Hawke's Bay Power Consumers' Trust

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

For the year ended 31 March 2024

HAWKE'S BAY POWER CONSUMERS' TRUST

DIRECTORY

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

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST
For the year ended 31 March 2024

ANNUAL REPORT TO CONSUMERS

THE TRUST

Hawke's Bay Power Consumers' Trust is the 100% owner of Unison Networks and has been since 1993. The Trust holds the shares in Unison on behalf of all power consumers connected to Unison's electricity network in Hawke's Bay. This means Hawke's Bay power consumers are the beneficial owners of the company.

The Trust is represented by five Trustees who are elected every three years by the power consumers of Hawke's Bay. The current Trustees are Diana Kirton (Chair), Kirsten Westwood, Barbara Arnott, David Pearson and Jeff Farnworth.
The next Trust elections are on 1 October 2024.

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 2024. 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, now and into the future. 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.

TRUST ACTIVITIES SINCE 2023 ANNUAL PUBLIC MEETING

Consumer Dividends $15.8 million in 2023

In 2023 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 (installation connection point), with tax credits attached – to a maximum of 3 ICP's per consumer.

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 $250 million.

Recovery from Cyclone Gabrielle

Trustees are exceptionally proud of the work carried out by the Unison team, alongside Transpower, in recovering from Cyclone Gabrielle. This work was nationally recognised when they received the prestigious Network Initiative of the Year award at the 2023 Energy Excellence Awards. This award recognised the innovative and collaborative efforts taken to restore power in Hawke's Bay following Cyclone Gabrielle.

Following an intense period of planning, Unison and Transpower have jointly established the plan going forward for the rebuild of the flood-inundated Redclyffe substation. This plan was presented to key stakeholders in November 2023.

Ownership review

Trustees conducted a 5-yearly review of the ownership structure of Unison in the latter half of 2023. As part of the review Trustees sought feedback from the public to gauge views on the future ownership of Unison. There was unprecedented interest in the process from power consumers with a record 198 submissions received. They were almost equally split between keeping the current ownership model and changing it.

Following a month-long consultation, trustees unanimously supported the Directors recommendation that the shares in Unison remain in Trust ownership.

Sale of Unison Fibre Limited (UFL)

The sale of Unison Group subsidiary Unison Fibre Limited to leading central North Island fibre network provider Tuatahi First Fibre, was finalised in late January 2024.
The strategic divestment of Unison Fibre by the Unison Group has allowed their customers to benefit from a greater choice of service providers, as well as being part of a bigger provider solely focused on fibre services.

Trustees fully supported this sale and have viewed it as a fantastic outcome for consumers and former Unison Fibre customers.

Working with Directors

Two new directors have been appointed to the UNL Board to replace outgoing directors Lucy Ellwood and Phil Hocquard who retire by rotation following Unison's annual meeting at the end of July.

The new appointees are Wendie Harvey and Jon Nichols. They will take up their roles in August. https://www.hbpct.co.nz/wp-content/uploads/2024/05/FINAL-HBPCT-appoints-new-directors-to-Unison-board.pdf

Trustees continue to have a strong and open relationship with directors. The company monthly reports are provided to trustees soon after board meetings. Along with regular chair-to-chair meetings, trustees are kept up to date with company activities as well as initiatives that are in the pipeline. This "no surprises" approach is valued and respected by both parties.

Trustees attended a Unison Group and Subsidiaries' Vision and Strategies presentations in early December. The subsidiaries play a vital role in the financial growth of the company. As they are the non-regulated arm of the Unison group, their success will contribute most to the growth of the dividend paid to the Trust for distribution to power consumers of Hawke's Bay.

ETNZ

Barbara Arnott and Diana Kirton attended the ETNZ conference in May 2023. Former Unison CEO, Ken Sutherland, gave an excellent presentation on the devastating impact of Cyclone Gabrielle and the work then being carried out by Unison in the recovery process. This was very well received by trustees from lines companies throughout the country.

HBPCT has taken the stand that ETNZ should limit its conferences to one per year, that being the May conference in Wellington which includes the AGM. The May conference is a good opportunity to hear from the Energy Minister of the day, as well as any other sector leaders.

HBPCT have made the recommendation that the traditional spring conference be replaced with an online meeting of the trust chairs in order to keep the ETNZ executive informed of matters that are concerning energy trusts throughout the country. This option would reduce the cost to individual trusts, plus make the most of modern communication technology.

Trust elections

Trust elections are being held this year, with nominations open from 1 – 31 July. Election Services run the election process and all details will be available on the Trust website at www.hbpct.co.nz

Voting will be by post or electronically. Trustees encourage power consumers to get involved by casting their vote when the time comes, or standing for the Trust when nominations open.

COMPANY PERFORMANCE 2023-2024

Compliance: *The trading results for 2023-2024 disclosed an increase on the previous year, including the first year contribution from the addition of Magnetic Power Services Pty*

Limited, recognition of insurance income and the impact of Cyclone Gabrielle in the prior year. Total group revenue was $360 million, up $40 million from the previous year, while operating expenditure reached $248 million, a $23 million increase. After accounting for increased depreciation and borrowing costs, the 'operating profit before tax' increased by $6.7 million to $42.9 million.

Shareholders' funds showed an increase of $10 million or 2.0%, increasing to $520 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 2024-48%

Compliance: *The minimum target ratio was achieved and the target goal was slightly behind. The actual ratio was 47%.*

Performance Targets

Unison's 2024 Statement of Corporate Intent sets targets for both financial and network performance,

Compliance: *The Company materially achieved its financial performance targets but fell slightly behind its network performance targets. The Trustees are however satisfied with the financial results and the network performance.*

	Statement of Corporate Intent 2024 Targets	Actual Results 2024
FINANCIAL		
Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed	10.2%	10.3%
Earnings before interest and taxation as a percentage of average assets employed	6.2%	6.1%
Total line operating costs per consumer	$431	$427
NETWORK PERFORMANCE		
SAIDI - System Average Interruption Index (Minutes)	<68.03	70.19
SAIFI - System Average Interruption Frequency Index	<1.497	1.534
HEALTH AND SAFETY PERFORMANCE		
• Injuries relating to critical risk	Nil	Nil
• Numberof Public Accidents	Nil	Nil

COMPLIANCE WITH OTHER MATTERS

Unison's Statement of Corporate Intent is realised 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.

