Hawke's Bay Power Consumers' Trust

CHAIRMAN'S REPORT
and
FINANCIAL STATEMENTS
of the Trust and its Subsidiary

For the year ended 31 March 2021

HAWKE'S BAY POWER CONSUMERS' TRUST

DIRECTORY

Trust's Office:	c/- Brown Webb Richardson Ltd 111 Avenue Road East Hastings Phone: (06) 873 8037 Email: hbpct@bwr.co.nz
Trustees:	Diana Kirton (Chair) Barbara Arnott David Pearson Jeff Farnworth Kirsten Westwood
Secretary and Accountant:	Stephen Dine
Bankers:	Westpac - Hastings
Auditors:	Audit New Zealand Palmerston North

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST
For the year ended 31 March 2021

ANNUAL REPORT TO CONSUMERS

THE TRUST
The Trust, set up in 1993, holds all the shares in Unison Networks Limited, on behalf of consumers who are connected to Unison's electricity lines network in Hawke's Bay – generally the areas of the Hastings District Council and the Napier City Council.

The Trust has five Trustees who are elected every three years. The current Trustees are Diana Kirton (Chair), Barbara Arnott, Kirsten Westwood, David Pearson and Jeff Farnworth.

This is an annual report on the operations and financial results of the Hawke's Bay Power Consumers' Trust for the year ended 31 March 2021. Trading activities of Unison Networks Limited, are summarised later in this report.

WHAT THE TRUST DOES
The Trustees role is to hold the shares for the benefit of its consumer-owners and also to ensure the value of their investment is protected and enhanced. They monitor the operational and financial performance of the Company by measuring results against the Company's business plan and Statement of Corporate Intent progressively during the year. In this way they are alert to any variations to the outcomes that have been agreed with the Board.

Key tasks of the Trust are to:

- Act in the best interests of the consumers, as owners, and exercise their rights as shareholders.
- Appoint Unison's Board of Directors and monitor their performance and the performance of the Company.
- Determine annually the amount of Trust funds to be paid to consumer-owners as a dividend or in other ways.
- Approve Unison's annual business goals and financial objectives.
- Manage and account for the financial affairs of the Trust.
- Hold a public meeting each year to report on the operations and financial performance of the Trust.
- Review the ownership of Unison's shares every five years, through a public consultative process. The next ownership review will be held in 2023.

TRUST ACTIVITIES SINCE 2020 ANNUAL PUBLIC MEETING

Dividend Distribution

In 2019 Trustees pursued the option of distributing the annual dividend by direct credit to bank accounts. Following widespread engagement with Hawke's Bay power consumers, 67% of users opted for the direct credit system for the 2020 distribution. With the phasing out of cheques as a payment method the challenge for the Trustees now is to sign up 100% of consumers for the 2021 distribution. An extensive marketing campaign will be undertaken over the next few months with this goal in mind.

Communications

The Trust communicates matters of interest to consumers through local media, the Trust website and at the annual public meeting. The Trust's own website can be accessed at: www.hbpct.co.nz

Home insulation contribution

The Trust contributed $287,971 to home insulation projects funded by EECA over the past financial year. This has allowed for the insulation of approximately 500 homes in the last financial year. These homes have mainly been in the higher decile areas though a proportion of the funding is available for the general population of Hawke's Bay power consumers.

Apart from the obvious health benefits of a warm house, this initiative supports consumers to better manage their energy use and consumption.

Consumer Dividends $15 million in 2020

In 2020 the Trust received a dividend payment from Unison of $15.8 million, exclusive of imputation credits. In August 2020 Trustees distributed $15 million dividend to consumer-owners. Just over 60,000 dividend payments were paid to by either cheque or direct credit to consumers. Each payment was for $230, with tax credits attached – to a maximum of three payments per consumer.

Working with Directors

During the year Trustees have been updated on Company activities, key risks and future developments of the Company. They have held meetings with the Chair of the Board in relation to the SCI, as well as occasional meetings with the wider group of Directors. The strong relationship between Trustees and Directors continues.

A challenging but successful year for Unison in 2021: More dividends for consumers

Unison Networks has managed to have another successful year to 31 March 2021 despite some of the challenges the company has faced. In particular were the implementation of the Commerce Commission's reset of the cost of capital, as well as the impact of the Covid-19 pandemic on operations. These events both had a financial impact on the company, however we are pleased to announce there will be another dividend distribution to consumers later this year.

$203 Million to Consumers in 22 years
The direct financial benefits consumers have had from Trust ownership since 1999 will be around $203 million. Trust ownership has also brought other benefits through increased investment in the safety and security of the network, ongoing and major improvements in reliability of supply and energy efficiency and safety initiatives.

Compliance with Guidelines for access to information by beneficiaries
The Guidelines, which all electricity trusts are required to adopt, provide for Trust beneficiaries to have access to information, to attend public meetings of the Trust, and to have access to a complaints process for dealing with refusals to supply information or allow access to public meetings. Details of the Guidelines are on our website.

COMPANY PERFORMANCE 2020-2021

Compliance: *The 2020-2021 trading results were impacted by the global uncertainty caused by Covid 19 and by the Commerce Commission's regulated reset. Despite these influences the overall financial performance for the year was more favourable than expected. Total group revenue was $243 million, $11 million down on the previous year and operating expenditure was $7 million lower at $153 million. There was a favourable movement on financial instruments of $6.2 million resulting in a net profit before tax increasing by $5 million to $46.9 million.*

Shareholder values showed an increase of $18 million or 4% increasing to $464 million. All network performance targets were met during the year.

Ratio of Consolidated Shareholders' Funds to Total Assets

- The minimum target ratio of consolidated shareholders' funds to total assets is set at not less than 40%.
- Target goal for 2021 – 51%

Compliance: *The minimum target ratio was achieved and the target goal was slightly ahead of target. The actual ratio met was 52%.*

Performance Targets
Unison's 2021 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: *The Company met all its financial performance targets and achieved its network performance targets. The Trustees are satisfied with the trading results and the network performance.*

	Statement of Corporate Intent 2021 Targets	**Actual Results 2021**
FINANCIAL		
Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed	10.1%	10.2%
Earnings before interest, taxation and financial instruments as a percentage of average assets employed	5.8%	6.1%
Total line operating costs per consumer	$357	$357

	Statement of Corporate Intent 2021 Targets	Actual Results 2021
NETWORK PERFORMANCE		
SAIDI – System Average Interruption Index (Minutes)	<75.8	44.67
SAIFI – System Average Interruption Frequency Index	<1.57	1.13
HEALTH AND SAFETY PERFORMANCE		
• Medical Treatment Injuries	Nil	Nil
• Number of Public Accidents	Nil	2

COMPLIANCE WITH OTHER MATTERS

The Statement of Corporate Intent also details matters relating to the Company's scope of activities, dividend distributions, accounting policies, information to be provided to shareholders and administrative matters relating to procedures and communications with the Trust, as the sole shareholder. We are satisfied that in all these matters the Company has complied with the Statement of Corporate Intent.

Additional information on Unison's performance for the year ended 31 March 2021 can be found in the company's Annual Report or on Unison's website at **www.unison.co.nz**, or obtained from Unison direct.

DIRECTORS

The strength of the functional relationship Trustees have with the Unison Chair and Board of Directors is appreciated. Chair Philip Hocquard has been readily available to meet with the Trust Chair and respond to questions Trustees have posed to Directors. Mr Hocquard has also attended Trust meetings when required, as have individual Directors from time to time.

Trustees value the honest and open relationship that has developed with Directors over the past years.

LOOKING AHEAD

The Company is responding very capably in changing times and conditions within the electricity sector and there will be ongoing challenges and opportunities ahead. Trustees will continue to support initiatives that improve Unison's business to the extent necessary to meet the needs of consumers and which also enhance the value returns to the shareholders.

TRUST ELECTIONS

Trustee elections are required to be held every 3 years. The Trustees have recently undertaken a public consultative procedure to extend the current term to four years. The reasoning behind this is to then have an election cycle that does not coincide with either the Local Body or the National elections. Public submissions were called and a public meeting was held on 21 June this year confirming that the current term will be four years with the next election on 1 October 2024.

THANKS

We commend and thank the Chief Executive and all employees for their achievements and ongoing commitment to the performance and success of Unison Networks Limited. We value the assistance and support that has been given to us.

Our special thanks to the Trust Secretary, Stephen Dine, and his team at Brown Webb Richardson, for the courtesies and help readily given to us.

TRUSTEES' CONTRIBUTIONS

The current Trustees are working well as a team and enjoying open discussion around key issues. I thank each of them for their contributions on behalf of consumers over the past year.

DIANA KIRTON
CHAIR

On behalf of the Trustees – David Pearson, Jeff Farnworth, Barbara Arnott and Kirsten Westwood.

MORE TRUST INFORMATION

Detailed information about the Trust and its work is accessible on the internet, under **www.hbpct.co.nz,** or can be viewed or is available from the Trust's offices, c/- Brown Webb Richardson, 111E Avenue Road, Hastings and also at Unison's offices, corner Omahu Road and Oak Avenue, Hastings.

