Hawke’s Bay Power Consumers’ Trust

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

For the year ended 31 March 2023

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

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TRUSTEES’ REPORT

On the operations and financial affairs of the

HAWKE’S BAY POWER CONSUMERS’ TRUST
For the year ended 31 March 2023

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), Kirsten Westwood, Barbara Arnott, 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 2023. 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 Hawke’s Bay power 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. An Ownership Review is being held this year, 2023.

TRUST ACTIVITIES SINCE 2022 ANNUAL PUBLIC MEETING

Consumer Dividends $15 million in 2022

In 2022 the Trust received a dividend payment from Unison of $15.8 million, exclusive of imputation credits. This was distributed to consumers at $240 per ICP (individual connection point), with tax credits attached – to a maximum of three payments per consumer.

The 2022 dividend distribution went very smoothly now that the direct credit process has been embedded over the past 3 years. Registration rates are nearly 97% and expected to rise each year. The registration portal remains open at www.hbpct.co.nz for further registrations at any time of the year.

The direct financial benefits consumers have had from Trust ownership since 1999 now stands at around $234 million.

New Group Chief Executive

Late in 2022, Ken Sutherland indicated he would be retiring from the role of Group Chief Executive of Unison Networks Ltd (UNL) in 2023. The Directors undertook an extensive recruitment process to find his replacement.

Trustees were kept fully informed throughout the recruitment process and congratulate Jaun Park on his appointment to the role.

https://www.unison.co.nz/tell-me-about/news/article/2023/04/17/unison-welcomes-new-group-chief-executive-jaun-park-to-the-helm

Working with Directors

Two new Directors were appointed to the UNL Board to replace outgoing Directors Christine Spring and Brenden Hall. Barbara Elliston and Blair O'Keefe have brought with them particular skills and knowledge that have added value to the composition around the Board table. Their profiles can be read on: https://www.unison.co.nz/tell-me-about/unison-group/unison's-management-team

The relationship Trustees hold with Director's has traditionally been a strong one. Regular chair-chair meetings are held, and Trustees are kept informed of company activities on a monthly basis. The Trust is also kept abreast with future developments the Directors may be considering. This "no surprises" approach is valued and respected by both parties.

Trustees are always open to support initiatives that improve Unison's business and are necessary to meet the needs of consumers. This in turn enhances the value of returns to shareholders

Impact of Cyclone Gabrielle

Cyclone Gabrielle struck Hawke's Bay on 14 Februry 2023. We are all very aware of the devastating impact it had on Hawke's Bay and beyond, especially in certain rural areas.

Trustees of HBPCT send their heartfelt sympathies to those who have been personally impacted by this disaster. The impact on the region as a whole is still being calculated. As Trustees watched events unfold, Unison management kept us well informed of the actions they were taking. They responded to our questions immediately and provided accurate information that we could pass on to the power consumers who contacted us directly.

Trustees have been exceptionally proud of Unison's response to the cyclone. They took the lead in many instances, communicated accurately and delivered on what they promised. Power consumers in Hawke's Bay have every right to be very proud of their consumer-owned lines company.

ETNZ

The Energy Trusts of New Zealand (ETNZ) conference held in November 2022 had a strong focus on lines companies actively preparing for the future. The entire electricity sector in New Zealand faces the challenge of meeting decarbonisation targets, as well as increasing demands for electrification. These demands are driven by the climate change factors we can no longer ignore. Trustees are confident that Unison has a strong eye to the future and is already meeting these challenges as they arise.

Ongoing challenges for Unison

Cyclone Gabrielle has added to the challenges Unison now faces. The chance to reconfigure parts of the network for greater resilience into the future will require a lot of planning and modelling. Unison has demonstrated through the work so far that they are up for the challenge.

Despite these recent events, Unison has had a pleasing result for the 2022/23 year. The Trust is pleased to announce there will be another dividend distribution to consumers later this year.

Ownership Review

The process for the 2023 Ownership Review got underway in March 2023 and the following timeline was established:

Request report from Directors – 10 March 2023
Receive report from Directors by - 8 September 2023
Report available to public/submissions open – 15 September 2023
Last day for submissions – 16 October 2023
Submissions available to public – 18 October 2023
Public meeting to hear submissions – 10 November 2023
Public meeting for Trustees to make decision – 17 November 2023

Trustees hope that a large number of power consumers in Hawke's Bay take the time to consider the issues and develop well-informed thoughts on the future ownership of Unison.

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 the Trust website: https://www.hbpct.co.nz/reports-and-information/

COMPANY PERFORMANCE 2022-2023

Compliance: *The trading results for 2022-2023 were primarily impacted by Cyclone Gabrielle, causing additional repair costs, asset disposals, and restoration. Operating expenses increased due to inflationary factors, and there was also a rise in borrowing costs. The inclusion of Pringle Beleski and Associates Limited for the first time in 2022-23 impacted the year-on-year comparison. Total group revenue was $320 million, up $56 million from the previous year, while operating expenditure reached $225 million, a $47 million increase. After accounting for increased depreciation and borrowing costs, the 'operating profit before tax' remained consistent with the prior year at $36.2 million. While there was a favourable movement of $2.9 million on financial instruments (non-cash), due to the previous year's favourable movement of $8.3 million 'net profit before tax,' was down on the prior year by $5.3 million at $39.2 million.*

Shareholders' funds showed an increase of $11 million or 2.2%, increasing to $510 million.

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 2023 – 51%

Compliance: *The minimum target ratio was achieved and the target goal was slightly behind. The actual ratio was 50%.*

Performance Targets

Unison's 2023 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: *The Company did not meet its financial performance targets or its network performance targets. Given the impact of the cyclone the Trustees are however satisfied with the financial results and the network performance.*

	Statement of Corporate Intent 2023 Targets	Actual Results 2023
FINANCIAL		
Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed	10.2%	9.4%
Earnings before interest and taxation as a percentage of average assets employed	6.5%	5.3%
Total line operating costs per consumer	$375	$426

	Statement of Corporate Intent 2023 Targets	Actual Results 2023
NETWORK PERFORMANCE		
SAIDI – System Average Interruption Index (Minutes)	<65.85	75.99
SAIFI – System Average Interruption Frequency Index	<1.50	1.43
HEALTH AND SAFETY PERFORMANCE		
• Injuries relating to critical risk	Nil	Nil
• Number of Public Accidents	Nil	2

COMPLIANCE WITH OTHER MATTERS

Unison's Statement of Corporate Intent is released each year, detailing 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 2023 can be found in the company's Annual Report or on Unison's website at **www.unison.co.nz**, or obtained from Unison direct.

THANKS

Trustees extend a special thanks to the entire Unison team for the extraordinary work carried out throughout the year, and especially since Cyclone Gabrielle. There are many reports of how a crisis can strengthen a team and break down barriers that previously existed. We hope you can all take some time for yourselves and feel proud of your achievements.

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 continue to work well as a team and enjoy 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 Trust website: **www.hbpct.co.nz.** It can also available from the Trust's offices, c/- Brown Webb Richardson, 111E Avenue Road, Hastings.