THANKS
The last financial year has been an extraordinarily busy one for Unison and the Trust. The strength of the Unison team has consolidated it as a truly consumer-focused company. The current 100 years of Unison celebrations reminds us all that the company was built by the people of Hawke's Bay, for the power consumers of Hawke's Bay. The Trust is very proud to own the company that puts the needs of its shareholders first and foremost.

Our special thanks to the Trust Secretary, Stephen Dine, and his team at Brown Webb Richardson, for the continued professional, courteous service and support they provide to the Trust.

TRUSTEES' CONTRIBUTIONS
I would personally like to thank the current trustees for their open and honest contribution around the Trust table. The challenges we have faced this past year have been unprecedented. Much of the work of trustees goes unseen by the public and I thank each of them for their contributions on behalf of power 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**

Hawke's Bay Power Consumers' Trust

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2024

	Parent			Group	
	2024	2023		**2024**	2023
	$'000	$'000	Notes	**$'000**	$'000
Revenue					
Revenue from contracts with customers	**-**	-	3	**352,571**	318,958
Other revenue	**16,130**	16,011	3	**7,658**	1,211
Total revenue	**16,130**	16,011		**360,229**	320,169
Expenses					
Electricity transmission charges	**-**	-		**(29,089)**	(35,668)
Network maintenance	**-**	-		**(16,176)**	(17,327)
Raw materials and consumables used	**-**	-		**(78,108)**	(72,119)
Employee related expenses	**-**	-		**(70,254)**	(60,928)
Other expenses	**(599)**	(753)		**(54,597)**	(39,652)
Gain/(loss) on disposal	**-**	-		**(2,505)**	(1,205)
Total operating expenses	**(599)**	(753)		**(250,729)**	(226,899)
Earnings before interest, taxes, depreciation, amortisation and financial instrument expenses (EBITDAF)	**15,531**	15,258		**109,500**	93,270
Depreciation and amortisation expense	**-**	-	4,5	**(43,212)**	(40,102)
Earnings before interest and tax (EBIT)	**15,531**	15,258		**66,288**	53,168
Borrowings costs	**-**	-	7	**(23,698)**	(17,472)
Operating profit before income tax	**15,531**	15,258		**42,590**	35,696
Change in fair value of derivative financial instruments	**-**	-		**262**	2,936
Profit before income tax	**15,531**	15,258		**42,852**	38,632
Income tax	**-**	-	11	**(14,444)**	(12,087)
Profit from continuing operations	**15,531**	15,258		**28,408**	26,545
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on revaluation of land and buildings	**-**	-	4	**-**	-
Deferred tax impact	**-**	-		**-**	-
	-	-		**-**	-
Items that may be subsequently reclassified to profit or loss:					
Gain on financial instruments taken to equity	-	-		**(4,079)**	1,209
Deferred tax impact	**-**	-		**1,142**	(339)
Currency translation differences	**-**	-		**749**	(916)
Other comprehensive income for the year, net of tax	**-**	-		**(2,188)**	(46)
Total comprehensive income for the year	**15,531**	15,258		**26,220**	26,499
Profit is attributable to:					
HBPCT Group	**15,531**	15,258		**28,432**	26,460
Non-controlling interest	**-**	-		**(24)**	85
	15,531	15,258		**28,408**	26,545
Total comprehensive income for the year is attributable to:					
HBPCT Group	**15,531**	15,258		**26,244**	26,414
Non-controlling interest	**-**	-		**(24)**	85
	15,531	15,258		**26,220**	26,499

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 2024

	Parent 2024 $'000	Parent 2023 $'000	Notes	Group 2024 $'000	Group 2023 $'000
ASSETS					
Current assets					
Cash and cash equivalents	**709**	1,470		**4,558**	16,081
Trade and other receivables	**38**	24	8	**59,062**	50,564
Investments	**-**	-		**1,500**	2,500
Other financial assets	**2,449**	1,879		**2,449**	1,879
Derivative financial instruments	**-**	-	14	**2,336**	19,968
Inventories	**-**	-	9	**86,196**	64,260
	3,196	3,373		**156,101**	155,252
Assets of a disposal group held for sale	**-**	-	19	**-**	26,959
Total current assets	**3,196**	3,373		**156,101**	182,211
Non-current assets					
Property, plant and equipment	**-**	-	4	**887,846**	825,672
Intangible assets	**-**	-	5	**72,815**	59,427
Investments	**64,000**	64,000		**15,251**	11,807
Derivative financial instruments	**-**	-	14	**1,612**	5,781
Total non-current assets	**64,000**	64,000		**977,524**	902,684
Total assets	**67,196**	67,373		**1,133,625**	1,084,898
LIABILITIES					
Current liabilities					
Trade and other payables	**360**	495		**39,464**	38,486
Borrowings	**-**	-	6	**-**	90,441
Current tax liabilities	**-**	-	11	**513**	259
Employee entitlements	**-**	-		**11,284**	11,268
Derivative financial instruments	**-**	-	14	**1,247**	1,307
Deferred income	**-**	-		**25,394**	7,374
Current lease liabilities	**-**	-	10	**5,665**	4,662
Total current liabilities	**360**	495		**83,567**	153,797
Liabilities directly associated with a disposal group held for sale	**-**	-	19	**-**	3,219
Total current liabilities	**360**	495		**83,567**	157,016
Non-current liabilities					
Borrowings	**-**	-	6	**376,559**	282,783
Employee entitlements	**-**	-		**1,314**	1,275
Derivative financial instruments	**-**	-	14	**2,815**	4,724
Deferred tax liabilities	**-**	-	11	**107,661**	100,080
Non-current lease liabilities	**-**	-	10	**32,999**	23,693
Deferred consideration	**-**	-		**5,454**	2,614
Total non-current liabilities	**-**	-		**526,802**	415,169
Total liabilities	**360**	495		**610,369**	572,185
Net assets	**66,836**	66,878		**523,256**	512,713
EQUITY					
Share capital	**65,000**	65,000	12	**67,661**	67,661
Reserves	**-**	-		**16,353**	18,541
Retained earnings	**1,836**	1,878		**439,358**	426,518
Equity attributable to equity holders of Unison Networks Limited	**66,836**	66,878		**523,372**	512,720
Non-controlling interest	**-**	-		**(116)**	(8)
Total equity	**66,836**	66,878		**523,256**	512,713