Hawke's Bay Power Consumers' Trust

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2021

	Notes	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2,020 $'000
Revenue	3	**239,779**	252,689	**-**	-
Other Revenue	3	**2,751**	1,309	**15,820**	15,933
Total Revenue		**242,530**	253,998	**15,820**	15,933
Electricity transmission charges		**(33,015)**	(37,638)	-	-
Network maintenance		**(11,223)**	(10,979)	-	-
Raw materials and consumables used		**(40,172)**	(37,666)	-	-
Employee related expenses		**(36,062)**	(39,650)	-	-
Realised foreign exchange gains/(losses)		**(270)**	428	-	-
Other expenses		**(33,032)**	(35,250)	**(862)**	(800)
Operating Expenditure		**(153,774)**	(160,755)	**(862)**	(800)
Earnings before interest, taxes, depreciation and amortisation and financial instrument expenses (EBITDAF)		**88,756**	93,243	**14,958**	15,133
Depreciation and amortisation expense	4,5	**(35,813)**	(34,594)	-	-
Earnings before interest and tax (EBIT)		**52,943**	58,649	**14,958**	15,133
Borrowing costs	8	**(13,059)**	(13,525)	-	-
Operating profit before income tax		**39,884**	45,124	**14,958**	15,133
Change in fair value of derivative financial instruments		**6,209**	(3,905)	-	-
Profit before income tax		**46,093**	41,219	**14,958**	15,133
Income tax	15	**(13,974)**	(9,860)	-	-
Profit for the year		**32,119**	31,359	**14,958**	15,133
Other comprehensive income:					
Items that may be subsequently reclassified to profit or					
Gain/(loss) on financial instruments taken to equity		**1,341**	(3,007)	-	-
Deferred tax impact		**(376)**	842	-	-
Currency translation differences		**225**	(48)	-	-
		1,190	(2,213)	-	-
Other comprehensive income for the year, net of tax		**1,190**	(2,213)	-	-
Total comprehensive income for the year		**33,309**	29,146	**14,958**	15,133
Profit is attributable to:					
Hawke's Bay Power Consumers' Trust		**32,223**	31,387	**14,958**	15,133
Non-controlling interest		**(104)**	(28)	**-**	-
		32,119	31,359	**14,958**	15,133
Total comprehensive income for the year is attributable					
Hawke's Bay Power Consumers' Trust		**33,413**	29,174	**14,958**	15,133
Non-controlling interest		**(104)**	(28)	**-**	-
		33,309	29,146	**14,958**	15,133

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

480

Hawke's Bay Power Consumers' Trust

Consolidated statement of changes in equity

For the year ended 31 March 2021

	Attributable to equity holders - Group						
	Share Capital $'000	Retained earnings $'000	Translation of foreign operations $'000	Reserves $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 April 2020	67,661	381,778	(165)	(615)	448,659	87	448,746
Profit for the year	-	32,223	-	-	32,223	(104)	32,119
Gain on the revaluation of land & buildings, net of tax	-	-	-	-	-	-	-
Prior year adjustment	-	(93)	-	-	(93)	-	(93)
Cash flow hedges, net of tax	-	-	-	965	965	-	965
Distribution Paid	-	(14,998)	-	-	(14,998)	-	(14,998)
Previous distribution money claimed	-	(105)	-	-	(105)	-	(105)
Distribution overprovided and under claimed	-	564	-	-	564	-	564
Currency translation differences	-	244	(19)	-	225	-	225
Balance as at 31 March 2021	67,661	399,613	(184)	350	467,440	(17)	467,423
Balance as at 1 April 2019	67,661	364,664	(130)	1,549	433,744	115	433,859
Profit for the year	-	31,387	-	-	31,387	(28)	31,359
Gain on the revaluation of land & buildings, net of tax	-	-	-	-	-	-	-
Cash flow hedges, net of tax	-	-	-	(2,164)	(2,164)	-	(2,164)
Distribution Paid	-	(14,626)	-	-	(14,626)	-	(14,626)
Previous distribution money claimed	-	(162)	-	-	(162)	-	(162)
Distribution overprovided and under claimed	-	528	-	-	528	-	528
Currency translation differences	-	(13)	(35)	-	(48)	-	(48)
Balance as at 31 March 2020	67,661	381,778	(165)	(615)	448,659	87	448,746

	Attributable to equity holders - Parent						
	Trust Capital $'000	Retained earnings $'000	Translation of foreign operations $'000	Reserves $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 April 2020	65,000	1,667	-	-	66,667	-	66,667
Profit for the year	-	14,958	-	-	14,958	-	14,958
Distribution Paid	-	(14,998)	-	-	(14,998)	-	(14,998)
Previous distribution money claimed	-	(105)	-	-	(105)	-	(105)
Distribution overprovided and under claimed	-	564	-	-	564	-	564
Balance as at 31 March 2021	65,000	2,086	-	-	67,086	-	67,086
Balance as at 1 April 2019	65,000	794	-	-	65,794	-	65,794
Profit for the year	-	15,133	-	-	15,133	-	15,133
Distribution Paid	-	(14,626)	-	-	(14,626)	-	(14,626)
Previous distribution money claimed	-	(162)	-	-	(162)	-	(162)
Distribution overprovided and under claimed	-	528	-	-	528	-	528
Balance as at 31 March 2020	65,000	1,667	-	-	66,667	-	66,667

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

ASQ

Hawke's Bay Power Consumers' Trust

Consolidated statement of financial position

As at 31 March 2021

		Group		Parent	
	Notes	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
ASSETS					
Current assets					
Cash and cash equivalents	6	**15,425**	12,621	**2,896**	2,524
Receivables	9	**29,345**	30,623	**12**	12
Inventories	10	**31,752**	36,381	**-**	-
Other financial assets		**845**	838	**845**	838
Derivative financial instruments	18	**93**	1,374	**-**	-
Total current assets		**77,460**	81,837	**3,753**	3,374
Non-current assets					
Property, plant and equipment	4	**762,132**	741,997	**-**	-
Intangible assets	5	**45,696**	46,709	**-**	-
Other non-current assets		**27**	22	**-**	-
Other financial assets	11	**9,507**	6,455	**64,000**	64,000
Derivative financial instruments	18	**29,362**	54,523	**-**	-
Total non-current assets		**846,724**	849,706	**64,000**	64,000
Total assets		**924,184**	931,543	**67,753**	67,374
LIABILITIES					
Current liabilities					
Trade and other payables	12	**19,272**	22,505	**667**	707
Borrowings	7	**58,997**	73,000	**-**	-
Employee entitlements		**7,718**	9,342	**-**	-
Deferred income		**4,019**	2,520	**-**	-
Derivative financial instruments	18	**2,129**	509	**-**	-
Current tax liabilities		**2,787**	1,561	**-**	-
Other current liabilities	13	**2,565**	2,575	**-**	-
Total current liabilities		**97,487**	112,012	**667**	707
Non-current liabilities					
Borrowings	7	**230,272**	237,272	**-**	-
Employee entitlements		**802**	658	**-**	-
Derivative financial instruments	18	**15,195**	22,625	**-**	-
Deferred tax liabilities	15	**89,395**	84,642	**-**	-
Other non-current liabilities	13	**23,609**	25,587	**-**	-
Total non-current liabilities		**359,273**	370,784	**-**	-
Total liabilities		**456,760**	482,796	**667**	707
Net assets		**467,424**	448,747	**67,086**	66,667
EQUITY					
Share capital	16	**67,661**	67,661	**65,000**	65,000
Reserves		**165**	(780)	**-**	-
Retained earnings		**399,614**	381,778	**2,086**	1,667
Equity attributable to equity holders of Unison Networks Limited		**467,440**	448,659	**67,086**	66,667
Non-controlling interest		**(17)**	87	**-**	-
Total equity		**467,423**	448,746	**67,086**	66,667

For and on behalf of the Trustees.

Trustee
22 July 2021

Trustee
22 July 2021

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Hawke's Bay Power Consumers' Trust

Consolidated statement of cash flows

For the year ended 31 March 2021

	Group		Parent	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Cash flows from operating activities				
Receipts from customers	**243,957**	254,698	**-**	0
Payments to suppliers and employees	**(151,014)**	(159,626)	**(954)**	(719)
Interest paid	**(13,752)**	(14,068)	**-**	-
Dividends and Interest received	**141**	146	**15,820**	15,942
Income taxes paid	**(7,995)**	(11,191)	**-**	-
Net cash inflow / (outflow) from operating activities	**71,337**	69,959	**14,866**	15,223
Cash flows from investing activities				
Purchase and construction of property, plant and equipment	**(56,101)**	(63,867)	**-**	-
Proceeds from sale of property, plant and equipment	**49**	112	**-**	-
Purchase of intangible assets	**(232)**	(420)	**-**	-
Purchase of financial assets at fair value through the profit or loss	**(2,876)**	(2,404)	**-**	-
Proceeds from disposal of term deposits	**(7)**	(23)	**(7)**	-23
Proceeds from disposal of financial assets at fair value through the profit or loss	**1,645**	3,768	**-**	-
Net cash inflow / (outflow) from investing activities	**(57,522)**	(62,834)	**(7)**	(23)
Cash flows from financing activities				
Proceeds from borrowings	**7,000**	19,000	**-**	-
Repayments of borrowings	**-**	-	**-**	-
Dividends paid to owners of the parent	**(14,487)**	(14,224)	**(14,487)**	(14,224)
Payment of principal portion of lease liabilities	**(3,524)**	(3,108)		
Net cash inflow / (outflow) from financing activities	**(11,011)**	1,668	**(14,487)**	(14,224)
Net increase (decrease) in cash and cash equivalents	**2,804**	8,793	**372**	976
Cash and cash equivalents at the beginning of the financial year	**12,621**	3,828	**2,524**	1,548
Effects of exchange rate changes an cash and cash equivalents	**-**	-	**-**	-
Cash and cash equivalents at end of the year	**15,425**	12,621	**2,896**	2,524

Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Profit for the year	**32,119**	31,359	**14,958**	15,133
Adjustments for:				
Depreciation and amortisation	**35,813**	34,594	**-**	-
Net (Gain)/loss on sale of property, plant and equipment	**1,404**	1,183	**-**	-
Fair value change in financial instruments via the statement of comprehensive income	**(6,209)**	3,905	**-**	-
Adjustment for lease recognition	**-**	3,390		
Capitalised interest	**(440)**	(457)		
Change in assets and liabilities				
(Increase)/decreases in receivables, prepayments and inventory	**5,934**	(3,688)	**-**	7
Increase/(decrease) in payables (excluding capital items), accruals and employee entitlements	**(3,263)**	1,004	**(92)**	83
Increase/(decrease) in income taxes payable	**1,226**	(1,167)	**-**	-
Deferred tax	**4,753**	(164)	**-**	-
Net cash inflow / (outflow) from operating activities	**71,337**	69,959	**14,866**	15,223

Cash and cash equivalents

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

JBW

1 About this report

(a) Entity reporting

The Hawkes Bay Power Consumers' Trust ("the Trust") is a Trust, domiciled and registered in New Zealand, and established in accordance with the 1993 Establishment Plan. The Trust has its registered office in Hastings, Hawke's Bay. Under the Establishment Plan, all shares in Unison Networks Limited ("the subsidiary") were vested in the Trust, to be held on behalf of all power consumers who are connected to the subsidiary's electricity lines network in Hawke's Bay. The subsidiary is an energy company in terms of the Energy Companies Act 1992.

The subsidiary and its eight 100% owned subsidiaries (Unison Contracting Services Limited, ETEL Limited and its subsidiaries, ETEL Transformers Pty Limited and Pt Lucky Light Globaldino, RPS Switchgear Limited and its subsidiary, RPS Switchgear Pty Limited, Unison Fibre Limited, Unison Insurance Limited and Unison Energy Limited) provide electricity distribution and line function services to consumers and businesses, as well as fibre optic network interconnections and related services throughout the Hawke's Bay, Rotorua and Taupo regions. They also provide civil, vegetation, electrical and fibre contracting services; manufacture electrical products for the Australian, Pacific and New Zealand markets; and operate a captive insurance company.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Trust and the Group are for-profit entities.

These consolidated financial statements were approved for issue by the Trustees on 22 July 2021.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are the consolidated financial statements of the Trust and its subsidiaries (together referred to as "the Group").

(b) Basis of preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting Standards, as applicable for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The Group is designated as a for-profit entity for financial reporting purposes.

The consolidated financial statements have been prepared in accordance with the requirements of the Electricity Act 2010.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand ($000), except where otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

(c) Principles of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(d) Notes to the financial statements

Information that is considered material and relevant to the users of these consolidated financial statements is included within the notes to the consolidated financial statements.

The assessment of materiality and relevance includes qualitative as well as quantitative factors including the size and nature of the balance and if the balance is important in understanding the Group's current or future performance.

Other relevant accounting policy information not included in the notes to the accounts is included below.

(e) New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

(i) **2019 Omnibus Amendments to NZ IFRS** (effective 1 January 2020). The Standard has been issued to make minor amendments to NZ IFRSs, including NZ IFRS 44, NZ IFRS 10, and NZ IAS 28.

(ii) **Definition of a Business** (Amendments to NZ IFRS 3) (effective 1 January 2020). The Standard has been issued to clarify the definition of a business and provide guidance to help entities determine whether an acquisition is of a business or a group of assets.

(iii) **Interest Rate Benchmark Reform – Phase 1** (effective 1 January 2020) The Standard amends NZ IFRS 9 Financial Instruments, NZ IAS 39 Financial Instruments: Recognition and Measurement, and NZ IFRS 7 Financial Instruments: Disclosures.

(iv) **Definition of Material** (Amendments to NZ IAS 1 and NZ IAS 8). The Standard definition of material has been amended and additional guidance provided to make it easier for entities to make materiality judgements in the preparation of their financial statements

The adoption of these amendments listed above did not have any impact on the current period or any prior period and is not likely to affect future periods.

(f) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new accounting standards and amendments have been issued that are not mandatory for the 31 March 2021 financial year and have not been early adopted. Those standards and amendments that are relevant to the Group are:

Interest Rate Benchmark Reform— Phase 2, Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-current, Amendments to NZ IAS 1 – Disclosure of Accounting Policies

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(g) Critical judgements and estimations in applying accounting policies

The preparation of financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Trustees believe that, as at the date of these consolidated financial statements, there are no significant sources of estimation uncertainty that have not been disclosed in these notes (refer to notes 4 and 5).

JSQ

(h) Foreign currency translation

Transactions in foreign currencies are translated at the New Zealand dollar rate of exchange at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variances arising are included in the statement of profit or loss and other comprehensive income.

Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at the contract rates.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(i) Goods and Services Tax (GST)

All items in the financial statements have been prepared net of GST, with the exception of receivables and payables, which include GST invoiced.

2 Investments in subsidiaries

Recognition and measurement

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding 2021 %	Equity holding 2020 %
Unison Networks Limited	New Zealand	Ordinary	**100**	100
Unison Contracting Services Limited	New Zealand	Ordinary	**100**	100
Unison Fibre Limited	New Zealand	Ordinary	**100**	100
Unison Insurance Limited	New Zealand	Ordinary	**100**	100
ETEL Limited	New Zealand	Ordinary	**100**	100
- ETEL Transformers PTY Limited	Australia	Ordinary	**100**	100
- ETEL Services Limited	New Zealand	Ordinary	**100**	-
- Pt Lucky Light Globalindo	Indonesia	Ordinary	**90**	90
Unison Energy Limited	New Zealand	Ordinary	**100**	100
- RPS Switchgear Limited	New Zealand	Ordinary	**100**	100
- RPS Switchgear Pty Limited	Australia	Ordinary	**100**	100
- Kirkwall Holdings SA Pty	South Africa	Ordinary	**100**	100

3 Revenue

	Group 2021 $'000	Group 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Revenue from contracts with customers	**239,780**	252,689	**-**	-
Other Services Income	**654**	1,258	**-**	-
Interest Received	**134**	188	**15**	128
Investment Income	**1,945**	(188)	**15,805**	15,805
Recovery of debt previously written off	**17**	51	**-**	-
Total revenue	**242,530**	253,998	**15,820**	15,933

ASQ

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows:

	Revenue recognised at a point in time $'000	**Revenue recognised over time $'000**	**Total $'000**
2021			
Electricity distribution			
Line revenue	-	137,531	137,531
Capital contributions	-	10,288	10,288
Distribution transformers			
Sale of manufactured goods	-	62,709	62,709
Transformer servicing	-	1,069	1,069
Switchgear			
Sale of manufactured goods	-	9,521	9,521
Parts and servicing	-	397	397
Electrical contracting services	-	10,206	10,206
Fibre network access services	-	2,587	2,587
All other income	3,778	1,694	5,472
Total revenue from contracts with customers	3,778	236,002	239,780

	Revenue recognised at a point in time $'000	**Revenue recognised over time $'000**	**Total $'000**
2020			
Electricity distribution			
Line revenue	-	150,890	150,890
Capital contributions	-	9,051	9,051
Distribution transformers			
Sale of manufactured goods	-	70,899	70,899
Transformer servicing	-	1,032	1,032
Switchgear			
Sale of manufactured goods	-	4,032	4,032
Parts and servicing	-	785	785
Electrical contracting services	-	8,045	8,045
Fibre network access services	-	2,307	2,307
All other income	4,053	1,595	5,648
Total revenue from contracts with customers	4,053	248,636	252,689

Accounting policy

(i) Electricity line revenue

The Group owns, manages and operates an electricity distribution network. The Group distributes electrical energy on behalf of electricity retailers that has been brought to points of supply by the National Grid operator or produced by embedded generators, to consumers connected to the Group's electricity distribution network.

Line revenue relates to the provision of electricity distribution services and includes pass-through revenue and recoverable cost revenue. Prices are regulated, and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised over time at the fair value of services provided based on an output method as the service is delivered to match the pattern of consumption. Pass through and recoverable costs include transmission costs, statutory levies and utility rates.

HQ

(ii) Capital contributions

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new subdivisions, constructing uneconomic lines and relocating existing lines. The revenue recognised is the fair value of the asset being constructed. For major works, revenue is recognised over time as a result of there being no alternative use to the asset without significant economic losses and the Group having a right to payment for performance completed to date. For contracts with multiple performance obligations revenue is recognised at a point in time when the performance obligation is satisfied.

(iii) Sale of manufactured goods

The Group manufactures and sells a range of electricity distribution transformers and switchgear. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iv) Electrical contracting services revenue

The Group provides electrical contracting services to third parties. Revenue is recognised as the fair value of the service provided or asset being constructed. Where an asset is being constructed for a third party, revenue is recognised over time as a result of control of the asset transferring to the customer over the time. Connection fee revenue is recognised at a point in time when the performance obligation is satisfied.

(v) Fibre network access services

The Group owns and operates a fibre optic network.

Revenue is recognised as fibre optic services are provided to retail service providers. Billing for network access services are made on a monthly basis. Unbilled revenue from the date of connection to the billing cycle date is recognised in the month of service. Revenue is deferred in respect of the portion of the fixed monthly charges that have been billed in advance. Revenue from installations and connections are recognised upon completion of the installation or connection.