Hawke's Bay Power Consumers' Trust

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 March 2023

	Parent 2023 $'000	Parent 2022 $'000	Notes	Group 2023 $'000	Group 2022 $'000
Revenue					
Revenue from contracts with customers	**-**	-	3	**318,958**	262,375
Other revenue	**16,011**	15,837	3	**1,211**	1,283
Total revenue	**16,011**	15,837		**320,169**	263,658
Expenses					
Electricity transmission charges	**-**	-		**(35,668)**	(35,498)
Network maintenance	**-**	-		**(17,327)**	(12,973)
Raw materials and consumables used	**-**	-		**(72,119)**	(52,466)
Employee related expenses	**-**	-		**(60,928)**	(51,082)
Other expenses	**(753)**	(752)		**(39,652)**	(26,551)
Gain/(loss) on disposal	**-**	-		**(1,205)**	233
Total operating expenses	**(753)**	(752)		**(226,899)**	(178,337)
Earnings before interest, taxes, depreciation, amortisation and financial instrument expenses (EBITDAF)	**15,258**	15,085		**93,270**	85,321
Depreciation and amortisation expense	**-**	-	4,5	**(40,102)**	(36,879)
Earnings before interest and tax (EBIT)	**15,258**	15,085		**53,168**	48,442
Borrowings costs	**-**	-	7	**(17,472)**	(13,007)
Operating profit before income tax	**15,258**	15,085		**35,696**	35,435
Change in fair value of derivative financial instruments	**-**	-		**2,936**	8,279
Profit before income tax	**15,258**	15,085		**38,632**	43,714
Income tax	**-**	-	11	**(12,087)**	(12,347)
Profit from continuing operations	**15,258**	15,085		**26,545**	31,367
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of land and buildings	**-**	-	4	**-**	12,900
Deferred tax impact	**-**	-		**-**	(1,851)
	-	-		**-**	11,049
Items that may be subsequently reclassified to profit or loss:					
Gain on financial instruments taken to equity	-	-		**1,209**	10,182
Deferred tax impact	**-**	-		**(339)**	(2,851)
Currency translation differences	**-**	-		**(916)**	(309)
Other comprehensive income for the year, net of tax	**-**	-		**(46)**	18,071
Total comprehensive income for the year	**15,258**	15,085		**26,499**	49,438
Profit is attributable to:					
HBPCT Group	**15,258**	15,085		**26,460**	31,465
Non-controlling interest	**-**	-		**85**	(98)
	15,258	15,085		**26,545**	31,367
Total comprehensive income for the year is attributable to:					
HBPCT Group	**15,258**	15,085		**26,414**	49,536
Non-controlling interest	**-**	-		**85**	(98)
	15,258	15,085		**26,499**	49,438

The comparative amount for certain operating expense items has been amended to ensure consistency with the current year presentation.

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

Hawke's Bay Power Consumers' Trust

Consolidated statement of financial position

As at 31 March 2023

	Parent			Group	
	2023	2022		**2023**	2022
	$'000	$'000	Notes	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	**1,470**	1,928		**16,081**	13,499
Trade and other receivables	**24**	15	8	**50,564**	37,713
Investments	**-**	-		**2,500**	-
Other financial assets	**1,879**	1,848		**1,879**	1,848
Derivative financial instruments	**-**	-	14	**19,968**	80
Inventories	**-**	-	9	**64,260**	51,380
	3,373	3,791		**155,252**	104,520
Assets of a disposal group held for sale	**-**	-	20	**26,959**	-
Total current assets	**3,373**	3,791		**182,211**	104,520
Non-current assets					
Property, plant and equipment	**-**	-	4	**825,672**	798,873
Intangible assets	**-**	-	5	**59,427**	52,741
Investments	**64,000**	64,000		**11,807**	9,720
Derivative financial instruments	**-**	-	14	**5,781**	16,279
Total non-current assets	**64,000**	64,000		**902,687**	877,613
Total assets	**67,373**	67,791		**1,084,898**	992,133
LIABILITIES					
Current liabilities					
Trade and other payables	**495**	449		**38,486**	23,782
Borrowings	**-**	-	6	**90,441**	-
Current tax liabilities	**-**	-	11	**259**	1,865
Employee entitlements	**-**	-		**11,268**	10,488
Derivative financial instruments	**-**	-	14	**1,307**	688
Deferred income	**-**	-		**7,374**	7,318
Current lease liabilities	**-**	-	10	**4,662**	4,293
Total current liabilities	**495**	449		**153,797**	48,434
Liabilities directly associated with a disposal group held for sale	**-**	-	20	**3,219**	-
Total current liabilities	**495**	449		**157,016**	48,434
Non-current liabilities					
Borrowings	**-**	-	6	**282,783**	300,958
Employee entitlements	**-**	-		**1,275**	130
Derivative financial instruments	**-**	-	14	**4,724**	8,412
Deferred tax liabilities	**-**	-	11	**100,080**	97,963
Non-current lease liabilities	**-**	-	10	**23,693**	24,203
Deferred consideration	**-**	-		**2,614**	-
Total non-current liabilities	**-**	-		**415,169**	431,666
Total liabilities	**495**	449		**572,185**	480,100
Net assets	**66,878**	67,342		**512,713**	502,033
EQUITY					
Share capital	**65,000**	65,000	12	**67,661**	67,661
Reserves	**-**	-		**18,541**	18,586
Retained earnings	**1,878**	2,342		**426,518**	415,901
Equity attributable to equity holders of Unison Networks Limited	**66,878**	67,342		**512,720**	502,148
Non-controlling interest	**-**	-		**(8)**	(115)
Total equity	**66,878**	67,342		**512,713**	502,033

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

For and on behalf of the Trustees of the Hawke's Bay Power Consumers' Trust.

Trustee
24 July 2023

Trustee
24 July 2023

The above consolidated statement of profit or loss and other comprehensive income 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 2023

	Parent		Group	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Cash flows from operating activities				
Receipts from customers	**-**	**-**	**309,080**	258,192
Payments to suppliers and employees	**(773)**	(748)	**(225,971)**	(187,257)
Interest paid	**-**	-	**(14,680)**	(11,923)
Dividends and interest received	**16,002**	15,835	**366**	126
Income taxes paid	**-**	-	**(9,896)**	(10,104)
Net cash inflow from operating activities	**15,229**	15,087	**58,899**	49,034
Cash flows from investing activities				
Purchase and construction of property, plant and equipment	**-**	-	**(84,433)**	(62,428)
Proceeds from sale of property, plant and equipment	**-**	-	**554**	283
Purchases of intangible assets	**-**	-	**(1,751)**	(740)
Purchase of investments	**(16,031)**	(1,848)	**(22,815)**	(3,794)
Proceeds from disposal of investments	**16,000**	845	**18,043**	2,851
Payment for acquisition of subsidiary net of cash acquired	**-**	-	**(9,931)**	-
Net cash (outflow) from investing activities	**(31)**	(1,003)	**(100,333)**	(63,828)
Cash flows from financing activities				
Proceeds from borrowings	**-**	-	**70,950**	96,168
Repayments of borrowings	**-**	-	**(6,997)**	(63,997)
Dividends paid to owners of the parent	**(15,656)**	(15,052)	**(15,656)**	(15,052)
Payment of principal portion of lease liabilities	**-**	-	**(4,106)**	(4,251)
Net cash inflow / (outflow) from financing activities	**(15,656)**	(15,052)	**44,191**	12,868
Net increase (decrease) in cash and cash equivalents	**(458)**	(968)	**2,757**	(1,926)
Cash and cash equivalents at the beginning of the financial year	**1,928**	2,896	**13,499**	15,425
Effects of exchange rate changes on cash and cash equivalents	**-**	-	**-**	-
Cash and cash equivalents at end of year	**1,470**	1,928	**16,256**	13,499

Cash and cash equivalents of $217,000 classified as assets held for sale are disclosed in note 20.