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

Trustee

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 2024

	Parent		Group	
	2024 $'000	2023 $'000	**2024 $'000**	2023 $'000
Cash flows from operating activities				
Receipts from customers	**-**	-	**361,835**	309,080
Payments to suppliers and employees	**(564)**	(773)	**(280,476)**	(225,971)
Interest paid	**-**	-	**(23,293)**	(14,680)
Dividends and interest received	**16,116**	16,002	**966**	366
Income taxes paid	**-**	-	**(6,650)**	(9,896)
Insurance proceeds received	**-**	-	**15,000**	-
Net cash inflow from operating activities	**15,552**	15,229	**67,382**	58,899
Cash flows from investing activities				
Purchase and construction of property, plant and equipment	**-**	-	**(86,264)**	(84,433)
Proceeds from sale of property, plant and equipment	**-**	-	**666**	554
Purchases of intangible assets	**-**	-	**(3,848)**	(1,751)
Purchase of investments	**(16,970)**	(16,031)	**(20,424)**	(22,815)
Proceeds from disposal of investments	**16,400**	16,000	**18,900**	18,043
Payment for acquisition of subsidiary net of cash acquired	**-**	-	**(10,901)**	(9,931)
Disposal of subsidiary net of cash disposed of	**-**	-	**23,701**	-
Net cash (outflow) from investing activities	**(570)**	(31)	**(78,170)**	(100,333)
Cash flows from financing activities				
Proceeds from borrowings	**-**	-	**92,434**	70,950
Repayments of borrowings	**-**	-	**(70,997)**	(6,997)
Dividends paid to owners of the parent	**(15,744)**	(15,656)	**(15,744)**	(15,656)
Payment of principal portion of lease liabilities	**-**	-	**(6,295)**	(4,106)
Net cash inflow / (outflow) from financing activities	**(15,744)**	(15,656)	**(602)**	44,191
Net increase (decrease) in cash and cash equivalents	**(762)**	(458)	**(11,390)**	2,757
Cash and cash equivalents at the beginning of the financial year	**1,470**	1,928	**16,298**	13,499
Effects of exchange rate changes on cash and cash equivalents	**-**	-	**(351)**	-
Cash and cash equivalents at end of year	**708**	1,470	**4,557**	16,256

Cash and cash equivalents of $217,000 classified as assets held for sale are disclosed in note 19.

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

	2024 $000	2023 $000	**2024 $'000**	2023 $'000
Profit for the year	**15,531**	15,258	**28,408**	26,545
Adjustments for:				
Depreciation and amortisation	**-**	-	**43,212**	40,102
Net (gain)/loss on sale of property, plant and equipment	**-**	-	**2,505**	1,205
Fair value change in financial instruments via the statement of comprehensive income	**-**	-	**(262)**	(2,936)
Capitalised interest	**-**	-	**(2,225)**	(862)
Present value adjustment to deferred consideration via borrowing costs	**-**	-	**926**	-
Net impact of working capital acquired and disposed of	**-**	-	**152**	-
Change in assets and liabilities:				
(Increase)/decrease in receivables, prepayments and inventory	**-**	-	**(27,383)**	(25,497)
Increase/(decrease) in payables (excluding capital items), accruals and employee entitlements	**21**	(29)	**15,309**	17,190
(Decrease)/increase in income taxes payable	**-**	-	**217**	(1,569)
Increase in deferred tax liabilities	**-**	-	**6,523**	4,721

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

Net cash inflow from operating activities	**15,552**	15,229	**67,382**	58,899

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 2024

	Attributable to equity holders of the Group						
Group	Share capital	Retained earnings	Foreign currency translation reserve	Asset revaluation reserve	Other reserves	Total	Non-controlling interest
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2023	67,661	426,519	(1,059)	17,318	2,282	512,713	(8)
Profit for the year	-	28,432	-	-	-	28,408	(24)
Cash flow hedges, net of tax	-	-	-	-	(2,937)	(2,937)	-
Currency translation differences	-	(20)	749	-	-	645	(84)
Distribution paid	-	(15,999)	-	-	-	(15,999)	-
Previous distribution money claimed	-	(10)	-	-	-	(10)	-
Distribution overprovided and under claimed	-	436	-	-	-	436	-
Total comprehensive income	-	12,839	(749)	-	(2,937)	10,543	(108)
Balance as at 31 March 2024	67,661	439,632	(310)	17,318	(655)	523,256	(116)

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 2022	67,661	415,900	(144)	17,318	1,412	502,033	(115)
Profit for the year	-	26,460	-	-	-	26,545	85
Distribution paid	-	(15,979)	-	-	-	(15,979)	-
Previous distribution money claimed	-	(30)	-	-	-	(30)	-
Distribution overprovided and under claimed	-	288	-	-	-	288	-
Cash flow hedges, net of tax	-	-	-	-	870	870	-
Currency translation differences	-	(120)	(915)	-	-	(1,013)	22
Total comprehensive income	-	10,619	(915)	-	870	10,681	107
Balance as at 31 March 2023	67,661	426,519	(1059)	17,318	2,282	512,713	(8)

The above consolidated statement of changes in equity 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, Magnetic Power Service, 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 31 July 2024.

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 2023, 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.

The Group has also applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2023 and note these did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Amendments to NZ IAS 1 – Disclosure of Accounting Policies

Amendments to NZ IAS 8 – Definition of Accounting Estimates

(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 year ended 31 March

2024 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

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.

1 About this report (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. 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 the Company has discretion to rollover drawn bank loans through to the maturity date of the committed bank loan facility.

Amendments to FRS-44 – Disclosure of Fees for Audit Firms' Services

This amendment applies for annual reporting periods beginning on or after 1 January 2024. This amendment updates the required disclosures for fees relating to services provided by an entity's audit or review firm. The amendment aims to ensure that entities disclose these fees consistently. The amendment requires a disclosure of the fees incurred for services received from its audit or review firm for both the audit or review of financial statements and other non-audit and non-review services.

The adoption of these amendments are not expected to have a material impact on the financial statements as the other non-audit and non-review services in the form of regulatory audit and assurance work by Group auditors is already disclosed separately. The Group typically engages other firms that are not engaged with the financial audit to assist with tax, consultancy and advisory related services.

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 20.

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, and items relating to the Trust.

1 About this report (continued)

(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

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.