Impact of 2020 Default Price Quality Path determination on revenue recognition

Regulated lines revenue for the 2020/21 financial year was $2.7 million favourable to budget, largely due to higher residential electricity volumes than forecasted. Under the Commerce Commission's allowable revenue cap rules, this over-recovery of lines revenue will be returned to consumers via a line charge adjustment in the 2022/23 financial year.

4 Property, plant and equipment

Recognition and measurement

(i) *Assets carried at historic cost*

The electrical distribution network, fibre network and other assets are recognised at historical cost less depreciation and impairment. Subsequent additions are recognised at cost and are included in the asset's carrying amount or 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 statement of comprehensive income during the financial period in which they are incurred.

(ii) *Assets carried at fair value*

Land and buildings are stated at fair value based on periodic, but at least five yearly, valuations determined by an independent registered valuation company, and are adjusted for additions at cost and depreciation at appropriate rates.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

70

comprehensive income. Decreases that reverse previous increases of the same asset 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 to the statement of profit or loss and other comprehensive income.

Assets carried at fair value are assessed annually to ensure there is no material difference between the carrying value and fair value.

(iii) *Self-constructed assets*

The cost of self-constructed assets includes the cost of all materials used on construction, direct labour on the project, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overhead. Costs cease to be capitalised as soon as the assets are ready for productive use and do not include any inefficiency costs.

(iv) *Assets under construction*

The cost of assets under construction includes direct materials, labour, and allocation of overheads that directly relate to the worked performed, and financing costs that are directly attributable to the project.

(v) *Disposal of Property, Plant and Equipment*

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the statement of profit or loss and other comprehensive income and is calculated as the difference between the sale price and the carrying value of the asset. On disposal of an item of property, plant or equipment, any revaluation surplus in respect of that asset is transferred to retained earnings.

(vi) *Impairment of property, plant and equipment*

The carrying amounts of the Group's property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income except impairment losses on revalued assets which are first taken to the revaluation reserve if there is a surplus in respect of that asset.

An assessment was carried out which concluded that there were no impairment indicators for UNL Electricity Distribution Network, USCL and UIL. RPS had indications of impairment and so an impairment test was completed. The DCF analysis showed that no impairment was necessary. Key assumptions include a discount rate of 8.4%.

(vii) *Depreciation method and useful lives*

The Group uses judgement to determine the useful lives of assets, as detailed below:

- Electrical Distribution and Fibre Networks
Assessing the appropriateness of useful life and residual value estimates of network assets requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset, technological advances, regulation and expected disposal proceeds from the future sale of the asset.

- Buildings
The estimated useful lives of buildings are determined by an independent registered valuation company when assessing the periodic valuation of land and buildings.

KO

Depreciation methods and estimated useful lives are as follows:

Asset class	Depreciation method	Useful lives
Electrical Distribution Network	Straight line	5-80 years
Fibre Network	Straight line	5-75 years
Buildings	Straight line	7-80 years
Land	n/a	Indefinite
Other assets (incl.):		
- Plant and equipment	Straight line	2-25 years
- Furniture and fittings	Straight line	2-60 years
- Motor vehicles	Straight line	3-10 years
- Information technology	Diminishing value or straight line	2-10 years
- Leasehold Improvements	Straight line	5 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful life of the improvements, whichever is shorter. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

	Electricity Distribution Network $'000	Fibre network $'000	ROU Building Assets $'000	Land & buildings $'000	Other Assets $'000	Assets under construction* $'000	Total $'000
Year ended 31 March 2021							
Opening net book amount	624,081	24,876	24,552	17,746	35,343	15,399	741,997
IFRS 16 Adjustment	-	-	-	-	-	-	-
Additions	37,914	1,454	790	299	6,030	10,370	56,857
Disposals	(1,384)	-	(72)	-	(217)	(481)	(2,154)
Depreciation charge	(22,669)	(1,408)	(3,023)	(485)	(6,983)	-	(34,568)
Closing net book amount	637,942	24,922	22,247	17,560	34,173	25,288	762,132
At 31 March 2021							
Cost	918,641	33,862	26,863	19,769	92,771	25,288	1,117,194
Accumulated depreciation	(280,699)	(8,940)	(4,616)	(2,209)	(58,598)	-	(355,062)
Net book amount	637,942	24,922	22,247	17,560	34,173	25,288	762,132

	Electricity Distribution Network $'000	Fibre network $'000	ROU Building Assets $'000	Land & buildings $'000	Other Assets $'000	Assets under construction* $'000	Total $'000
Year ended 31 March 2020							
Opening net book amount	601,302	24,378	-	18,206	28,060	12,890	684,836
IFRS 16 Adjustment	-	-	21,808	-	-	-	21,808
Additions	45,748	1,859	4,885	591	14,148	2,506	69,737
Disposals	(1,049)	(3)	-	-	(172)	-	(1,224)
Depreciation charge	(21,920)	(1,359)	(2,141)	(1,049)	(6,691)	-	(33,160)
Closing net book amount	624,081	24,875	24,552	17,748	35,345	15,396	741,997
At 31 March 2020							
Cost	883,709	32,410	26,693	4,903	88,287	15,396	1,051,398
Valuation	-	-	-	13,321	-	-	13,321
Accumulated depreciation	(259,628)	(7,535)	(2,141)	(476)	(52,942)	-	(322,722)
Net book amount	624,081	24,875	24,552	17,748	35,345	15,396	741,997

**Assets under construction include $5.8 million (31 March 2020: $4.1 million) of intangible work in progress.*

(a) Valuations of land and buildings

Land and buildings in Omahu Road, Hastings and Fleet Street, Taupo were independently valued by registered valuer Telfer Young Ltd, as at 22 January 2019.

Non-financial assets carried at fair value may be measured using different valuation methods. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

– Inputs other than quoted prices 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 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Land and buildings have been valued using level 2 methodology. There were no transfers between levels during the period.

(b) Valuation techniques used to derive level 2 fair values

Level 2 fair values of land, office buildings, workshops and warehouse facilities have been derived using the rental capitalisation approach. Market rental and sales data of comparable land and buildings in close proximity are adjusted for differences in key attributes such as building quality, tenant strength (if sold under a sale and leaseback arrangement), and other market factors. The most significant inputs into this valuation approach are price per square metre, and yield.

(c) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2021 $'000	2020 $'000
Freehold land & buildings		
Cost	**14,769**	14,473
Accumulated depreciation	**(3,830)**	(3,378)
Net book amount	**10,939**	11,095

5 Intangible assets

Recognition and measurement

(i) 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 entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment (or more frequently if events or changes in circumstances indicate a potential impairment) and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. 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 or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The recoverable amount of goodwill is calculated using value in use (the net present value of expected future cash flows) of the cash generating units. Key assumptions used in the value in use model that require the Group's estimation and judgement include revenue forecasts (including volumes and pricing), costs and discount rates.

(ii) Computer software

Acquired 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 straight-line basis over their estimated useful lives (two to ten years).

Costs associated with developing or maintaining software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

JBO

(iii) Other intangible assets

Other intangible assets include indefeasible rights of use (IRU) and land easements. IRU's are cash generating in nature as they provide the Group the right to connect to and use third party fibre optic cables.

At each reporting date, the Group reviews the carrying amounts of its software and other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Year ended 31 March 2021				
Opening net book amount	42,315	3,461	933	46,709
Additions	-	129	103	232
Amortisation charge	-	(1,212)	(33)	(1,245)
Closing net book amount	42,315	2,378	1,003	45,696
At 31 March 2021				
Cost	118,203	17,119	1,436	136,758
Accumulated amortisation and impairment	(75,888)	(14,741)	(433)	(91,062)
Net book amount	42,315	2,378	1,003	45,696

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Year ended 31 March 2020				
Opening net book amount	42,315	4,520	893	47,728
Additions	-	347	73	420
Disposals		(5)		(5)
Amortisation charge	-	(1,401)	(33)	(1,434)
Closing net book amount	42,315	3,461	933	46,709
At 31 March 2020				
Cost	118,203	16,991	1,334	136,528
Accumulated amortisation and impairment	(75,888)	(13,530)	(401)	(89,819)
Net book amount	42,315	3,461	933	46,709

(a) Impairment tests for goodwill

The Group regularly monitors the carrying value of its goodwill and reviews it annually or more regularly if there are indications that goodwill may be impaired.

The Trustees believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

There has been no movement in goodwill in 2021 (2020: Nil). The carrying amount of goodwill in ETEL was $28.3m and in Taupo/Rotorua network was $14.0m.

ΨΩ

(b) Key assumptions used for value-in-use calculations

ETEL Limited

The recoverable amount of this cash generating unit was assessed by reference to a value in use calculation which uses cash flow projections based on financial plans covering a 5 year period, based on the most recent budget and 5-year strategic plan approved by the Trustees.