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

	2023	2022	**2023**	2022
	$000	$000	**$'000**	$'000
Profit for the year	**15,258**	15,091	**26,545**	31,373
Adjustments for:				
Depreciation and amortisation	**-**	-	**40,102**	36,879
Net (gain)/loss on sale of property, plant and equipment	**-**	-	**1,205**	(233)
Fair value change in financial instruments via the statement of comprehensive income	**-**	-	**(2,936)**	(8,279)
Capitalised interest	**-**	-	**(862)**	(507)
Change in assets and liabilities:				
(Increase)/decrease in receivables, prepayments and inventory	**-**	-	**(25,497)**	(27,966)
Increase/(decrease) in payables (excluding capital items), accruals and employee entitlements	**(29)**	(4)	**17,190**	10,121
(Decrease)/increase in income taxes payable	**-**	-	**(1,569)**	922
Increase in deferred tax liabilities	**-**	-	**4,721**	8,568
Net cash inflow from operating activities	**15,229**	15,087	**58,899**	49,034

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

Hawke's Bay Power Consumers' Trust

Consolidated statement of changes in equity

For the year ended 31 March 2023

Group	Share capital	Retained earnings	Foreign currency translation reserve	Asset revaluation reserve	Other reserves	Total	Non-controlling interest
	Attributable to equity holders of the Group						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2022	67,661	415,900	(144)	17,318	1,412	502,033	(115)
Profit for the year	-	26,460	-	-	-	26,545	85
Cash flow hedges, net of tax	-	-	-	-	870	870	-
Currency translation differences	-	(120)	(915)	-	-	(1,013)	22
Distribution paid		(15,979)				(15,979)	
Previous distribution money claimed		(30)				(30)	
Distribution overprovided and under claimed		288				288	
Total comprehensive income	-	10,619	(915)	-	870	10,681	107
Balance as at 31 March 2023	67,661	426,519	(1,059)	17,318	2,282	512,713	(8)

Group	Share capital	Retained earnings	Foreign currency translation reserve	Asset revaluation reserve	Other reserves	Total	Minority interests
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2021	67,661	399,613	(184)	6,269	(5,919)	467,423	(17)
Profit for the year	-	31,465	-	-	-	31,367	(98)
Gain on the revaluation of land and buildings, net of tax	-	-	-	11,049	-	11,049	-
Distribution paid	-	(15,163)	-	-	-	(15,163)	-
Previous distribution money claimed		(282)				(282)	
Distribution overprovided and under claimed		616				616	
Cash flow hedges, net of tax	-	-	-	-	7,331	7,331	-
Currency translation differences	-	(349)	40	-	-	(309)	-
Total comprehensive income	-	16,287	40	11,049	7,331	34,609	(98)
Balance as at 31 March 2022	67,661	415,900	(144)	17,318	1,412	502,033	(115)

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

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 either 100% owned subsidiaries (Unison Contracting Services Limited, ETEL Limited and its subsidiaries, ETEL Transformers Pty Limited, ETEL Services Limited and Pt Lucky Light Globaldino, RPS Switchgear Limited and its subsidiary, RPS Switchgear Pty Limited, Kirkwall Holdings SA Pty, 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 connecting 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 24 July 2023.

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

i Compliance with NZ IFRS

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-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The Group is designated as a profit-oriented 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.

ii Historical cost convention

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) 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 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

We have considered the impact of the NZ IAS 1 amendments and assessed that the new standard will not impact the classification of the Group's loans and borrowings as Unison has discretion to rollover drawn bank loans through to the maturity date of the committed bank loan facility.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to NZ IAS 16
Onerous Contracts – Cost of Fulfilling a Contract – Amendments to NZ IAS 37, and
Reference to the Conceptual Framework – Amendments to NZ IFRS 3.
The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

(d) 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 2023 financial year and have not been early adopted. Those new standards and amendments that are relevant to the Group are: Amendments to NZ IAS 1 – Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants.

1 About this report (continued)

The amendments clarify a criterion in NZ IAS 1 for classifying a liability, such as loans, as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify how covenants with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. These amendments were updated in May 2023 and cannot be early adopted as the early adoption period commences after the Group's balance date. The Group has not yet assessed the effect of these amendments on the future reporting for its loan agreements. We have considered the impact of the amendments and assessed that the new standard will not impact the classification of the Group's loans and borrowings as Unison has discretion to rollover drawn bank loans through to the maturity date of the committed bank loan facility.

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.

(e) 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.

The acquisition method of accounting is used to account for business combinations by the group. Refer to note 18.

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.

(f) 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.

(g) 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.

(h) 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.

Cash and Cash Equivalents

1 About this report (continued)

(h) Notes to the financial statements (continued)

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

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

Trade and Other Payables

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.

(i) 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 Directors 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).

(j) Non-current assets held for sale

An asset is held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the statement of financial performance. Refer to Assets Held for Sale note (note 20).

(continued)

2 Investments in subsidiaries

Accounting policy

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 note 1(e):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2023 %	2022 %
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
Pringle Beleski and Associates Limited	New Zealand	Ordinary	**100**	-
- Pringle Beleski and Associates Pty Limited	Australia	Ordinary	**100**	-
- PBA Consulting Limited	New Zealand	Ordinary	**100**	-
ETEL Limited	New Zealand	Ordinary	**100**	100
- ETEL Transformers Pty Limited	Australia	Ordinary	**100**	100
- ETEL Singapore Limited	Singapore	Ordinary	**100**	-
- ETEL Services Limited	New Zealand	Ordinary	**100**	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 Limited	South Africa	Ordinary	**100**	100

(continued)

3 Revenue

	2023 $'000	2022 $'000
Revenue from contracts with customers	**318,958**	262,375
Other Services Income	**12**	288
Interest Received	**815**	128
Investment Income	**67**	474
Grant income received	**292**	320
Recovery of debt previously written off	**25**	73
Total revenue	**320,169**	263,658

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**
2023			
Electricity distribution			
Line revenue	-	146,550	146,550
Capital contributions	-	11,714	11,714
Distribution transformers			
Sale of manufactured goods	-	89,902	89,902
Transformer servicing	-	10,931	10,931
Switchgear			
Sale of manufactured goods	-	14,676	14,676
Parts and servicing	-	716	716
Electrical contracting services	-	35,071	35,071
Fibre network access services	-	2,752	2,752
All other income	4,938	1,708	6,646
Total revenue from contracts with customers	4,938	314,020	318,958

	Revenue recognised at a point in time $'000	**Revenue recognised over time $'000**	**Total $'000**
2022			
Electricity distribution			
Line revenue	-	137,963	137,963
Capital contributions	-	10,901	10,901
Distribution transformers			
Sale of manufactured goods	-	70,494	70,494
Transformer servicing	-	10,256	10,256
Switchgear			
Sale of manufactured goods	-	8,571	8,571
Parts and servicing	-	625	625
Electrical contracting services	-	14,067	14,067
Fibre network access services	-	2,527	2,527
All other income	5,180	1,791	6,971
Total revenue from contracts with customers	5,180	257,195	262,375

3 Revenue (continued)

(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.

(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 2022/23 financial year was $2.8 million favourable to budget, largely due to higher residential volumes than were forecast. Residential consumption increased during the Covid lockdowns as more people were at home for longer periods. Forecasts for the 2022/23 period anticipated a reduction as people resumed work and lifestyle patterns that had been in place prior to the lockdowns. Consumption patterns have shown that this transition has been slower than was anticipated with actual residential consumption remaining more in line with 2021/22 levels.

Regulated lines revenue for the 2022/23 financial year was compliant with the Commerce Commission's allowable revenue cap rules. An estimated wash up adjustment of $5.3 million (unaudited) in relation to the 2022/23 financial year will be passed on to consumers via a lines charges increase in the 2024/25 financial year. The wash up is a result of CPI inflation exceeding the level assumed in the building block model, an increase in allowable revenue granted by the Commission in relation to a major capital project, and the IRIS incentive for capital expenditure.

