: $2,400).

(d) Terms and conditions
All related party transactions were made on normal commercial terms and conditions.

28. Other Registered Holdings of the Company

Subsidiaries	Country of incorporation	Interest held by entity at 31 March 2024	Interest held by entity at 31 March 2023
ECL Group Limited	New Zealand	100%	100%
CPL Network Limited	New Zealand	100%	100%

On 31 May 2022, Counties Energy Limited acquired the remaining 25% shareholding in ECL Group Limited, from Optima Investment Group Limited, for $6,775,000.

Counties Power Lines Limited was renamed to CPL Network Limited on 18 November 2019. It has been non-trading in both the current and comparative years. Effective 28 April 2021, CPL Network Limited has changed its name to Counties Energy Limited.

Name of entity	Place of Business/Country of incorporation	% of Ownership interest	Nature of Relationship	Measurement Method
SmartCo Limited	New Zealand	–	Joint Venture	Equity
Ampli Limited	New Zealand	31.58%	Associate	Equity

In 2010, the Company acquired a 14.29% joint venture investment in SmartCo Limited (Class A Shares). On 12 March 2024, Smartco Limited issued 1,590,000 Class B Shares. Counties Energy Limited did not participate in this share issue.

Due to the nature of the contractual rights and obligations, SmartCo Limited is classified as a joint venture for accounting purposes and accounted for using the equity method.

In 2017, the Company acquired a shareholding of 31.58% in Ampli Limited (incorporated on 18 December 2017) at nil consideration. Ampli Limited is no longer trading.

There were no other changes during the year.

29. Events occurring after the reporting date

There have been no subsequent events that have not already been disclosed.

Statement of Corporate Intent (SCI) for the year ended 31 March 2024

Each year, the SCI is agreed upon with the Directors of Counties Energy Limited (CEL).

The summary below is CEL's performance against the SCI targets extracted from the CEL annual report.

Financial targets

	2024		2023	
	Target	Actual	Target	Actual
Earnings before interest and tax expressed as a percentage of total average capital employed	5.8%	6.6%	6.2%	7.6%
Profit after tax expressed as a percentage of average consolidated shareholders' funds	4.3%	2.9%	5.7%	6.4%

Financial targets were exceeded in 2024 when the impact of the IRD change to commercial depreciation deductibility is removed (4.8% compared with 2.9%).

Reliability targets

	2024		2023	
	Target	Actual	Target	Actual
AVERAGE MINUTES WITHOUT ELECTRICITY PER CONSUMER (SAIDI)				
• Unplanned outages	101.31	118.39	101.50	122.82
• Planned	188.49	272.73	176.15	228.34
AVERAGE NUMBER OF OUTAGES PER CONSUMER (SAIFI)				
• Unplanned outages	1.86	2.09	1.87	2.50
• Planned	0.72	0.78	0.54	0.77

Unplanned outages, as measured by SAIDI (average minutes without electricity per customer), were unfavourable to target by 17.08 minutes (17% unfavourable). The main categories of faults were Vegetation, Defective Equipment and Third Party Interference. Unplanned SAIFI (average number of outages per customer) was also unfavourable to target by 0.23 interruptions (13% unfavourable).

Planned SAIDI was above target by 84.24 minutes (45% unfavourable). Planned SAIFI was also above target, being 0.06 interruptions (9%) above the year's target. This increase to planned SAIDI and SAIFI relates to the delivery of the switchgear and automation programme.

The unplanned SAIDI and SAIFI results were calculated in accordance with the 2021-25 DPP normalisation method and the planned SAIDI and SAIFI results calculated in accordance with the Information Disclosure (ID) method using information from the Company's non-financial systems. Outages on Transpower or initiated by events on privately owned secondary networks, planned and unplanned, are excluded. For FY24, the full impact of single transformer outages have been included in targets and actual results. Single transformer outages contributed 4.27 SAIDI to the unplanned result in FY24.

The longer term targets for SAIFI and SAIDI have been revised based on:

- Recent performance of network
- Research presented to the Counties Energy Directors on network reliability
- A forecast of planned outage requirements, which is based on investment programmes (outlined in the Asset Management Plan), and the expected reliability improvements from those investments.

Statement of Corporate Intent (SCI) for the year ended 31 March 2024

Health and safety targets

	2024		2023	
	Target	Actual	Target	Actual
Lost time injuries (LTIs)	–	3	–	1

Counties Energy's commitment to safety excellence continues to gather momentum, as demonstrated by the bolstering of safety, quality, training, environmental support and initiatives throughout the organisation. This enhanced focus across the Company has resulted in more targeted opportunities for improving safety performance across all areas.

Focused discussions, and targeted improvements, are a key feature of the Safety Days with a continual drive for safety ownership at all levels. The Health, Safety and Environmental Committee has been bolstered by additional time, training and strong representation from across the business and solid attendance.

The Company diligently monitors safety performance internally, leveraging comparative data through collaborations with the Electrical Engineers Association, the Business Leaders Health and Safety Forum, and Electricity Networks Aotearoa.

Counties Energy remains unwavering in its dedication to safety and safety improvement, continually strengthening its focus.

Independent auditor's report

To the Trustees of Counties Energy Trust

Our opinion

In our opinion, the accompanying financial statements of Counties Energy Trust (the "Trust"), and the consolidated financial statements of the Group, comprising the Trust and its subsidiaries (together,the "Group"), present fairly, in all material respects the financial position of the Trust and Group as at 31 March 2024, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards); and

What we have audited

The Trust's financial statements and the Group's consolidated financial statements comprise:

- the statements of financial position as at 31 March 2024;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

Independence

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

Our firm carried out another service for the Group in the area of compliance with the Electricity Distribution (Information Disclosure) Determination 2012. The provision of this other service has not impaired our independence as auditor of the Group.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Trust's financial statements, the Group's consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Trustees for the financial statements

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

In preparing the financial statements of the Trust and the consolidated financial statements of the Group, the Trustees are responsible for assessing the Trust's and 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 Trust or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust, as a whole, and the consolidated financial statements of the Group, 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 (NZ) and ISAs 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.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements of the Trust and the consolidated financial statements of the Group, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's and Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's and Group's ability to continue as a going concern.

If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements of the Trust and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Trust and Group to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements of the Trust and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Trust and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust and Group to express an opinion on the financial statements of the Trust and the consolidated financial statements of the Group. The auditor is responsible for the direction, supervision and performance of the audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Who we report to

This report is made solely to the Trust's Trustees, as a body. Our audit work has been undertaken so that we might state those matters which 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 Trust and the Trust's Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Matthew White.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
21 August 2024

Hamilton

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