The value in use calculation uses the following key assumptions:

- Sales Real Growth Rate that assumes the cumulative average sales growth rate assumed by management for the next five years (2022 to 2026) is 6.7%. The Trustees believe that the planned growth in the export market is reasonable and achievable.
- Capex: The impairment model uses ETEL's budget capex in 2021-22 business plan for years 2023 to 2026. The 2021-22 budget has capex of $3.1m which includes business assets and development expenditure split into growth and efficiency projects of $1.6m and business as usual capex of $1.5m. Spend on growth and efficiency projects includes continued development of the drying project, ground and polemount assembly lines, building improvements and coil press controller. Business as usual includes various equipment replacement purchases and ongoing IT projects.
- A post tax discount rate of 8.2% per annum (2020: 8.8% per annum).
- Management have decided that due to the level of headroom available that there is no impairment of the ETEL NZ/AU CGU goodwill

Taupo/Rotorua Network

The recoverable amount of the Taupo/Rotorua Network cash generating unit was assessed by reference to a value in use calculation. The cash flow projections are based on financial forecasts covering a ten year plan as opposed to a five year period (as required by NZ IAS 36) as a longer timeframe is more relevant to infrastructure assets. The model uses the Business Plan approved by directors as the base year, with network capex and maintenance being based on the most recent Regulatory Asset Management Plan.

The value in use calculation uses the following key assumptions:

- Line Revenue: The impairment test uses the FY22 distribution revenue based on Unison's FY22 budget. The model includes forecast DPP allowable revenue for FY22-FY29 using the current Commerce Commissions revenue cap model as the basis for modelling the revenue forecasts from 1 April 2022 to 31 March 2025 and again from 1 April 2025 through to 31 March 2031. The revenue model uses a vanilla Weighted Average Cost of Capital (WACC) - 67th percentile - of 4.57% (4.23% post tax WACC) based on the Commerce Commission's 2020 revenue reset calculation and capex and opex forecasts are based on the most recent Regulatory Asset Management Plan.
- a post tax discount rate of 4.23% per annum (2020: 4.23% per annum).

Pt Lucky Light Globalindo (LLG)

The recoverable amount of this cash generating unit was assessed by reference to a value in use calculation which uses cash flow projections based on financial plans covering a 5 year period, based on the most recent budget and 5-year strategic plan approved by Trustees.

The value in use calculation uses the following key assumptions:

- Sales Growth Rate that assumes LLG will grow its volume with PLN, the Indonesian government-owned corporation for electricity distribution in Indonesia. As LLG is in a high growth phase, sales growth rates have been modelled higher in the early years and then dropping back to a steady growth rate. The Trustees believe that the planned growth in the PLN is reasonable and achievable.
- A post tax discount rate of 10.0% per annum (2020:10.7% per annum).

JSQ

6 Cash and cash equivalents

	Group		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
NZD accounts	**10,313**	9,512	**2,896**	2,524
AUD accounts	**2,353**	1,515	**-**	-
USD account	**1,254**	326	**-**	-
IDR account	**1,505**	1,256	**-**	-
EUR account	**-**	12	**-**	-
	15,425	12,621	**2,896**	2,524

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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(a) Risk exposure

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

Cash and cash equivalents have a credit rating of AA.

(b) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

7 Borrowings

Recognition and measurement

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

All borrowings are measured at amortised cost adjusted for fair value movements in respect of the hedged risk on borrowings designated in fair value hedge relationships and are classified between current and non-current dependent on contractual obligations.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

	2021	2020
	$'000	$'000
Current borrowings		
Bank loans - maturing within 1 year	**-**	73,000
US Senior Notes Fixed Rate	**58,997**	-
Total current borrowings	**58,997**	73,000
Term Borrowings		
Bank loans - maturing between 1 and 5 years	**140,000**	60,000
US Senior Notes Fixed Rate	**58,997**	117,994
	198,997	177,994

150

Fair Value Movement		
US Senior Notes Fixed Rate	**6,060**	11,210
Foreign Currency Movement		
US Senior Notes Fixed Rate	**25,215**	48,068
	31,275	59,278
Total non-current borrowings	**230,272**	237,272
Total interest bearing liabilities	**289,269**	310,272

Borrowings are a combination of:

(i) *Bank Loans*

The Group utilises multi tranche revolving debt bank facilities totalling $202 million (31 March 2020: $161 million) with maturities between 13 months and 2.3 years (31 March 2020: between 4 months and 3 years). Interest rates for all bank loans are floating based on the bank bill rate plus a margin.

(ii) *US Senior Notes*

In October 2011, USD100 million of unsecured senior notes were issued in a private placement to US institutional investors, using a derivative contract to fix an exchange rate of USD 0.8475 for every NZD. Interest is paid semi-annually. USD50 million matures in October 2021, and USD50 million matures in October 2023.

All borrowings are unsecured and are subject to a negative pledge and cross guarantee. The following Group companies are parties to a negative pledge and cross guarantee; Unison Networks Limited, Unison Energy Limited; Unison Contracting Services Limited; Unison Fibre Limited; and ETEL Limited.

RPS has guarantees and liabilities outstanding under credit.

Borrowings are subject to various lending covenants such as limitation on long term indebtedness, leverage and other ratios. The Group complied with all covenants for the current and prior financial periods.

COVID-19 has had no impact on the ability to repay borrowings when they become due and the ability to meet debt covenants.

JSQ

(c) Interest rate risk exposures

The Group manages interest rate exposure in accordance with its Treasury Management Policy by ensuring the Group's interest rate profile is within the interest rate risk control limits set in the Policy - calculated against projected total debt over a Regulatory Control Period - with interest rate hedge instruments.

While the interest rate hedging limits allow for continuous interest rate risk management, hedging activity is predominantly concentrated within the reset window prior to the start of a Regulatory Control Period.

Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

The weighted average rates on interest rate swaps and options are as follows:

	Fixed Interest Rate				
	1 year or less $'000	**Over 1 to 2 years $'000**	**Over 2 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 March 2021					
Interest rate swaps ($'000)* (note 18)	38,000	6,000	165,000	40,000	249,000
Weighted average interest rate (%)	4.77%	4.75%	3.13%	3.82%	-
USD Senior Notes Interest Rate Cross-Currency (USD'000)	50,000	-	50,000	-	100,000
Weighted average interest rate (%)	3.78%	-	3.98%	-	-

	1 year or less $'000	**Over 1 to 2 years $'000**	**Over 2 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
31 March 2020					
Interest rate swaps ($'000)* (note 18)	27,000	38,000	136,000	75,000	276,000
Weighted average interest rate (%)	4.85%	4.77%	3.00%	3.87%	
USD Senior Notes Interest Rate Cross-Currency (USD'000)		50,000	50,000		100,000
Weighted average interest rate (%)		3.78%	3.98%		

** Notional principal amounts*

8 Borrowing Costs

Recognition and measurement

General and specific borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The Group policy is that an asset qualifies when the cost of construction is greater than $500,000 and the construction period is longer than 6 months. Interest on borrowing costs are calculated based on the effective yearly interest rate of 4.87% (31 March 2020: 5.34%).

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

	2021 $'000	2020 $'000
Interest and finance charges paid/payable	**13,499**	13,983
Capitalised interest	**(440)**	(458)
Total borrowing costs	**13,059**	13,525

BQ

9 Trade and other receivables

Recognition and measurement

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence of the Group's customers being unable to make required payments. The Group makes an assessment for doubtful debts where debt is more than 90 days overdue. There have been no significant individual impairment amounts recognised as an expense.

	Group		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade receivables	**25,323**	25,429	**-**	-
Other receivables	**1,889**	1,986	**12**	12
Provision for impairment of receivables	**(406)**	(443)	**-**	-
Total trade receivables	**26,806**	26,972	**12**	12
Related party receivables	**1,701**	1,446	**-**	-
Prepayments	**838**	2,205	**-**	-
Total trade and other receivables	**29,345**	30,623	**12**	12

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $325k (2020: $320k) in respect of bad and doubtful trade receivables during the year ended 31 March 2021. The loss has been included in 'other expenses' in the statement of profit or loss and other comprehensive income.

There has been no indication of any increased bad or doubtful trade receivables post balance date as a result of COVID-19. This will continue to be carefully monitored.

(b) Foreign exchange and interest rate risk

Refer to note 19(f) for an analysis of Group's exposure to foreign currency risk in relation to trade and other receivables.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. Refer to note 19(c) for more information on the risk management policy of the Group.

10 Inventories

Recognition and measurement

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. Cost is determined using the standard cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains or losses on qualifying cash flow hedges for purchases of raw materials.

The cost of purchased electrical and fibre related inventory is determined using the average cost method.

PSQ

The write down from cost to net realisable value is recognised in the statement of profit or loss and other comprehensive income in the period when the write down occurs.

	2021	2020
	$'000	$'000
Raw materials	**14,315**	14,796
Provision for obsolescence	**10**	-
	14,325	14,796
Work in progress	**2,944**	3,185
Finished goods	**11,177**	14,138
Electrical and fibre related inventories	**4,602**	5,194
Provision for obsolescence	**(1,296)**	(932)
Total inventories	**31,752**	36,381

No inventories are pledged as security for liabilities (2020: nil).

11 Non-current assets – Other financial assets

	Group		**Parent**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Corporate Bonds	**942**	1,041	-	-
Global bond funds	**1,407**	789	-	-
Equities	**7,158**	4,625	**64,000**	64,000
Total other financial assets	**9,507**	6,455	**64,000**	64,000

(a) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of the investments.