4 Property, plant and equipment

	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 2023							
Opening net book amount	659,360	24,302	24,191	30,163	36,777	24,081	798,874
Additions/(Transfers out of Assets Under Construction)	48,264	1,881	2,978	679	15,726	24,184	93,712
Disposals	(1,720)	-	(330)	(113)	(424)	-	(2,587)
Assets classified as held for sale **	-	(24,843)	-	-	(92)	(1,077)	(26,012)
Depreciation charge	(23,607)	(1,340)	(3,235)	(796)	(9,337)	-	(38,315)
Closing net book amount	682,297	-	23,604	29,933	42,650	47,188	825,672
At 31 March 2023							
Cost	1,008,049	-	34,380	35,223	114,565	47,188	1,239,405
Accumulated depreciation	(325,752)	-	(10,776)	(5,290)	(71,915)	-	(413,733)
Net book amount	682,297	-	23,604	29,933	42,650	47,188	825,672
Year ended 31 March 2022							
Opening net book amount	637,942	24,922	22,247	17,560	34,173	25,288	762,132
Revaluation	-	-	-	12,900	-	-	12,900
Additions/(Transfers out of Assets Under Construction) ***	44,337	776	5,383	193	9,697	5,694	66,080
Disposals	(62)	-	-	-	(18)	-	(80)
Depreciation charge	(22,858)	(1,396)	(3,439)	(490)	(7,075)	-	(35,258)
Transfers to intangible assets	-	-	-	-	-	(6,901)	(6,901)
Closing net book amount	659,359	24,302	24,191	30,163	36,777	24,081	798,873
At 31 March 2022							
Cost	963,188	34,638	31,789	32,862	102,450	24,081	1,189,008
Accumulated depreciation	(303,829)	(10,336)	(7,598)	(2,699)	(65,673)	-	(390,135)
Net book amount	659,359	24,302	24,191	30,163	36,777	24,081	798,873

*Assets under construction includes $1.7 million (31 March 2022: $0.6 million) of intangible work in progress.
** Property, plant and equipment transferred to the disposal group classified as held-for-sale amounts to $26.0m.
See note 22 for further details regarding the disposal group held for sale.

4 Property, plant and equipment (continued)

*** Prior period additions have been reclassified between Assets Under Construction and Electricity Distribution Network to ensure consistency with current year presentation.

(a) Valuations of land and buildings

Land and buildings at Omahu Road, Hastings and Fleet Street, Taupo were independently valued by registered valuer Telfer Young Ltd, as at 31 March 2022. There have been no material changes to the assessed valuation performed for the 31 March 2022 financial year end.

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.

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.

b) 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:

	2023	2022
	$'000	$'000
Freehold land & buildings		
Cost	**14,797**	14,769
Accumulated depreciation	**(4,743)**	(4,321)
Net book amount	**10,054**	10,448

Accounting policy

(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 profit or loss, the increase is recognised in profit or loss and otherwise the increase is recognised in other 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 profit or loss.

4 Property, plant and equipment (continued)

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, an allocation of overheads that directly relate to the work 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 profit or loss 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 balance 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 the UNL Electricity Distribution Network, USCL, UIL and RPS.

Depreciation method and useful lives

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

(i) Electrical Distribution 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.

(ii) Buildings

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

4 Property, plant and equipment (continued)

Depreciation methods and estimated useful lives are as follows:

Asset class	Depreciation method	Useful lives
Electrical Distribution Network	Straight line	5-80 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.

5 Intangible assets

	Goodwill $'000	Computer software $'000	Other intangible assets $'000	Total $'000
Year ended 31 March 2023				
Opening net book amount	42,936	8,757	1,048	52,741
Additions	6,072	1,665	1,097	8,834
Assets classified as held for sale **	-	(26)	(335)	(361)
Amortisation charge	-	(1,696)	(91)	(1,787)
Closing net book amount	49,008	8,700	1,719	59,427
At 31 March 2023				
Cost	124,896	25,855	1,810	152,561
Accumulated amortisation and impairment	(75,888)	(17,155)	(91)	(93,134)
Net book amount	49,008	8,700	1,719	59,427
Year ended 31 March 2022				
Opening net book amount	42,315	2,378	1,003	45,696
Additions	621	1,094	50	1,765
Transferred from Assets Under Construction	-	6,901	-	6,901
Amortisation charge	-	(1,616)	(5)	(1,621)
Closing net book amount	42,936	8,757	1,048	52,741
At 31 March 2022				
Cost	118,824	25,114	1,497	145,435
Accumulated amortisation and impairment	(75,888)	(16,357)	(449)	(92,694)
Net book amount	42,936	8,757	1,048	52,741

*Assets under construction in Note 4 includes $1.7 million (31 March 2022: $0.6 million) of intangible work in progress.

** Intangibles of $361,000 were transferred to the disposal group classified as held for sale. See note 20 for further details regarding the disposal group held for sale.

(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 Directors 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 an increase to Goodwill of $6.1m, relating to the acquisition of Pringle Beleski and Associates Limited (2022: $0.6m from acquisition of ETEL Services Limited). The carrying amount of goodwill in ETEL was $28.3, ETEL Services $0.6m and in Taupo/Rotorua network was $14.0m.

(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 Directors.

5 Intangible assets (continued)

The value in use calculation uses the following key assumptions:

- Sales Growth Rate that assumes the cumulative average sales growth rate assumed by management for the next five years (2024 to 2028) is 22.3%. The Directors believe that the planned growth in the export market is reasonable and achievable.
- Capex: The impairment model uses ETEL's budget capex in their 2023-24 business plan and strategic plan for years 2025 to 2028. The 2023-24 budget has capex of $4.2m which includes business assets and development expenditure split into growth and efficiency projects of $2.8m and business as usual capex of $1.4m. Spend on growth and efficiency projects includes continued development of the drying project, ground and polemount assembly lines, Logistic storage, fabrication improvements and other smaller projects. Business as usual includes various equipment replacement purchases and ongoing IT projects.
- A post tax discount rate of 9.4% per annum (2022: 8.4% per annum).

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 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 FY24 distribution revenue based on Unison's FY24 budget. The model includes forecast DPP allowable revenue through to FY25 using the current Commerce Commission's 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 2030. The revenue model uses a vanilla Weighted Average Cost of Capital (WACC) - 67th percentile - of 6.44% (5.73% post tax WACC) based on the Commerce Commission's 1 April 2020 revenue reset calculation (adjusted for the risk free rate) and capex and opex forecasts are based on the most recent Regulatory Asset Management Plan.
- a post tax discount rate of 6.44% per annum (2022: 5.73% 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 five year period, based on the most recent budget and five year strategic plan approved by Directors.

The value in use calculation uses the following key assumptions:

- Sales Growth Rate reflects the most recent iteration of the five-year strategic plan and includes the full cashflows for LLG from the small power transformer project, ongoing component sales and engineering service to ETEL and a limited amount of local industrial unit sales.
- A post tax discount rate of 12.6% per annum (2022:10.9% per annum).

ETEL Services Limited (ESL)

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 Directors.

The value in use calculation uses the following key assumptions:

- Cumulative average sales growth rate for the next five years (2024 to 2028) of 8.7% (2022: 8.5%).
- Planned capex of $0.9m for FY24 and lower levels across the four outer years.
- A post tax discount rate of 13.3% per annum (2022: 13.4%).

5 Intangible assets (continued)

Pringle Beleski and Associates Limited (PBA)

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 Directors.

The value in use calculation uses the following key assumptions:

- Cumulative average sales growth rate for the next three years (2024 to 2026) of 10.8% (2022: n/a).

- Planned capex of $0.8m for FY24 with a similar level across the two outer years.