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.

With the exception of the recognition of insurance proceeds income related to progress payments received with respect to Cyclone Gabrielle in February 2023 (refer to note 3), 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 19)

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, as per note 1(e):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2024	2023
			%	%
Unison Networks Limited	New Zealand	Ordinary	**100**	100
Unison Contracting Services Limited	New Zealand	Ordinary	**100**	100
Unison Fibre Limited*	New Zealand	Ordinary	**-**	100
Unison Insurance Limited	New Zealand	Ordinary	**100**	100
Pringle Beleski and Associates Limited	New Zealand	Ordinary	**100**	100
- Pringle Beleski and Associates (Australia) Pty Limited	Australia	Ordinary	**100**	100
- PBA Consulting Limited	New Zealand	Ordinary	**100**	100
- Magnetic Power Services Australia Pty Limited	Australia	Ordinary	**100**	-
- Magnetic Training and Consultancy Pty Limited	Australia	Ordinary	**100**	-
- Magnetic Training and Consultancy Unit Trust	Australia	Ordinary	**100**	-
ETEL Limited	New Zealand	Ordinary	**100**	100
- ETEL Transformers Pty Limited	Australia	Ordinary	**100**	100
- ETEL Transformers (Singapore) Pte Limited	Singapore	Ordinary	**100**	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

* The Company's holding of shares in Unison Fibre Limited was disposed of during the period. Refer note 21 for further information.

3 Revenue

	2024 $'000	2023 $'000
Revenue from contracts with customers	**352,571**	318,958
Other Income	**3**	12
Interest received	**1,068**	815
Investment income	**2,283**	67
Grant income received	**124**	292
Recovery of debt previously written off	**92**	25
Insurance recovery income	**4,088**	-
Total revenue	**360,229**	320,169

Disaggregation of revenue from contracts with customers

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**
2024			
Electricity distribution			
Line revenue	-	145,967	145,967
Capital contributions	-	14,681	14,681
Sale of manufactured goods	-	118,988	118,988
Electrical contracting services	-	64,254	64,254
Fibre network access services	-	2,650	2,650
All other income	3,720	2,311	6,031
Total revenue from contracts with customers	3,720	348,851	352,571

	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
Sale of manufactured goods	-	105,294	105,294
Electrical contracting services	-	46,002	46,002
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

(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.

3 Revenue (continued)

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 time. Revenue is recognised using the measure of progress that best reflects the performance in satisfying the performance obligations within the contract over time. Progress is measured using the inputs method, whereby costs incurred to date are compared to the estimated total project costs to determine the percentage complete and therefore the revenue recognised.

Connection fee revenue is recognised at a point in time when the performance obligation is satisfied.

(v) Fibre network access services

The Group owned and operated a fibre optic network until 31 January 2024. Refer note 21 for further details on the sale of Unison Fibre during the year.

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.

(vi) Insurance recovery income recognised

Insurance proceeds are recognised as revenues in these financial statements when it is virtually certain that they will be received under the Company's insurance contracts and the amounts can be reliably measured or estimated. Cash progress payments of $15 million were received during the year ended 31 March 2024 relating to the Cyclone Gabrielle insurance claim. $4.1 million has been recognised as income, and the balance of $10.9 million is included within Deferred Income in the Statement of Financial Position. Refer to note 19(b) for further information.

Revenue above and below maximum allowable revenue

Regulated lines revenue for the 2023/24 financial year was compliant with the Commerce Commission's allowable revenue cap rules. An estimated wash up adjustment of $16.6 million (unaudited) in relation to the 2023/24 financial year will be passed on to consumers via a lines charges increase in the following regulatory periods. 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.

(continued)

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 2024							
Opening net book amount	682,297	-	23,604	29,933	42,650	47,188	825,672
Additions/(Transfers out of Assets Under Construction)	84,149	-	3,894	120	12,252	3,749	104,164
Disposals	(2,058)	-	(115)	-	(299)	-	(2,472)
Depreciation charge**	(24,728)	-	(4,364)	(802)	(9,624)	-	(39,518)
Closing net book amount	739,660	-	23,019	29,251	44,979	50,937	887,846
At 31 March 2024							
Cost	1,089,222	-	38,382	35,350	125,731	50,937	1,339,622
Accumulated depreciation	(349,562)	-	(15,363)	(6,099)	(80,752)	-	(451,776)
Net book amount	739,660	-	23,019	29,251	44,979	50,937	887,846
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)
Depreciation charge	(23,607)	(1,340)	(3,235)	(796)	(9,337)	-	(38,315)
Assets classified as held for sale ***	-	(24,843)	-	-	(92)	(1,077)	(26,012)
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

*Assets under construction includes $163,000 (31 March 2023: $1.7 million) of intangible work in progress.

** Depreciation of $1,188,000 related to Fibre Network Assets classified as held for sale at 31 March 2023 was recognised in the year ending 31 March 2024. (31 March 2023: n/a)

*** Property, plant and equipment transferred to the disposal group classified as held-for-sale amounts to $26.0m in the year ended 31 March 2023.

4 Property, plant and equipment (continued)

See note 19 for further details regarding the disposal group held for sale.

(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:

	2024 **$'000**	2023 $'000
Freehold land & buildings		
Cost	**15,085**	14,797
Accumulated depreciation	**(5,240)**	(4,743)
Net book amount	**9,845**	10,054

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.

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

4 Property, plant and equipment (continued)

(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.

4 Property, plant and equipment (continued)

(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, Unison Contracting and Unison Insurance.

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.

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 2024				
Opening net book amount	49,008	8,700	1,719	59,427
Additions	7,539	4,069	4,356	15,964
Exchange differences	(73)	-	-	(73)
Disposals	-	(10)	-	(10)
Amortisation charge	-	(2,059)	(434)	(2,493)
Closing net book amount	56,474	10,700	5,641	72,815
At 31 March 2024				
Cost	132,362	30,715	5,733	168,810
Accumulated amortisation and impairment	(75,888)	(20,015)	(92)	(95,995)
Net book amount	56,474	10,700	5,641	72,815
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

*Assets under construction in Note 4 includes $163,000 (31 March 2023: $1.7 million) of intangible work in progress.

** Amortisation of $13,000 related to assets classified as held for sale at 31 March 2023 was recognised in the period ending 31 March 2024.