12 Trade and other payables

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid, and are initially measured at fair value, net of any transaction costs. These are subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

	Group		**Parent**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade payables	**13,921**	15,693	-	-
Provision for Distribution	**616**	564	**616**	564
Interest payable	**1,731**	1,984	-	-
Other payables	**3,004**	4,264	**51**	143
Total trade and other payables	**19,272**	22,505	**667**	707

43a

13 Commitments

Recognition and measurement

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, less any accumulated depreciation and impairment losses, and adjustment for any remeasurement of lease liabilities. The cost of right-of-use assets comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments, that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Generally, the Group uses its incremental borrowing rate as the discount rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment e.g. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

From 1 April 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 13(i) below for further information.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

BQ

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2021 $'000	2020 $'000
Property, plant and equipment	**1,715**	2,556
Intangible assets	**29**	1,890
	1,744	4,446

The above balances have been committed in relation to future expenditure on capital projects. Amounts already spent have been included as assets under construction.

(b) Leases

This note provides information for leases where the Group is a lessee.

The Group leases offices, manufacturing and warehouse facilities under non-cancellable operating leases. No operating lease contracts contain options to purchase the leased asset at the expiry of the lease period. The lease for manufacturing and warehouse facilities has an initial term of nine years with one right of renewal of six years. The lease contains a market review clause seven years from commencement date and four years from renewal date.

(i) Amounts recognised in the balance sheet*

The statement of financial position shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Right-of-use assets		
Buildings	**22,247**	24,552
	22,247	24,552

*included in the line item 'Property, plant and equipment' in the statement of financial position.

Lease liabilities **		
Current	**2,565**	2,354
Non-current	**23,609**	25,587
	26,174	27,941

**included in the line item 'other liabilities' in the statement of financial position. Current other liabilities in 2020 include a lease make good provision of $221k.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Depreciation charge of right-of-use assets		
Buildings	**3,023**	2,141
	3,023	2,141
Interest expense (included in borrowing cost)	**1,098**	958
Expense relating to low-value assets and short-term leases (included in other expenses)	**72**	317
Total lease amounts	**1,170**	1,275

Total cash outflow for leases was $3,524m (2020: $3,425m)

HBQ

14 Contingencies

Contingent liabilities are subject to uncertainty or cannot be reliably measured and are not provided for. Disclosures as to the nature of any contingent liabilities are set out below. Judgements and estimates are applied to determine the probability that an outflow of resources will be required to settle an obligation. These are made based on a review of the facts and circumstances surrounding the event and advice from both internal and external parties.

(a) Contingent liabilities

The Group had contingent liabilities at 31 March 2021 in respect of:

Claims
There were a number of rural fires in the Hawkes Bay region during January 2017 and February 2017 due to the ongoing dry conditions fanned by strong winds. The Group has received two separate claims from Fire and Emergency New Zealand (FENZ) and are the subject of two separate insurance claims being made to the Group's insurer. With respect to both claims FENZ has been advised by the Group's insurer that Unison has no liability in regard to these claims. The matter is ongoing.

On 27 July 2018 an employee of Unison Contracting Services Limited (UCSL) suffered a serious injury while completing low voltage tests on a new overhead transformer. UCSL has entered into an Enforceable Undertaking with Worksafe, which commits it to a number of actions with a total committed expenditure of not less than $325,000. There is only $25,000 of this committed expenditure remaining to be paid to the EEA as part of the Enforceable Undertaking.

The Group is not aware of any other material contingent liabilities at balance date (2020: nil).

(b) Contingent assets

The Group commenced proceedings for an action in nuisance to recover costs of $275k for damage to Unison's electricity network from hazardous trees. Unison Networks Limited (as plaintiff) was successful in these proceedings brought against four related forestry parties (the defendants) in the High Court in Wellington, with the judgment delivered in September 2019. An appeal was subsequently filed by the defendants (now 'the appellants') and was heard in the Court of Appeal on 8 September 2020. We are still awaiting the Court of Appeal's decision.

15 Taxation

Income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

	Group		**Parent**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax:				
Current tax on profits for the year	**9,619**	9,293		-
Adjustments in respect of prior years	**(36)**	(222)		-
Total current tax	**9,583**	9,071	-	-
Deferred tax:				
Deferred tax associated with temporary timing differences	**4,328**	586	-	-
Adjustments in respect of prior years	**63**	203	-	-
Total deferred tax	**4,391**	789	-	-
Income tax expense	**13,974**	9,860	-	-

	Group		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000

(b) Reconciliation of income tax expense to prima facie tax payable

Profit before income tax expense	**46,092**	41,219	**14,958**	15,133
Income tax @ 28% (Trust 33%)	**13,130**	11,896	**4,936**	4,994
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
• Income not subject to tax	**(554)**	(133)	**-**	-
• Expenses not deductible for tax purposes	**1,450**	414	**95**	107
Prior period current tax adjustment	**(103)**	(222)	**-**	-
Prior period deferred tax adjustment	**130**	203	**-**	-
Impact of recognition of IFRS16 leases	**-**	20	**-**	-
Effect of change to tax deprecation on buildings	**-**	(2,125)	**-**	-
Effect of difference in foreign tax rate	**3**	81	**-**	-
Unrecognised tax losses	**(82)**	(274)	**(82)**	(274)
Distribution to beneficiaries	**-**	-	**(4,949)**	(4,827)
Income tax expense	**13,974**	9,860	**-**	-

(c) Deferred tax liabilities

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

	2021	2020
	$'000	$'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**95,132**	90,489
IFRS 16 Leases	**(374)**	(126)
Derivative financial instruments	**(2,339)**	(2,665)
Employee provisions	**(1,895)**	(2,068)
Other provisions	**(1,129)**	(988)
Total deferred tax liabilities	**89,395**	84,642
Movements:		
Opening balance	**84,642**	84,806
Property, plant and equipment	**4,643**	1,582
IFRS 16 Leases	**(248)**	(126)
Derivative financial instruments	**326**	(710)
Employee entitlements	**173**	(190)
Provision for impairment of receivables	**-**	-
Other provisions	**(141)**	(720)
Closing balance	**89,395**	84,642

A deferred tax asset has not been recognised in relation to tax losses of $1,851,989 (2020 $1,389,701) in the Trust.

HSQ

16 Share capital

	Group		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Issued and paid up 67,661 shares (2020: 67,661 shares)	**67,661**	67,661	**65,000**	65,000

(a) Capital risk management

The Parent entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Parent entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

17 Related party transactions

(a) Related parties

The Establishment Plan of the Company provided for the information of the Hawke's Bay Power Consumers' Trust (the object of which is to hold the shares of the Company on behalf of the consumers in their capacity as owners).

A fully imputed dividend of $15,805,325 which equates to 24.70 cents per fully paid share (2020: 15,805,325, 24.70 cents per fully paid share) was paid by the Company to the Hawke's Bay Power Consumers' Trust during the year. No interim dividend was paid for the year ended 31 March 2021 (2020: Nil).

A fully imputed dividend of $15,800,000, which equates to 24.69 cents per share, in respect of the 2020/21 financial year was declared on 17 June 2021. This dividend will be paid to the Hawke's Bay Power Consumers' Trust on or about 3 August 2021.

Related parties of the Group include:

- Unison Networks Limited
- Centralines Limited
- The Group's Directors and key management personnel
- Entities in which Directors or Trustees had an interest

(b) Key management personnel compensation

The key management personnel for the Group are all the directors of the Group and the executives with the greatest authority for the strategic direction and management of the Group. Key management personnel of the Trust is comprised of its trustees and the Trust Secretary who collectively are responsible for the strategic direction and decision-making for the Trust. Their compensation for the period and financial year is set our below.

	2021	2020
	$'000	$'000
Short-term benefits – Trust's Subsidiary	**3,533**	3,743
Short term benefits - Trustees	**138**	138
Short term benefits – Trust Secretary	**51**	51
Post-employment benefits	**44**	66
Other long-term benefits	**602**	124
	4,368	4,122

ISQ

The Trust has a contract with Brown Webb Richardson Limited for the provision of secretarial services to the Trust. For the year ended 31 March 2021 the amount of compensation paid or payable to Brown Webb Richardson Limited for the provision of the services was $51,060 (2020 $51,060).

(c) Transactions with other related parties

The following transactions occurred with related parties other than key management personnel or entities related to them:

- The Group operates a management contract for Centralines Limited, an electricity lines company based in Waipukurau. This contract provides for executive, financial, technical and managerial services for Centralines Limited. For commercial reasons the value of this contract is not disclosed.

(d) Outstanding balances

The following balances are outstanding at the balance date in relation to transactions with related parties other than Trustees, Directors and key management personnel:

	2021 $'000	2020 $'000
Current receivables (sales of goods and services)		
Centralines Limited	**558**	232
	558	232

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(e) Transactions with Directors, Key Management and their immediate family

During the year the following entities, in which Directors had an interest, provided or received services to or from the Group under normal commercial terms. All related party transactions were conducted at arm's length.

Transactions with related parties		**Transaction**		**Year-end**	
Related party	**Relationship with company**	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Hawke's Bay Helicopter Rescue Trust	P Hocquard (Trustee)	**(50)**	(50)	-	-
Mission Estate Winery	P Hocquard (Director)	**(22)**	(25)	-	-
Wel Networks Limited	P Connell (Director)	-	1	-	-
Telarc Limited	P Connell (Director)	**(18)**	(6)	-	-
Ask Your Team	A Bayley (Director)	**(57)**	(40)	-	-
Starfish Software Limited	Q Varcoe (GM People & Culture)	**(12)**	(16)	-	-
Aurora Energy Limited	B Hall (Director)	**8,822**	6,394	**3,130**	1,185

There were no other related party transactions.