- A post tax discount rate of 14.9% per annum (2022: n/a).

Accounting policy

(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 (three 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.

(iii) Other intangible assets

Other intangible assets include brand, customer relationship assets and land easements.

At each balance 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.

Customer relationships

Customer relationships acquired as part of a business combination are recognised separately from goodwill. Customer contracts have a finite life and are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method based on the timing of projected cash flows of the contracts over their estimated useful lives, which are amortised over an estimated useful life of 12.5 years.

6 Borrowings

	2023 $'000	2022 $'000
Current borrowings		
Bank loans - maturing within 1 year	**12,000**	-
US Senior Notes Fixed Rate	**58,997**	-
	70,997	-
Fair value movement		
US Senior Notes Fixed Rate	**(1,136)**	-
Foreign currency movements		
Foreign Currency Movement - US Senior Notes	**20,580**	-
	19,444	-
Total current borrowings	**90,441**	-
Term borrowings		
Bank loans - maturing between 1 and 5 years	**187,000**	135,000
US Senior Notes Fixed Rate	**99,122**	158,119
	286,122	293,119
Fair value movement		
US Senior Notes Fixed Rate	**(15,622)**	(6,408)
Foreign currency movement		
US Senior Notes Fixed Rate	**12,283**	14,247
	(3,339)	7,839
Total non-current borrowings	**282,783**	300,958
Total interest bearing liabilities	**373,224**	300,958

Borrowings are a combination of:

(i) Bank Loans

The Group utilises multi tranche revolving debt bank facilities totalling $280 million (31 March 2022: $175 million) with maturities between 4 months and 4.7 years (31 March 2022: between 13 months and 1.3 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, of which USD50 million of Series B notes remain (maturing October 2023). In October 2021 the Company issued a new USD70 million tranche of Series C notes to finance the maturity of the Series A notes and refinance bank debt.

A cross currency interest rate swap is in place to hedge the USD foreign currency exposure for all US Senior Notes. This derivative also converts the fixed coupon semi annual interest payments to floating rate NZD payments.

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; Hawke's Bay Power Consumers' Trust; Unison Energy Limited; Unison Contracting Services Limited; Unison Fibre Limited and ETEL Limited. ETEL Services Limited, Pringle Beleski and Associates Limited and RPS Switchgear Limited joined the cross guarantee during the period.

RPS and PBA have 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 has complied with all covenants for the current and prior financial periods.

6 Borrowings (continued)

(a) 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.

	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 $'000**
31 March 2023					
Interest rate swaps ($'000)* (note 14)	10,000	150,000	105,000	-	265,000
Weighted average interest rate (%)	5.10%	2.88%	4.09%	- %	
USD Senior Notes Interest Rate Cross-Currency (USD'000)	50,000	-	-	70,000	120,000
Weighted average interest rate (%)	3.98%	- %	- %	2.59%	
31 March 2022					
Interest rate swaps ($'000)* (note 14)	6,000	10,000	185,000	10,000	211,000
Weighted average interest rate (%)	4.75%	5.10%	3.09%	3.80%	
USD Senior Notes Interest Rate Cross-Currency (USD'000)	-	50,000	-	70,000	120,000
Weighted average interest rate (%)	- %	3.98%	- %	2.59%	

** Notional principal amounts*

Accounting policy

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.

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 consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

(continued)

7 Borrowing costs

	2023 $'000	2022 $'000
Interest and finance charges paid/payable	**18,334**	13,514
Capitalised interest	**(862)**	(507)
Total borrowing costs	**17,472**	13,007

Accounting policy

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 5.01% (31 March 2022: 4.48%).

Capitalised Interest recognised in the period is $862,000 (31 March 2022: $507,000).

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

8 Trade and other receivables

	Parent		Group	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
Trade receivables	**-**	-	**36,591**	30,375
Other receivables	**24**	15	**4,732**	1,982
Provision for impairment of receivables	**-**	-	**(181)**	(165)
Total trade receivables	**24**	15	**41,142**	32,192
Related party receivables	**-**	-	**615**	556
Interest Receivable	-	-	**2,967**	2,336
Prepayments	**-**	-	**5,840**	2,629
Total trade and other receivables	**24**	15	**50,564**	37,713

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $145k (2022: $196k) in respect of bad and doubtful trade receivables during the year ended 31 March 2023. The loss has been included in 'other expenses' in the statement of profit or loss and other comprehensive income.

(b) Foreign exchange and interest rate risk

Refer to note 15(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 15(c) for more information on the risk management policy of the Group.

8 Trade and other receivables (continued)

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.

9 Inventories

	2023 $'000	2022 $'000
Raw materials	**31,295**	23,227
Work in progress	**8,210**	6,113
Finished goods	**17,235**	16,405
Electrical and fibre related inventories	**8,549**	6,588
Provision for obsolescence	**(1,029)**	(953)
Total inventories	**64,260**	51,380

No inventories are pledged as security for liabilities (2022: nil).

Accounting policy

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.

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.

10 Commitments

(a) Capital commitments

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

	2023 $'000	2022 $'000
Property, plant and equipment	**6,034**	2,963
Intangible assets	**1,552**	16
	7,586	2,979

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.

10 Commitments (continued)

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.

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

	2023 $'000	2022 $'000
Right-of-use assets		
Buildings	**23,604**	24,191
	23,604	24,191

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

Lease liabilities		
Current	**4,662**	4,293
Non-current	**23,693**	24,203
	28,355	28,496

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

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

	2023 $'000	2022 $'000
Depreciation charge of right-of-use assets		
Buildings	**3,235**	3,439
	3,235	3,439

Interest expense (included in borrowing costs)	**1,371**	1,192
Expense relating to low-value assets and short-term leases (included in other expenses)	**175**	380
Total lease amounts	**1,546**	**1,572**

Total cash outflow for leases was $4,106m (2022: $4,251m)

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 Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates 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.

10 Commitments (continued)

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 10 above 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.

11 Taxation

	Parent		Group	
	2023 $'000	2022 $'000	**2023 $'000**	2022 $'000
(a) Income tax expense				
Current tax:				
Current tax on profits for the year	**-**	-	**8,506**	9,755
Adjustments in respect of prior years	**-**	-	**(206)**	(573)
Total current tax	**-**	-	**8,300**	9,182
Deferred tax:				
Deferred tax associated with temporary timing differences	**-**	-	**3,937**	3,633
Adjustments in respect of prior years	**-**	-	**(150)**	(468)
Total deferred tax	**-**	-	**3,787**	3,165
Income tax expense	**-**	-	**12,087**	12,347

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

	Parent 2023	Parent 2022	Group 2023	Group 2022
Profit before income tax expense	**15,258**	15,084	**38,632**	43,720
Income tax @ 28% Trust (33%)	**5,035**	4,978	**10,894**	12,416
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
• Income not subject to tax	**-**	-	**(76)**	(56)
• Expenses not deductible for tax purposes	**58**	106	**1,362**	983
Prior period current tax adjustment	**-**	-	**(204)**	(573)
Prior period deferred tax adjustment	**-**	-	**(150)**	(468)
Effect of difference in foreign tax rate	**-**	-	**81**	125
Reclassification of assets to Herd for Sale	**-**	-	**162**	-
Unrecognised tax losses	**18**	(81)	**18**	(83)
Distribution to beneficiaries	**(5,111)**	(5,003)	**-**	-
Income tax expense	**-**	-	**12,087**	12,347

(continued)

(c) Deferred tax liabilities

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**103,762**	101,607
IFRS 16 Leases	**(685)**	(570)
Derivative financial instruments	**892**	541
Employee provisions	**(2,563)**	(2,229)
Other provisions	**(881)**	(815)
Tax losses carried forward	**(445)**	(571)
	100,080	97,963
Other		
Assets held for sale	**2,604**	-
Total deferred tax liabilities	**102,684**	97,963

	2023 $'000	2022 $'000
Movements:		
Opening balance	**97,963**	89,395
Property, plant and equipment	**2,154**	6,475
IFRS 16 Leases	**(114)**	(196)
Derivative financial instruments	**352**	2,880
Employee entitlements	**(334)**	(334)
Assets held for sale	**2,604**	-
Other provisions	**(67)**	314
Tax losses carried forward	**126**	(571)
Closing balance	**102,684**	97,963

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, 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.