*** Intangibles of $361,000 were transferred to the disposal group classified as held for sale in the year ended 31 March 2023. See note 21 for further details regarding the disposal of Unison Fibre Limited.

(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 $7.5 million, relating to the acquisition of the Magnetic Training and Consultancy Unit Trust (2023: $6.1 million from acquisition of Pringle Beleski and Associates Limited). The carrying amount of goodwill in ETEL was $28.3 million, ETEL Services $0.6 million, Pringle Beleski and Associates $6.1 million and in Taupo/Rotorua network was $14.0 million.

5 Intangible assets (continued)

(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 ETEL Directors.

The value in use calculation uses the following key assumptions:

- Sales Growth Rate that assumes the cumulative average sales growth rate for the next five years (2025 to 2029) is 16.3%.
- Capex: The model uses ETEL's budget capex in their 2024 - 25 business plan and strategic plan for years 2026 to 2029. The FY25 budget has capex of $3.3m.
- A post tax discount rate of 9.9% per annum (2023: 9.4% 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 FY25 distribution revenue based on Unison's FY25 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. To 31 March 2025 the revenue model uses a vanilla (WACC) 67th percentile of 4.57% (4.23% post tax) based on the Commerce Commission's 1 April 2020 revenue reset calculation. From 1 April 2025 to 31 March 2030 the revenue model uses a vanilla WACC 65th percentile of 7.09% (6.41% post tax), based on an estimate of the Commerce Commission's WACC for the next five year period. Capex and opex forecasts are based on the most recent Regulatory Asset Management Plan.
- a post tax discount rate of 6.62% per annum (2023: 6.44% per annum).

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 PBA Directors.

The value in use calculation uses the following key assumptions:

- Compound annual growth rate for sales for the next five years (2025 to 2029) of 4.4% per annum (2023: 10.8% per annum over three years.).
- Planned capex of $0.8m for FY25 with a similar level across the four outer years.
- A post tax discount rate of 15.0% per annum (2023: 14.9% per annum).

Magnetic Power Services Australia Pty Limited (Magnetic)

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 Magnetic Directors.

The value in use calculation uses the following key assumptions:

5 Intangible assets (continued)

- Compound annual growth rate for sales for the next five years (2025 to 2029) of 5.8% per annum. (2023: n/a).

- Planned capex of $1.0m for FY25 with diminishing levels across the following four years.

- A post tax discount rate of 13.2% per annum (2023: 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.

6 Borrowings

	2024 $'000	2023 $'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	**177,000**	187,000
US Senior Notes Fixed Rate	**198,953**	99,122
	375,953	286,122
Fair value movement		
US Senior Notes Fixed Rate	**(15,441)**	(15,622)
Foreign currency movement		
US Senior Notes Fixed Rate	**16,047**	12,283
	606	(3,339)
Total non-current borrowings	**376,559**	282,783
Total interest bearing liabilities	**376,559**	373,224

Borrowings are a combination of:

(i) *Bank Loans*

The Group utilises multi tranche revolving debt bank facilities totalling $280 million (31 March 2023: $280 million) with maturities between 1 year and 3.7 years (31 March 2023: between 4 months and 4.7 years). Interest rates for all bank loans are floating based on the bank bill rate plus a margin.

(ii) *US Senior Notes*

USD50 million of Series B unsecured US Senior Notes matured in October 2023. In October 2023, the Company issued a further USD59 million tranche of Series D notes to finance the maturity of Series B notes and for general corporate purposes, in addition to the USD70 million of Series C notes issued in October 2021.

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; Unison Networks Limited; Unison Energy Limited; Unison Contracting Services Limited; Unison Fibre Limited; ETEL Limited; ETEL Services Limited; Pringle Beleski and Associates Limited and RPS Switchgear Limited.

ETEL, Unison Contracting, RPS Switchgear and Pringle Beleski and Associates 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 $'000**
31 March 2024					
Interest rate swaps ($'000)* (note 15)	150,000	55,000	70,000	-	275,000
Weighted average interest rate (%)	2.88%	4.43%	4.17%	- %	
USD Senior Notes Interest Rate Cross-Currency (USD'000)	-	-	-	129,000	129,000
Weighted average interest rate (%)	- %	- %	- %	4.37%	
31 March 2023					
Interest rate swaps ($'000)* (note 16)	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%	

** 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.

7 Borrowing costs

	2024	2023
	$'000	$'000
Interest and finance charges paid/payable	**25,923**	18,334
Capitalised interest	**(2,225)**	(862)
Total borrowing costs	**23,698**	17,472

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 6.20% (31 March 2023: 5.01%).

Capitalised Interest recognised in the period is $2,225,000 (31 March 2023: $862,000).

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	
	2024	2023	**2024**	2023
	$'000	$'000	**$'000**	$'000
Trade receivables	-	-	**39,806**	36,591
Other receivables	38	24	**8,999**	4,732
Provision for impairment of receivables	-	-	**(520)**	(181)
Total trade receivables	38	24	**48,285**	41,142
Related party receivables (note 15)	-	-	**405**	615
Interest receivable	-	-	**3,992**	2,967
Prepayments	-	-	**6,380**	5,840
Total trade and other receivables	38	24	**59,062**	50,564

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $310,000 (2023: $145,000) in respect of bad and doubtful trade receivables during the year ended 31 March 2024. 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

	2024 **$'000**	2023 $'000
Raw materials	**34,741**	31,295
Work in progress	**12,603**	8,210
Finished goods	**31,118**	17,235
Electrical and fibre related inventories	**8,758**	8,549
Provision for obsolescence	**(1,024)**	(1,029)
Total inventories	**86,196**	64,260

No inventories are pledged as security for liabilities (2023: 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:

	2024 **$'000**	2023 $'000
Property, plant and equipment	**12,665**	6,034
Intangible assets	**293**	1,552
	12,958	7,586

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

10 Commitments (continued)

(b) Leases

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

The Group leases offices, manufacturing and warehouse facilities under non-cancellable operating leases. No operating lease contracts contain options to purchase the leased asset at the expiry of the lease period.

A new lease was recognised in the period ending 31 March 2024 for Direct Fibre Access Services for communication and network connectivity purposes. The initial period of the lease is ten years and the Group has an option to extend the lease a further ten years.