480

18 Derivative financial instruments

Recognition and measurement

The Group uses derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates and interest rates. The use of hedging instruments is governed by the treasury policy approved by the Board.

The Group has elected to use the transitional provision to continue to apply NZ IAS 39 hedge accounting on transition to NZ IFRS 9.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed below. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

The Group only applies fair value hedge accounting for hedging fixed interest risk on borrowings. Gains or losses from re-measuring the fair value of the hedging instrument are recognised in the statement of profit or loss and other comprehensive income together with any changes in the fair value of the hedged asset or liability.

(ii) Cash flow hedge

For cash flow hedges, the effective portion of gains or losses from re-measuring the fair value of the hedging instrument is recognised in profit or loss and accumulated in the cash flow hedge reserve. Accumulated gains or losses are subsequently transferred to the profit or loss when the hedged item affects the statement of profit or loss and other comprehensive income, or when the hedged item is a forecast transaction that is no longer expected to occur. Alternatively, when the hedged item results in a non-financial asset or liability, the accumulated gains and losses are included in the initial measurement of the cost of the asset or liability.

The re-measurement gain or loss on the ineffective portion of a cash flow hedge is recognised immediately in the statement of profit or loss and other comprehensive income.

(iii) Hedges no longer meeting the criteria for hedge accounting

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the period to maturity.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of profit or loss and other comprehensive income.

JQ

	2021 $'000	2020 $'000
Current assets		
Forward foreign exchange contracts - hedged ((a)(i))	93	1,374
Total current derivative financial instrument assets	93	1,374
Non-current assets		
Cross currency interest rate swaps - fair value hedged ((a)(iii))	29,280	54,523
Foreign currency forward contracts - hedged ((a)(i))	82	-
Total non-current derivative financial instrument assets	29,362	54,523
Total derivative financial instrument assets	29,455	55,897
Current liabilities		
Foreign currency forward contracts - hedged ((a)(i))	1,238	-
Interest rate swaps - hedged ((a)(ii))	14	-
Interest rate swaps - unhedged ((a)(ii))	877	509
Total current derivative financial instrument liabilities	2,129	509
Non-current liabilities		
Interest rate swaps - unhedged ((a)(ii))	9,471	14,738
Interest rate swaps - hedged ((a)(ii))	5,724	7,887
Total non-current derivative financial instrument liabilities	15,195	22,625
Total derivative financial instrument liabilities	17,324	23,134
Net derivative financial instrument asset/(liability)	12,131	32,763

(a) Instruments used by the Group

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

(i) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 March 2021 were $18,664,431 (31 March 2020: $13,492,218).

(ii) Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2021 is $199 million (31 March 2020: $216 million). The Group has a further $50 million of future dated interest swaps to replace some of the Group's current interest rate swaps when they mature. This provides more certainty around future interest expenditure.

At 31 March 2021, the fixed interest rates on the interest rate swaps range from 1.34% to 5.2% (31 March 2020: 1.34% to 5.795%), and the main floating rate is BKBM. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 March 2021 will be continuously released to the statement of profit or loss within finance cost until the repayment of the bank borrowings.

(iii) Cross currency interest rate swap ('CCIRS')

Cross currency interest rate swaps, which are used to manage the combined interest and foreign currency risk on borrowings issued in foreign currency, have been split into two components for the purpose of hedge designation: the hedge of the benchmark interest rate is designated as a fair value hedge; and the hedge of the issuance margin is designated as a cash flow hedge.

The Group is exposed to US LIBOR in relation to the Cross-Currency Interest Rate Swaps (CCIRS) held against USPP borrowings. The nominal amount of hedging instruments in hedging relationships that are exposed to US LIBOR as at 31/03/21 is USD 100m (NZD 118m). The extent of the risk exposure that is affected by the IBOR reform is NZD 4.5m. Transition to alternative benchmark interest rates is being managed by working closely with external advisors on any movement in the reform and acting accordingly. Significant assumptions or judgements made in applying the amendments: There has been no indication from external advisors as to a firm change over date from USD LIBOR to an alternative Risk free rate (RFR) and while that uncertainty exists the Group will apply the Phase 1 Amendment and assume the hedged interest coupons on the associated hedging instrument will remain US LIBOR-based cash flows for the purpose of assessing and measuring effectiveness.

JSQ

19 Financial risk management

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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out by a central treasury department (Group treasury) under policies approved by Unison Networks Limited. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall financial risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Financial instruments by category

Financial assets as per statement of financial position	Amortised Cost $'000	Assets at fair value through profit or loss $'000	Fair value through OCI $'000	Total $'000
At 31 March 2021				
Derivative financial instruments	-	-	29,455	29,455
Trade and other receivables	29,345	-	-	29,345
Other financial assets through profit or loss	-	-	-	-
Other short term deposits	845	-	-	845
Cash and cash equivalents	15,425	-	-	15,425
	45,615	-	29,455	75,070
At 31 March 2020				
Derivative financial instruments	-	-	55,897	55,897
Trade and other receivables	30,623	-	-	30,623
Other financial assets through profit or loss	-	6,455	-	6,455
Other short term deposits	838	-	-	838
Cash and cash equivalents	12,621	-	-	12,621
	44,082	6,455	55,897	106,434

Financial liabilities as per statement of financial position	Liabilities at fair value through profit or loss $'000	Fair value through OCI $'000	Measured at amortised cost $'000	Total $'000
At 31 March 2021				
Borrowings	-	31,275	257,994	289,269
Derivative financial instruments	11,586	5,738	-	17,324
Trade and other payables	-	-	19,272	19,272
Lease liabilities	-	-	26,174	26,174
	11,586	37,013	303,440	352,039
At 31 March 2020				
Borrowings	-	59,278	250,994	310,272
Derivative financial instruments	15,247	7,887	-	23,134
Trade and other payables	-	-	22,505	22,505
Lease liabilities	-	-	27,941	27,941
	15,247	67,165	301,440	383,852

KQ

(b) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The following table presents the Group's financial assets and liabilities that are measured at fair value:

31 March 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total balance $'000**
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	9,507	-	-	9,507
– Debt investments	-	-	-	-
Fair value through OCI				
– Interest rate contracts	-	-	-	-
– Foreign exchange contracts	-	175	-	175
– Cross currency interest rate swaps	-	29,362	-	29,362
Total assets	9,507	29,537	-	39,044
Liabilities				
Financial liabilities at fair value through profit or loss				
– Interest rate contracts	-	10,348	-	10,348
Fair value through OCI				
– Interest rate contracts	-	5,738	-	5,738
– Foreign exchange contracts	-	1,238	-	1,238
Total liabilities	-	17,324	-	17,324

31 March 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total balance $'000**
Assets				
Financial assets at fair value through profit or loss				
– Equity securities	6,455	-	-	6,455
– Debt investments	-	-	-	-
Fair value through OCI				
– Interest rate contracts	-	-	-	-
– Foreign exchange contracts	-	1,374	-	1,374
– Cross currency interest rate swaps	-	54,523	-	54,523
Total assets	6,455	55,897	-	62,352
Liabilities				
Financial liabilities at fair value through profit or loss				
– Interest rate contracts	-	15,247	-	15,247
Fair value through OCI				
– Interest rate contracts	-	7,887	-	7,887
– Foreign exchange contracts	-	-	-	-
Total liabilities	-	23,134	-	23,134

There were no transfers between levels 1 and 2 during the year.

FSQ

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily NZX and ASX equity investments classified as trading securities or available for sale.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value;
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Credit risk

Credit risk is the risk that a third party will default on its obligations to the Group, causing it to incur a loss. Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, accounts receivable, derivative financial instruments with unrealised gains and CCIRS's. No collateral is held on these amounts (2020: nil).

The Group manages credit risk associated with bank balances and derivative financial instruments through the Group's central treasury department under policies approved by Unison Networks board of directors.

Concentration of Credit Exposure

The Group has exposure to 23 electricity retailers that account for 48% (2020: 50%) of accounts receivable. To minimise this risk, the Group performs credit evaluations on all energy retailers in conjunction with the contractual requirements contained within the use of system agreements operating with these parties. A loan, bond or bank undertaking may be required where deemed necessary. At balance date bank guarantees of up to $7.24 million (2020: $6.4 million) are currently held in respect of four electricity retailers, and bonds and cash of $389k (2020: $440k) in respect of another two electricity retailers.

The impairment provision has been calculated based on expected losses from the group's pool of debtors. Expected losses have been determined based on analysis of specific debtors.

The ageing of the Groups trade receivables is as follows:

	2021 **$'000**	2020 $'000
Trade receivables		
0 - 30 days	**23,292**	22,170
Past due 31 - 60 days	**896**	1,971
Past due more than 60 days	**1,134**	1,288
	25,322	25,429

ABQ

Financial instruments

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances, term deposits, interest receivable, corporate bonds, global bonds and related party receivables. No collateral is held on these amounts (31 March 2020: nil).

The Group minimises its exposure to credit risk by: pre-qualifying the financial institutions or Brokers/Dealers with which the Group will do business. In principle larger investments and those with longer durations will be made in higher quality investments; and diversifying the investment portfolio so that potential losses on individual investments will be minimised.

An analysis of the credit quality of financial assets that are neither past due nor impaired is as follows:

	2021	2020
	$'000	$'000
Fair value through profit or loss		
Counterparties with external credit rating (Moody's)		
AA	**3,637**	3,288
A	**2,689**	481
	6,326	3,769

The maximum exposure to credit risk at the reporting date is the carrying amount of the investments.