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.

A deferred tax asset has not been recognised in relation to tax losses in the Trust of $2,051,121 (2022: $2,109,667).

(continued)

12 Share capital

Group and Parent

	2023 Shares	2022 Shares	**2023 $'000**	2022 $'000
Issued and paid up				
67,661 shares (2022: 67,661)	**67,661,000**	67,661,000	**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.

13 Related party transactions

(a) Related parties

Related parties of the Group include:

- Hawke's Bay Power Consumers' Trust
- Centralines Limited
- The Group's Directors and key management personnel
- Entities in which Directors had an interest

(b) Key management and personnel compensation

Key management personnel compensation for the years ended 31 March 2023 and 31 March 2022 is set out below. The key management personnel are all the directors of the Group and the executives with the greatest authority for the strategic direction and management of the Group.

	2023 $'000	2022 $'000
Short-term employee benefits and Directors fees	**4,036**	3,946
Short-term employee benefits and Trustees fees	**143**	138
Short-term employee benefits and Secretary fees	**51**	51
Post-employment benefits	**60**	38
	4,290	4,173

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

- The Hawke's Bay Power Consumers' Trust holds the shares of the Group on behalf of the consumers in their capacity as owners.
- 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.

(c) Outstanding balances

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

	2023 $'000	2022 $'000
Current receivables (sales of goods and services)		
Centralines Limited	**615**	557

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.

13 Related party transactions (continued)

(d) 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 receivable/ (payable)**	
Related party	**Relationship with company**	**2023 $'000**	2022 $'000	**2023 $'000**	2022 $'000
Hawke's Bay Helicopter Rescue Trust	P Hocquard (Trustee) and B O'Keeffe (Trustee)	**(50)**	(50)	**-**	-
Mission Estate Winery	P Hocquard (Director)	**(33)**	(1)	**-**	-
Wel Networks Limited	P Connell (ETEL Director)	**3,340**	-	**(199)**	-
Bostock New Zealand	D Druzianic (Director)	**(91)**	-	**-**	-
HB Community Fitness Centre Trust	D Druzianic (Director)	**(1)**	-	**-**	-
Napier Port	B O'Keeffe (Director) and D Druzianic (Director)	**9**	-	**-**	-
Telarc Limited	P Connell (ETEL Director)	**(26)**	(12)	**-**	(3)
Starfish Software Limited	Q Varcoe (GM People & Culture)	**-**	(15)	**-**	-
Aurora Energy Limited*	B Hall (Director)	**-**	10,037	**-**	1,315
Qube Limited **	Q Varcoe (GM People & Culture)	**(18)**	-	**-**	-
KI & DA Sutherland **	K Sutherland (Group Chief Executive)	**(78)**	-	**-**	-

* B Hall ceased to be a Director of Aurora Energy Limited from 30 June 2021.

** For rental of private accommodation for use by Unison staff and external contractors from out of Hawke's Bay region to support the response to Cyclone Gabrielle.

There were no other related party transactions.

14 Derivative financial instruments

	2023 $'000	2022 $'000
Current assets		
Interest rate swaps - hedged ((a)(ii))	**7**	-
Foreign currency forward contracts - hedged ((a)(i))	**662**	80
Interest rate swaps - unhedged ((a)(ii))	**8**	-
Cross currency interest rate swaps - fair value hedged ((a))(iii))	**19,291**	-
Total current derivative financial instrument assets	**19,968**	80
Non-current assets		
Cross currency interest rate swaps - fair value hedged ((a)(iii))	**-**	12,824
Foreign currency forward contracts - hedged ((a)(i))	**24**	-
Interest rate swaps - hedged ((a)(ii))	**5,331**	3,455
Interest rate swaps - unhedged ((a))(ii))	**426**	-
Total non-current derivative financial instrument assets	**5,781**	16,279
Total derivative financial instrument assets	**25,749**	16,359
Current liabilities		
Foreign currency forward contracts - hedged ((a)(i))	**1,306**	688
Interest rate swaps - unhedged ((a)(ii))	**1**	-
Total current derivative financial instrument liabilities	**1,307**	688
Non-current liabilities		
Cross currency interest rate swaps - cash flow hedged ((a)(iii))	**3,527**	5,540
Foreign currency forward contracts - hedged ((a)(i))	**898**	-
Interest rate swaps - unhedged ((a)(ii))	**-**	2,231
Interest rate swaps - hedged ((a)(ii))	**299**	641
Total non-current derivative financial instrument liabilities	**4,724**	8,412
Total derivative financial instrument liabilities	**6,031**	9,100
Net derivative financial instrument asset/(liability)	**19,718**	7,259

(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 2023 were $76,385,332 (31 March 2022: $26,966,641).

(ii) Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2023 is $230 million (31 March 2022: $176 million). The Group has a further $35 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 2023, the fixed interest rates on the interest rate swaps range from 1.34% to 5.2% (31 March 2022: 1.34% to 5.2%), 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 2023 will be continuously released to the statement of profit or loss within borrowing costs 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.

Accounting policy

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.

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.

The Group deems there to be an economic relationship between the hedged item and the hedging instrument if the terms match (i.e. notional amount, maturity, payments and reset dates). The Group has established a ratio of 1:1 for the hedging relationships as the underlying risk of the hedging instrument is identical to the hedged risk component. To test the hedge effectiveness the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of the hedged item and the hedging instrument.

- Different interest rate curves applied to discount the hedged item and hedging instrument.

- The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

(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 profit or loss 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 other comprehensive income in the cash flow hedge reserve. Accumulated gains or losses are subsequently transferred to profit or loss when the hedged item affects the profit/loss, 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 profit or loss.

(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.

For cross currency interest rate swaps, the movement in the value of currency spreads do not form part of the hedge accounted relationship. Instead these movements are recognised in other comprehensive income and recorded in a cost of hedging reserve.

(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 profit/loss of the statement of comprehensive income.

15 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 the Directors. 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.

15 Financial risk management (continued)

(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 2023				
Derivative financial instruments	-	434	25,315	25,749
Trade and other receivables	50,564	-	-	50,564
Investments	-	14,307	-	14,307
Other short term deposits	1,879	-	-	1,879
Cash and cash equivalents	16,084	-	-	16,084
	68,527	14,741	25,315	108,583
At 31 March 2022				
Derivative financial instruments	-	-	16,359	16,359
Trade and other receivables	37,698	-	-	37,698
Investments	-	9,720	-	9,720
Other short term deposits	1,848	-	-	1,848
Cash and cash equivalents	13,499	-	-	13,499
	53,045	9,720	16,359	79,124

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 2023				
Borrowings	-	(3,339)	376,563	373,224
Derivative financial instruments	1	6,030	-	6,031
Trade and other payables	-	-	38,486	38,486
Lease liabilities	-	-	28,355	28,355
	1	2,691	443,404	446,096
At 31 March 2022				
Borrowings	-	7,839	293,119	300,958
Derivative financial instruments	2,231	1,329	-	3,560
Trade and other payables	-	-	23,782	23,782
Lease liabilities	-	-	28,496	28,496
	2,231	9,168	345,397	356,796

15 Financial risk management (continued)

(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. Refer note 20 for disclosures of the disposal groups held for sale that are measured at fair value.

31 March 2023	**Level 1 $'000**	**Level 2 $'000**	**Total balance $'000**
Assets			
Financial assets at fair value through profit or loss			
– Equity securities	9,173	-	9,173
– Debt investments	2,634	-	2,634
– Term deposits	-	2,500	2,500
– Interest rate contracts	-	434	434
Fair value through OCI			
– Interest rate contracts	-	5,338	5,338
– Foreign exchange contracts	-	686	686
– Cross currency interest rate swaps	-	19,291	19,291
Total assets	11,807	28,249	40,056
Liabilities			
Financial liabilities at fair value through profit or loss			
– Interest rate contracts	-	1	1
Fair value through OCI			
– Interest rate contracts	-	299	299
– Foreign exchange contracts	-	2,204	2,204
- Cross currency interest rate swaps	-	3,527	3,527
Total liabilities	-	6,031	6,031

31 March 2022	**Level 1 $'000**	**Level 2 $'000**	**Total balance $'000**
Assets			
Financial assets at fair value through profit or loss			
– Equity securities	7,953	-	7,953
– Debt investments	1,767	-	1,767
Fair value through OCI			
– Interest rate contracts	-	3,455	3,455
– Foreign exchange contracts	-	80	80
– Cross currency interest rate swaps	-	12,824	12,824
Total assets	9,720	16,359	26,079
Liabilities			
Financial liabilities at fair value through profit or loss			
– Interest rate contracts	-	2,231	2,231
Fair value through OCI			
– Interest rate contracts	-	641	641
– Foreign exchange contracts	-	688	688
– Cross currency interest rate swaps	-	5,540	5,540
Total liabilities	-	9,100	9,100

15 Financial risk management (continued)

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

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance 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 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 (2022: 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 the Parent's Board of Directors.

Concentration of Credit Exposure

The Group has exposure to 16 electricity retailers that account for 30% (31 March 2022: 45%) 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 $7.24 million (31 March 2022: $7.24 million) are currently held in respect of six electricity retailers, and cash and bonds of $211k (31 March 2022: $211k) 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.

15 Financial risk management (continued)

The ageing of the Group's trade receivables is as follows:

Trade receivables		
0 - 30 days	**31,365**	26,838
Past due 31 - 60 days	**2,877**	2,253
Past due more than 60 days	**2,349**	1,284
	36,591	30,375

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 2022: 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:

	2023 $'000	2022 $'000
Counterparties with external credit rating (S&P)		
A+	**1,189**	960
AA-	**17,912**	11,788
A-	**52**	-
BBB+	**61**	65
BBB	**187**	200
BB+	**245**	99
Unrated	**99**	203
	19,745	13,315

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:

	2023 $'000	2022 $'000
Expiring within one year (bank overdraft and bill facility)	**51,400**	4,500
Expiring beyond one year (bank loans)	**33,000**	40,000
	84,400	44,500

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 2.7 years (2022: 1.3 years).

15 Financial risk management (continued)

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:

	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
31 March 2023						
Non-derivatives						
Borrowings	98,170	7,607	92,775	209,073	407,625	373,224
Trade and other payables	38,486	-	-	-	38,486	38,486
Lease liabilities	5,090	5,422	4,868	19,728	35,108	28,355
Total non-derivatives	141,746	13,029	97,643	228,801	481,219	440,065
Derivatives						
Interest rate swaps (hedged) - net	(177)	(177)	(177)	(312)	(843)	299
Interest rate swaps (unhedged) - net	(1)	-	-	-	(1)	1
Forward exchange contracts	2,321	-	-	-	2,321	2,321
Cross currency interest rate swaps - outflows	68,214	6,670	6,670	136,326	217,880	-
Cross currency interest rate swaps - inflows	(62,940)	(2,567)	(2,567)	(113,443)	(181,517)	-
Total derivatives	7,417	3,926	3,926	22,571	37,840	2,621
31 March 2022						
Non-derivatives						
Borrowings	4,841	198,990	2,725	94,253	300,809	300,958
Trade and other payables	23,776	-	-	-	23,776	23,776
Lease liabilities	4,502	4,306	4,206	22,587	35,601	28,496
Total non-derivatives	33,119	203,296	6,931	116,840	360,186	353,230
Derivatives						
Interest rate swaps (hedged) - net	550	550	1,086	1,904	4,090	641
Interest rate swaps (unhedged) - net	2,216	1,968	885	191	5,260	2,231
Forward exchange contracts	688	-	-	-	688	688
Cross currency interest rate swaps - outflows	5,293	63,374	3,081	119,382	191,130	-
Cross currency interest rate swaps - inflows	(4,915)	(62,940)	(2,567)	(116,010)	(186,432)	-
Total derivatives	3,832	2,952	2,485	5,467	14,736	3,560

The gross outflows/(inflows) 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.

Foreign currency inflows for cross currency interest rate swaps are translated at the foreign exchange rate used at inception.

For cross currency interest rate swaps, the cash inflows and outflows include cash flows for cross currency interest rate swaps in asset and liability positions.

15 Financial risk management (continued)

(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 2023 had fluctuated by plus or minus 0.5%, the effect would have been to decrease or increase the profit after tax and equity by $458k (2022: $422k) 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.

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, Singapore dollar 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.

As at balance date the Group held the following forward exchange contracts with maturities less than 1 year:

	2023	2022
Buy USD/Sell NZD		
Foreign current amount (FC' 000)	**12,800**	6,700
Contract Value (NZD' 000)	**20,985**	9,847
Average exchange rate	**0.6100**	0.6785
Buy NZD/Sell USD		
Foreign current amount (FC' 0000)	**500**	-
Contract Value (NZD' 000)	**697**	-
Average exchange rate	**0.7173**	-
Buy AUD/Sell NZD		
Foreign current amount (FC' 000)	**-**	1,000
Contract Value (NZD' 000)	**-**	1080
Average exchange rate	**-**	0.9257
Sell AUD/Buy USD		
Foreign current amount (FC' 000)	**10,800**	10,750
Contract Value (NZD' 000)	**15,696**	14,644
Average exchange rate	**0.6881**	0.7341

15 Financial risk management (continued)

Sell SGD/Buy NZD		
Foreign current amount (FC' 000)	**11,500**	-
Contract Value (NZD' 000)	**13,605**	-
Average exchange rate	**0.8453**	-

(g) Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of the United States (USD), the currency of Singapore (SGD) 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.

	2023 $'000	2022 $'000
Assets		
Profit / (loss) - strengthening in NZD	**(849)**	(199)
Profit / (loss) - weakening in NZD	**870**	193
Liabilities		
Profit / (loss) - strengthening in NZD	**399**	14
Profit / (loss) - weakening in NZD	**412**	(14)

(h) Changes in liabilities arising from financing activities

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.

	1/04/2022 $'000	**Financing cash flows $'000**	**Fair value adjustments $'000**	**Other changes $'000**	**31/03/2023 $'000**
Bank loans and US Senior Notes	293,119	64,000	-	-	357,119
US Senior Notes Fair Value and Foreign Currency movement	7,839	-	(10,349)	18,616	16,106
Interest rate swaps fair value hedging or economically hedging financing liabilities	2,872	-	(2,572)	-	300
	303,830	64,000	(12,921)	18,616	373,525

16 Audit fees

	2023 **$'000**	2022 $'000
Audit services		
Audit of financial statements by Group auditors - Audit NZ	**312**	244
Audit of financial statements by Subsidiary company auditors - KPMG	**94**	88
Other auditor's fees for the audit of subsidiary financial statements in foreign jurisdictions - PwC Indonesia	**22**	20
Regulatory audit and assurance work by Group auditors - Audit NZ	**83**	77
Total remuneration for assurance services	**511**	429

17 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

There were a number of rural fires in the Hawke's Bay region during January 2017 and February 2017 due to the ongoing dry conditions fanned by strong winds. Unison, through its insurer, has now settled two separate claims from Fire and Emergency New Zealand. An additional claim from a number of residential land owners in the area, claiming for diminution in value and consequential loss, has now been settled by Unison, through its insurer, with all landowners.

The Group is not aware of any other material contingent liabilities at balance date (31 March 2022: discussed above)

(b) Contingent assets

The Company has lodged an insurance claim in relation to damage to its insured electricity distribution assets as a result of Cyclone Gabrielle. Refer to note 19 and 21 for more detail.

18 Business combinations

(a) Acquisition of Pringle Beleski and Associates Limited

On 1 April 2022 the Group completed the acquisition of 100% of the shares of Pringle Beleski and Associates Limited (PBA) for total consideration of $12.6 million. Total consideration includes deferred consideration with a fair value of up to $2.2 million that is contingent on post acquisition performance targets linked to PBA's financial performance and staff retention.

PBA are a specialist provider of contracting services and products for high voltage engineering. The acquisition of PBA will enable the Company to grow and diversify its portfolio.

The acquisition of PBA has been accounted for applying NZ IFRS 3 Business Combinations. The following table summarises the consideration paid for PBA, the fair value of assets acquired, and the liabilities assumed at the date of acquisition.

	$'000
Purchase consideration	
Cash paid	10,427
Contingent consideration	2,171
Total purchase consideration	12,598

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	496
Trade and other receivables	2,101
Inventories	81
Property, plant and equipment	4,765
Intangible assets: Other	21
Intangible assets: Customer relationships	989
Trade and other payables	(1,307)
Current tax payables	(57)
Right of use asset	2,274
Lease liability	(2,274)
Deferred tax liabilities	(564)
Net identifiable assets acquired	6,525
Goodwill recognised	6,073
Net assets acquired	12,598

Acquisition-related costs of $82,000 have been charged to other expenses in the profit and loss component of the statement of comprehensive income and included in operating cash flows in the statement of cash flows.

Property, plant and equipment acquired in the business combination has been revalued to fair value by a registered valuer.

Total purchase consideration includes deferred consideration with a fair value of up to $2.2 million that is contingent on post acquisition performance targets linked to PBA's financial performance and staff retention. The fair value of deferred consideration has been arrived at based on management expectations and forecasts and discounted to a present value based on the three year term of the performance targets. The deferred consideration has a range of zero to $3.8 million in nominal terms.

The fair value of the contingent consideration arrangement of $2.2m was estimated using a discount rate of unlevered IRR of 20.4%.

18 Business combinations (continued)

Accounting policy

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the statement of profit or loss as a bargain purchase.

19 Impact of Cyclone Gabrielle

Cyclone Gabrielle reached the North Island of New Zealand in mid-February 2023, causing significant disruption to Unison's electricity distribution network across Hawke's Bay, Rotorua and Taupo. The impact of the subtropical storm was particularly acute in Hawke's Bay, with strong winds and heavy rain resulting in the flooding of several major rivers and damage to key community infrastructure assets, such as bridges, stopbanks and arterial roading links. Mobile networks and other means of communication such as fibre optic links were also damaged or offline for a number of days in the initial period following the cyclone. A major transmission substation located at Redclyffe (owned by grid operator Transpower) was flooded, resulting in a high proportion of Unison's Hawke's Bay customers being left without power for days to weeks. Unison staff worked to progressively restore electricity supply to the region through temporary remediation work, temporary reconfiguration of the network, and through the deployment of third party generation assets.

Unison's substations located in Esk Valley, Awatoto and Tutira sustained varying degrees of damage due to the flooding. Flooding and high winds also caused damage to the wider distribution network. Subsequent to the cyclone, temporary remediation work was carried out to restore power to urban and rural customers, including temporary repairs to the damaged substations and repairing damage to network feeders. As at 31 March 2023, the Hawke's Bay network was largely operational, albeit reliant on a sub-optimal configuration with reduced security of supply.

The Group's financial statements for the year ended 31 March 2023 reflect the disposal of certain electricity distribution assets damaged in the cyclone (including the substations noted above), as well as additional maintenance and capital costs incurred as part of the emergency response and temporary remediation of the electricity distribution network. Unison has lodged a claim with its material damage insurers for the damage to its insured assets and is exploring other options to recover costs incurred. Unison is reviewing its options under the Commerce Commission's Input Methodologies, in particular the 'Catastrophic Reopener provisions'.

20 Assets held for sale

Accounting policy

Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(a) Assets and liabilities of disposal group classified as held for sale

During 2023 the Company commenced a confidential process to divest of its shareholding in a non-strategic asset. An active programme to locate a buyer was initiated during the year ended 31 March 2023. The sale process is expected to be completed within twelve months.
The associated assets and liabilities were consequently presented as held for sale as at 31 March 2023.

	2023 $'000	2022 $'000
Assets classified as held for sale		
Cash and cash equivalents	**217**	-
Property, plant and equipment	**26,012**	-
Trade receivables	**369**	-
Other intangible assets	**361**	-
Total assets classified as held for sale	**26,959**	-

	2023 $'000	2022 $'000
Liabilities classified as held for sale		
Trade and other payables	**(293)**	-
Employee entitlements	**(100)**	-
Deferred income	**(185)**	-
Current tax liabilities	**(37)**	-
Deferred tax liabilities	**(2,604)**	-
Total liabilities classified as held for sale	**(3,219)**	-

21 Significant events occurring after balance date

Acquisition of Magnetic Power Services

In April 2023 Pringle Beleski and Associates Limited completed the acquisition of 100% of the units of Magnetic Power Services (Magnetic), an electrical contracting business based in Melbourne, Australia. The total purchase price was A$12.5 million, including deferred consideration of up to A$3.1 million that is contingent on post acquisition performance targets linked to Magnetic's financial performance and staff retention. The initial accounting for the acquisition of Magnetic is incomplete at the date these financial statements were authorised for issue. Business combination accounting for the acquisition will be applied based on the assets and liabilities of Magnetic at the acquisition date and is expected to give rise to goodwill.

Cyclone Gabrielle Insurance Claim

Subsequent to balance date the Group has received a progress payment of $5 million in relation to an insurance claim for damage caused by Cyclone Gabrielle. This receipt will be recorded in the financial statements for the year ended 31 March 2024.

Declaration of dividend

A fully imputed dividend of $15.8 million ($22.0 million inclusive of imputation credits), which equates to 24.7 cents per share, in respect of the 2022/23 financial year was declared on 21 June 2023.

There were no other subsequent events.

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 2023

The Auditor-General is the auditor of Hawke's Bay Power Consumers' Trust (the Trust) and its controlled entities (collectively referred to as "the 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 Group on his behalf.

Opinion

We have audited the financial statements of the Trust and Group on pages 9 to 53, that comprise the consolidated statement of financial position as at 31 March 2023, 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 2023; 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 24 July 2023. 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 and Group 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 and Group'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 and Group 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 obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 2 to 8, 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 and Group, 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 2018) for the period ended 31 March 2022;
- an assurance engagement pursuant to the Electricity Distribution Services Default Price-Quality Path Determination 2020 for the assessment period ended 31 March 2022; and
- an assurance engagement for a subsidiary of the 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 2023.

Other than the audits and assurance engagements, we have no relationship with, or interests in, the Trust or Group.

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