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

	2024 $'000	2023 $'000
Right-of-use assets*		
Buildings	**23,020**	23,604
Substation Direct Fibre Access	**11,257**	-
	34,277	23,604

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

	2024 $'000	2023 $'000
Lease liabilities		
Current	**5,665**	4,662
Non-current	**32,999**	23,693
	38,664	28,355

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

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

	2024 $'000	2023 $'000
Depreciation charge of right-of-use assets		
Buildings	**4,364**	3,235
Substation Direct Fibre Access	**93**	-
Total lease depreciation	**4,457**	3,235
Interest expense (included in borrowing costs)	**1,382**	1,371
Expense relating to low-value assets and short-term leases (included in other expenses)	**322**	175
Total lease amounts recognised in borrowing costs and other expenses	**1,704**	1,546

Total cash outflow for leases was $6.3 million (2023: $4.1million)

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.

11 Taxation

	Parent		Group	
	2024 $'000	2023 $'000	**2024 $'000**	2023 $'000
(a) Income tax expense				
Current tax:				
Current tax on profits for the year	**-**	-	**7,045**	8,506
Adjustments in respect of prior years	**-**	-	**260**	(206)
Total current tax	**-**	-	**7,305**	8,300
Deferred tax:				
Deferred tax associated with temporary timing differences	**-**	-	**7,854**	3,937
Adjustments in respect of prior years	**-**	-	**(715)**	(150)
Total deferred tax	**-**	-	**7,139**	3,787
Income tax expense	**-**	-	**14,444**	12,087

			2024 $'000	2023 $'000
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	**15,531**	15,258	**42,852**	38,632
Income tax @ 28% Trust (33%)	**5,125**	5,035	**12,023**	10,894
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
• Income not subject to tax	**-**	-	**(744)**	(76)
• Expenses not deductible for tax purposes		58	**2,224**	1,362
Prior period current tax adjustment	**-**	-	**260**	(204)
Prior period deferred tax adjustment	**-**	-	**(715)**	(150)
Effect of buildings becoming non depreciable	**-**	-	**1,276**	-
Effect of difference in foreign tax rate	**-**	-	**68**	81
Reclassification of assets to Herd for Sale	**-**	-	**-**	162
Unrecognised tax losses	**52**	18	**52**	18
Distribution to beneficiaries	**(5,177)**	(5,111)	**-**	-
Income tax expense	**-**	-	**14,444**	12,087

(continued)

(c) Deferred tax liabilities

	2024 $'000	2023 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	**111,101**	103,762
IFRS 16 Leases	**(766)**	(685)
Derivative financial instruments	**(394)**	892
Employee provisions	**(2,390)**	(2,563)
Other provisions	**704**	(881)
Tax losses carried forward	**(594)**	(445)
	107,661	100,080
Other		
Assets held for sale	**-**	2,604
Total deferred tax liabilities	**107,661**	102,684

A deferred tax asset has not been recognised in relation to tax losses in the Trust of $2,671,317 (2023: $2,051,121).

	2024 $'000	2023 $'000
Movements:		
Opening balance	**102,684**	97,963
Property, plant and equipment	**7,340**	2,154
IFRS 16 Leases	**(82)**	(114)
Derivative financial instruments	**(1,286)**	352
Employee entitlements	**173**	(334)
Assets held for sale	**(2,604)**	2,604
Other provisions	**1,585**	(67)
Tax losses carried forward	**(149)**	126
Closing balance	**107,661**	102,684

Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in 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.

12 Share capital

Group and Parent

	2024 Shares	2023 Shares	**2024 $'000**	2023 $'000
Issued and paid up				
67,661 shares (2023: 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 economic interest

(b) Key management and personnel compensation

Key management personnel compensation for the years ended 31 March 2024 and 31 March 2023 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.

	2024 $'000	2023 $'000
Short-term employee benefits and Directors fees	**4,705**	4,036
Short-term employee benefits and Trustees fees	**140**	143
Short-term employee benefits and Secretary fees	**51**	51
Post-employment benefits	**83**	60
	4,979	4,290

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:

	2024 $'000	2023 $'000
Current receivables (sales of goods and services)		
Centralines Limited	**405**	615

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**	**2024 $'000**	2023 $'000	**2024 $'000**	2023 $'000
Qube Limited **	Q Varcoe (CEO UCSL, former GM People & Culture)	**-**	(18)	**-**	-
KI & DA Sutherland **	K Sutherland (Former Group Chief Executive) *	**-**	(78)	**-**	-

* K Sutherland retired as Group Chief Executive and was replaced by Jaun Park as Group Chief Executive on 18 April 2023.

** 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

	2024 $'000	2023 $'000
Current assets		
Interest rate swaps - hedged ((a)(ii))	**1,508**	7
Foreign currency forward contracts - hedged ((a)(i))	**709**	662
Interest rate swaps - unhedged ((a)(ii))	**119**	8
Cross currency interest rate swaps - fair value hedged ((a))(iii))	**-**	19,291
Total current derivative financial instrument assets	**2,336**	19,968
Non-current assets		
Cross currency interest rate swaps - fair value hedged ((a)(iii))	**509**	-
Foreign currency forward contracts - hedged ((a)(i))	**-**	24
Interest rate swaps - hedged ((a)(ii))	**920**	5,331
Interest rate swaps - unhedged ((a))(ii))	**183**	426
Total non-current derivative financial instrument assets	**1,612**	5,781
Total derivative financial instrument assets	**3,948**	25,749
Current liabilities		
Foreign currency forward contracts - hedged ((a)(i))	**1,247**	1,306
Interest rate swaps - unhedged ((a)(ii))	**-**	1
Total current derivative financial instrument liabilities	**1,247**	1,307
Non-current liabilities		
Cross currency interest rate swaps - cash flow hedged ((a)(iii))	**1,937**	3,527
Foreign currency forward contracts - hedged ((a)(i))	**584**	898
Interest rate swaps - unhedged ((a)(ii))	**-**	-
Interest rate swaps - hedged ((a)(ii))	**294**	299
Total non-current derivative financial instrument liabilities	**2,815**	4,724
Total derivative financial instrument liabilities	**4,062**	6,031
Net derivative financial instrument asset/(liability)	**(114)**	19,718

(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 2024 were $65 million (31 March 2023: $76 million).

(ii) Interest rate swaps
The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2024 is $240 million (31 March 2023: $230 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 2024, the fixed interest rates on the interest rate swaps range from 1.34% to 5.31% (31 March 2023: 1.34% to 5.31%), 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 2024 will be continuously released to 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.

(continued)

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 profit or loss.

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 2024				
Derivative financial instruments	-	302	3,646	3,948
Trade and other receivables	59,062	-	-	59,062
Investments	-	16,751	-	16,751
Other short term deposits	2,449	-	-	2,449
Cash and cash equivalents	4,558	-	-	4,558
	66,069	17,053	3,646	86,768
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

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 2024				
Borrowings	-	606	375,953	376,559
Derivative financial instruments	-	4,062	-	4,062
Trade and other payables	-	-	39,464	39,464
Lease liabilities	-	-	38,664	38,664
	-	4,668	454,081	458,749
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

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 21 for disclosures of the disposal groups held for sale that are measured at fair value.

31 March 2024	**Level 1 $'000**	**Level 2 $'000**	**Total balance $'000**
Assets			
Financial assets at fair value through profit or loss			
– Equity securities	11,858	-	11,858
– Debt investments	3,393	-	3,393
– Term deposits	-	1,500	1,500
– Interest rate contracts	-	302	302
Fair value through OCI			
– Interest rate contracts	-	2,428	2,428
– Foreign exchange contracts	-	709	709
– Cross currency interest rate swaps	-	509	509
Total assets	15,251	5,448	20,699
Liabilities			
Financial liabilities at fair value through profit or loss			
– Interest rate contracts	-	-	-
Fair value through OCI			
– Interest rate contracts	-	294	294
– Foreign exchange contracts	-	1,831	1,831
- Cross currency interest rate swaps	-	1,937	1,937
Total liabilities	-	4,062	4,062

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

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

15 Financial risk management (continued)

(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 listed equity and debt 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 Cross Currency Interest Rates Swaps. No collateral is held on these amounts (2023: 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 29% (31 March 2023: 30%) 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 $1.96 million (31 March 2023: $7.24 million) are currently held in respect of six electricity retailers, and cash and bonds of $211k (31 March 2023: $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:

	2024 $'000	2023 $'000
Trade receivables		
0 - 30 days	**31,485**	31,365
Past due 31 - 60 days	**5,714**	2,877
Past due more than 60 days	**2,607**	2,349
	39,806	36,591

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 2023: 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:

	2024 $'000	2023 $'000
Counterparties with external credit rating (S&P)		
AA-	**5,081**	17,912
A+	**2,898**	1,189
A-	**117**	52
BBB+	**63**	61
BBB	**189**	187
BB+	**248**	245
Unrated	**177**	99
	8,773	19,745

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:

	2024 $'000	2023 $'000
Expiring within one year (bank overdraft and bill facility)	**1,593**	51,400
Expiring beyond one year (bank loans)	**103,000**	33,000
	104,593	84,400

15 Financial risk management (continued)

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 2.5 years (2023: 2.7 years).

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 2024						
Non-derivatives						
Borrowings	8,851	96,337	109,431	203,391	418,010	376,559
Trade and other payables	39,464	-	-	-	39,464	39,464
Lease liabilities	6,323	5,340	5,010	38,512	55,185	38,664
Total non-derivatives	54,638	101,677	114,441	241,903	512,659	454,687
Derivatives						
Interest rate swaps (hedged) - net	(367)	(307)	(300)	(252)	(1,226)	294
Interest rate swaps (unhedged) - net	-	-	-	-	-	-
Forward exchange contracts	1,831	-	-	-	1,831	1,831
Cross currency interest rate swaps - outflows	14,813	14,813	14,813	282,262	326,701	-
Cross currency interest rate swaps - inflows	(8,687)	(8,687)	(8,687)	(250,968)	(277,029)	-
Total derivatives	7,590	5,819	5,826	31,042	50,277	2,125
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

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.

15 Financial risk management (continued)

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.

(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 2024 had fluctuated by plus or minus 0.5%, the effect would have been to decrease or increase the profit after tax and equity by $363k (2023: $458k) 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:

	2024 $'000	2023 $'000
Buy USD/Sell NZD		
Foreign current amount (FC' 000)	**7,000**	12,800
Contract Value (NZD' 000)	**11,285**	20,985
Average exchange rate	**0.6203**	0.6100
Buy NZD/Sell USD		
Foreign current amount (FC' 0000)	**-**	500
Contract Value (NZD' 000)	**-**	697
Average exchange rate	**-**	0.7173
Sell AUD/Buy USD		
Foreign current amount (FC' 000)	**6,550**	10,800
Contract Value (NZD' 000)	**9,766**	15,696

15 Financial risk management (continued)

Average exchange rate	**0.6707**	0.6881

15 Financial risk management (continued)

	2024 $'000	2023 $'000
Sell SGD/Buy NZD		
Foreign current amount (FC' 000)	**23,500**	11,500
Contract Value (NZD' 000)	**28,155**	13,605
Average exchange rate	**0.8347**	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.

	2024 $'000	2023 $'000
Assets		
Profit / (loss) - strengthening in NZD	**(1,093)**	(849)
Profit / (loss) - weakening in NZD	**1,123**	870
Liabilities		
Profit / (loss) - strengthening in NZD	**286**	399
Profit / (loss) - weakening in NZD	**(295)**	(412)

(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.

	1/04/2023 **$'000**	**Financing cash flows** **$'000**	**Fair value adjustments** **$'000**	**Other changes** **$'000**	**31/03/2024** **$'000**
Bank loans and US Senior Notes	357,119	18,834	-	-	375,953
US Senior Notes Fair Value and Foreign Currency movement	16,106	-	1,317	(16,817)	606
Interest rate swaps fair value hedging or economically hedging financing liabilities	300	-	(103)	-	197
	373,525	18,834	1,214	(16,817)	376,756

16. Audit fees

	2024 **$'000**	2023 $'000
Audit services		
Audit of financial statements by Group auditors - Audit NZ	**358**	312
Audit of financial statements by Subsidiary company auditors - KPMG	**140**	94
Other auditor's fees for the audit of subsidiary financial statements in foreign jurisdictions - PwC Indonesia	**22**	22
Regulatory audit and assurance work by Group auditors - Audit NZ	**91**	83
Total remuneration for assurance services	**611**	511

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 and February 2017 due to the ongoing dry conditions fanned by strong winds. Unison, through its insurer, settled two separate claims from Fire and Emergency New Zealand in the prior year. An additional claim from a number of residential land owners in the area, claiming for diminution in value and consequential loss, was also settled during the year ended 31 March 2023.

The Group is not aware of any material contingent liabilities at balance date (31 March 2023: discussed above)

(b) Contingent assets

Cyclone Gabrielle Insurance Claim

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, stop banks 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. Unison has lodged a claim with its material damage insurers for the damage to its insured electricity distribution assets as a result of Cyclone Gabrielle.

The Company had an insurance policy in place that its insurer has confirmed, in principle, will respond to the material damage and business interruption losses of the Company arising from Cyclone Gabrielle, subject to the terms and limitations of the policy. The Group has submitted claims totalling $7.8m to date and expects to submit further claims to the insurer as and when it determines its recoverable losses. The Company's claims are subject to review and adjustment by the insurer.

The Directors have determined in their judgement, that based on the claims submitted to date, a total of $4.1m relates to losses that reach the very high threshold required for financial reporting of "virtually certain" so as to be accepted by the insurer in the loss as finally adjusted.

Unison has received $15m of cash progress payments in the year to 31 March 2024, however Directors are mindful that, per the policy wording, if the aggregate of progress payments received exceeds the total amount of loss as finally adjusted, the excess must be refunded to the insurer.

Notwithstanding the receipt of cash progress payments, at balance date Unison has determined it is not yet able to reliably measure or estimate the full quantum of proceeds that will ultimately be claimed and recovered. At balance date, claims submitted are being reviewed by the insurer, and Unison is working to prepare an assessment of the damage to the substations and the required remedial action. Unison intends to appoint an independent engineer to assist in the assessment of the assets that were damaged during the cyclone. Unison's insurance arrangements are complex, and the nature of the event means that additional steps are required to satisfy the insurer. Whilst Cyclone Gabrielle was an insurable event, and the insurable costs of the initial response and reinstatement of the damaged insured assets should ultimately be recoverable, the Directors do not consider that the 'virtually certain' threshold required to recognise the full quantum of the progress payments has been met at this point in time.

17 Contingencies (continued)

Accordingly, Unison has recognised $4.1m as income for the period in the Consolidated statement of profit or loss and other comprehensive income, and carries the residual $10.9m of progress payments received as a liability in the Consolidated statement of financial position (as income in advance). The income of $4.1m reflects the elements of the claims submitted to date that are not subject to the complexities noted above, or where minimal further evidence is expected to be required by the insurer based on correspondence to date. This assessment will be continually reviewed, and it is expected that further income will be recognised in future periods as the claims progress to allow the "virtually certain" threshold to be satisfied.

Unison is also reviewing its options under subpart 5 of the Electricity Distribution Services Input Methodologies Determination 2012 - 'Reconsideration of the default price-quality path section 4.5.1 catastrophic event' to address adverse consequences relating to unforeseen capital expenditure and operating expenditure relating to the event and to recover through prices uninsured costs.

18. Business combinations

(a) Acquisition of Magnetic Power Services

In April 2023 the Group's subsidiary Pringle Beleski and Associates Limited ('PBA') completed the acquisition of 100% of the units of the Magnetic Training and Consultancy Unit Trust and its corporate trustee Magnetic Training and Consultancy Pty Limited (together 'Magnetic'). PBA completed the acquisition through a newly incorporated Australian holding company, Magnetic Power Services Australia Pty Limited. Total consideration includes deferred consideration with a fair value of up to NZ$1.9 million that is contingent on post acquisition performance targets linked to Magnetic's financial performance and staff retention.

Magntic are a specialist provider of electrical contracting services based in Melbourne, Australia. The acquisition of Magnetic enhances PBA's service offering and increases PBA's exposure to the developing market for distributed energy resources (DER).

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

	NZ $'000
Purchase consideration	
Cash paid	**10,017**
Deferred consideration	**1,914**
Add back net debt	**884**
Total purchase consideration	**12,815**

The following table summarises the acquisition date fair value of consideration transferred and the identifiable assets acquired and liabilities assumed, with the residual balance being recognised as Goodwill on consolidation.

Recognised amounts of identifiable assets acquired and liabilities assumed	
Trade and other receivables	**2,199**
Inventories	**425**
Property, plant and equipment	**1,701**
Intangible assets: Customer relationships	**4,400**
Trade and other payables	**(1,741)**
Right of use asset	**738**
Lease liability	**(738)**
Deferred tax liabilities	**(1,708)**
Net identifiable assets acquired	**5,276**
Goodwill recognised	**7,539**
Net assets acquired	**12,815**

Acquisition-related costs of NZ$163,000 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 NZ$1.9 million that is contingent on post acquisition performance targets linked to Magnetic'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 NZ$3.5 million in nominal terms.

The fair value of the contingent consideration arrangement of NZ$1.9 million was estimated using a discount rate equal to the unlevered IRR of 21.7%.

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 deferred 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. 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) Details of the sale of subsidiary - Unison Fibre Limited

	2024 $'000	2023 $'000
Consideration received or receivable:		
Consideration received (inclusive of final working capital adjustments)	**23,926**	-
Less Carrying amount of net assets sold	**(24,505)**	-
Loss on sale of subsidiary disposed of before transaction costs	**(579)**	-

The associated transaction costs incurred were $531,000.

(b) 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 Unison Fibre Limited. An active programme to locate a buyer was initiated during the year ended 31 March 2023. The sale of Unison Fibre Limited was completed on 31 January 2024.
The associated assets and liabilities were consequently presented as held for sale as at 31 March 2023.

	2024 $'000	2023 $'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
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)

20 Significant events occurring after balance date

Declaration of dividend

A fully imputed dividend of $17.25 million ($24.0 million inclusive of imputation credits), which equates to 27.0 cents per share, in respect of the 2023/24 financial year was declared on 26 June 2024. This dividend will be paid to the Hawke's Bay Power Consumers' Trust on or about 2 August 2024.

Appointment of new directors

Subsequent to balance date, the Hawke's Bay Power Consumers' Trust (Trust) has announced the appointment of two new directors to the Company's Board of Directors. The Trust has appointed Wendie Harvey and Jon Nichols who will take up their roles in August 2024, replacing current directors Lucy Elwood and Philip Hocquard who are retiring by rotation following the Company's Annual General Meeting on 31 July 2024.

There were no other subsequent events.