(d) Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. Overall the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the reporting date:

	2021	2020
	$'000	$'000
Expiring within one year (bank overdraft and bill facility)	**4,500**	4,500
Expiring within one year (bank loans)	**-**	7,000
Expiring beyond one year (bank loans)	**60,000**	20,000
	64,500	31,500

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. The unsecured bill acceptance facility may be drawn at any time and is subject to annual review. Subject to the continuance of compliance with debt covenants, the bank loan facilities may be drawn at any time and have an average maturity of 1.9 years (2020: 1.56 years).

Maturities of financial liabilities

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statement of financial position ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

The following table analyses the Group's contractual cash flows for financial liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

BQ

31 March 2021	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 3 years $'000**	**Over 3 years $'000**	**Total contractual cash flows $'000**	**Carrying Amount liabilities $'000**
Non-derivatives						
Borrowings	72,604	20,026	200,839	(277)	293,192	289,269
Trade and other payables	19,272	-	-	-	19,272	19,272
Lease Liabilities	3,646	3,782	3,610	22,113	33,151	26,174
Total non-derivatives	95,522	23,808	204,449	21,836	345,615	334,715
Derivatives						
Interest rate swaps (hedged)	1,020	1,004	1,004	429	3,457	5,738
Interest rate swaps (unhedged)	4,555	3,351	2,989	1,700	12,595	10,348
Forward exchange contracts	-	-	-	-	-	1,238
Total derivatives	5,575	4,355	3,993	2,129	16,052	17,324

31 March 2020	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 3 years $'000**	**Over 3 years $'000**	**Total contractual cash flows $'000**	**Carrying Amount liabilities $'000**
Non-derivatives						
Borrowings	73,437	58,859	337	177,948	310,581	310,272
Trade and other payables	22,505	-	-	-	22,505	22,505
Lease Liabilities	3,356	3,494	3,634	26,052	36,536	27,941
Total non-derivatives	99,298	62,353	3,971	204,000	369,622	360,718
Derivatives						
Interest rate swaps (hedged)	1,174	1,020	1,004	1,433	4,631	7,887
Interest rate swaps (unhedged)	5,845	4,555	3,351	4,689	18,440	15,247
Forward exchange contracts	-	-	-	-	-	-
Total derivatives	7,019	5,575	4,355	6,122	23,071	23,134

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

(e) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Derivatives and borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. The Group manages its cash flow interest rate risk on borrowings by using floating to fixed interest rate swaps and options. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

In managing interest rate risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

Sensitivity

If interest rates on borrowings at 31 March 2021 had fluctuated by plus or minus 0.5%, the effect would have been to decrease or increase the profit after tax and equity by $248k (2020: $126k) as a result of a higher or lower interest expense on floating rate borrowings.

(f) Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenditure will fluctuate due to changes in foreign exchange rates.

JSQ

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar, Australian dollar, Japanese Yen and the Indonesian Rupiah. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require Group companies to manage their foreign currency risk against their functional currency. The Group companies are required to hedge their foreign currency risk exposure. To manage their foreign currency risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward contracts. Foreign currency risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	NZD $'000	AUD $'000	USD $'000	Euro €'000	YEN Y'000	IDR Rp'M
31 March 2021						
Cash and cash equivalents	10,600	1,795	874	1	10	15,192
Trade and other receivables	22,871	2,953	209	3	-	11,254
Trade and other payables	11,498	170	1,087	(6)	-	2,824
31 March 2020						
Cash and cash equivalents	9,062	1,698	249	8	2,150	12,307
Trade and other receivables	23,955	3,868	11	3	-	13,461
Trade and other payables	14,737	292	1,438	24	-	2,878

As at balance date the Group held the following forward exchange contracts:

	Average Exchange Rate		**Foreign Currency**		**Contract Value**	
	2021 **$**	**2020** **$**	**2021** **FC$'000**	**2020** **FC$'000**	**2021** **$'000**	**2020** **$'000**
Buy USD/Sell NZD						
Less than 1 year	0.7016	0.6385	3,025	425	4,428	666
Greater than 1 year	-	-	-	-	-	-
Sell AUD/Buy NZD						
Less than 1 year	-	0.9397	-	400	-	426
Greater than 1 year	-	-	-	-	-	-
Sell AUD/Buy USD						
Less than 1 year	0.7369	0.6942	9,200	7,420	14,236	10,689
Greater than 1 year	-	-	-	-	-	-

(g) Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the United States (USD) and the currency of Australia (AUD). The following table details the Group's sensitivity to a 1 cent increase and decrease in the relevant foreign currencies against the New Zealand dollar. Given the volatility of the foreign markets a 1 cent change in foreign currency exchange rates is considered a reasonably possible change. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 cent change in foreign currency exchange rates. A positive number indicates an increase in profit and equity.

	2020 **$'000**	2020 $'000
Assets		
Profit / (loss) - strengthening in NZD	**(59)**	24
Profit / (loss) - weakening in NZD	**61**	(25)
Liabilities		
Profit / (loss) - strengthening in NZD	**(44)**	(40)
Profit / (loss) - weakening in NZD	**44**	40

452

(h) Offsetting financial assets and financial liabilities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1/04/2020 $'000	Financing cash flows $'000	Fair value adjustments $'000	Other changes $'000	31/03/2021 $'000
As at 31 March 2021					
Bank loans	250,994	7,000	-	-	257,994
US senior notes fixed rate	59,278	-	(5,150)	(22,853)	31,275
Interest rate swaps fair value hedging or economically hedging financing liabilities	23,134	-	(7,049)	-	16,085
	333,406	7,000	(12,199)	(22,853)	305,354

20 Audit fees

	2021 **$'000**	2020 $'000
Audit services		
Audit of financial statements by Parent company auditors - Audit NZ	**195**	198
Audit of financial statements by Subsidiary company auditors - KPMG	**83**	60
Other auditor's fees for the audit of subsidiary financial statements in foreign jurisdictions - PwC Indonesia	**21**	25
Total audit services	**299**	283
Other services		
Regulatory audit and assurance work by Parent company auditors - Audit NZ	**72**	61
Total other services	**72**	61
Total remuneration for assurance services	**371**	344

JSQ

21 The effects of COVID-19

COVID-19

On 11 March 2020, the World Health Organisation declared the outbreak of Covid-19 a pandemic, and two weeks later the New Zealand Government declared a State of National Emergency. From this, the country was in lockdown at Alert Level 4 for the period 26 March to 27 April and remained in lockdown at Alert Level 3 until 13 May. The country moved to Alert Level 1 on 9 June 2020. Additionally, parts of the country moved into Alert Level 2 for some time during August and September 2020 and February and March 2021. During Alert Level 4 the Group's business activity was restricted to emergency works response, some essential preventative maintenance, and high priority capital work. Most office-based staff were working from home. During Alert Level 2, most business activity resumed with the required health and safety protocols in place, and staff returned to their usual place of work. Alert Level 1 predominantly saw a return to pre Covid-19 activity. The regulated electricity lines revenue saw no adverse impact for the year. Contracting revenue dropped during the first quarter as projects were delayed or deferred but has since recovered strongly. There were no negative impacts on the overall level of network maintenance for the year. Capital expenditure for the year was 3% below budget due to delays in projects during Alert Levels 3 and 4. There was no noticeable impact on our SAIDI and SAIFI results. The manufacturing subsidiaries were hardest hit by Covid-19 with reduced orders and revenue for the year offset partially by expense reductions. The Group's external valuer has confirmed that the fair value of land and non-substation buildings was not materially different to current carrying value as at 31 March 2021. No impairment test has been performed over the carrying value of the electricity distribution, contracting, captive insurance and fibre cash generating units this year because the Group considers that there are no impairment indictors as at 31 March 2021.

22 Significant events occurring after balance date

On 1 April 2021, the Group acquired the Hamilton and Christchurch motor and generator servicing workshop assets of ABB Ltd, for consideration of $2,738,963. The acquisition will expand ETEL's offering into the servicing of motors and generators and the manufacture of coils related to this. The financial effects of this transaction have not been recognised at 31 March 2021. The operating results and assets and liabilities of the acquired company will be consolidated from 1 April 2021.

JSQ

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Hawke's Bay Power Consumers' Trust and Group's financial statements for the year ended 31 March 2021

The Auditor-General is the auditor of Hawke's Bay Power Consumers' Trust (the Trust) and Group. The Auditor-General has appointed me, Chris Webby, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

Opinion

We have audited the financial statements of the Trust and Group on pages 8 to 42, that comprise the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust and Group:

- present fairly, in all material respects:
  - its financial position as at 31 March 2021; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial reporting Standards.

Our audit was completed on 22 July 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Trust and Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Trust and Group for assessing the Trust and Group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Electricity Industry Act 2010 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

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

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate 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 we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 3 to 7, but does not include the financial statements, and our auditor's report thereon.

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

Independence

We are independent of the Trust and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of

Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the Trust, Group and subsidiary, we have carried out the following engagements which are compatible with those independence requirements:

- an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 – (consolidated in 2015) for the period ended 31 March 2020;
- an assurance engagement pursuant to the Electricity Distribution Services Default Price-Quality Path Determination 2020 for the assessment period ended 31 March 2021; and
- an assurance engagement for a subsidiary of the subsidiary Group in compliance with the Reserve Bank of New Zealand's solvency standard for captive insurers transacting non-life insurance business for the assessment period ended 31 March 2021.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust and or any of its subsidiaries.

Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand