Northpower

2021

Annual report

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Highlights

Financial

$18.7 million

Net Profit After Tax

$10.2 million

discount to consumers

$290 million+

electricity assets

Networks

60,000

electricity connections

21 GWh

per year renewable electricity generation

6,536km

of lines

20,000+

customers connected to Northpower Fibre

1,182

solar connections

$28.7 million

capital expenditure

Photograph by Miranda Leigh Photography

Community

$239 million

returned in distributions since 1993

95%

customer satisfaction (residential)

1,195

flights by Northland Rescue Helicopter part funded by Northpower

18

trainee cadets

91%

customer satisfaction (business)

17

electric vehicles in our fleet

12

NZ Diploma in Engineering trainees

$233,000+

sponsorship of local initiatives

Chair & Chief Executive report

The last year has reminded us all of the critical role that electricity and communications play in our community, and the resilience of the sector overall.

As the nation grappled with the realities of a COVID-19 world, our electricity, high-speed fibre and electricity contracting services businesses played a central role in supporting Kiwi families as they adapted to new ways of working.

We have been pleased in the resilience of our networks over a period of severe disruption, and proud of the way teams across Northpower pulled together to keep the lights on, support each other, and get the job done for our customers. We're stronger as an organisation for it.

Despite the disruption our electricity business maintained focused on network renewal and supporting growth in our region. We connected 968 new customers (a 6% increase) and completed investments of $28.7 million.

Our new substation in Maunu is showcased in the body of this report and is an example of the scale and modern standard of the investments we are making. It's part of the $251 million of investment we have committed over the next ten years, to ensure our networks support growth in the north.

Our fibre business also saw strong growth, as we completed the rollout of fibre to 11 towns in the Whangārei and Kaipara districts, and customers moved to take advantage of this service.

We connected 2,710 customers (a 15% increase) and invested $18 million in developing these networks. Our partnership with Crown Infrastructure Partners (CIP) has been key to this success, and is showcased within this report. The value of building these networks is clear from the demand for fibre we are seeing from our communities, and strong financial performance reflects this.

Our contracting business adapted well to the disruption of COVID-19 early in the period, with demand and volumes picking up in the latter part of the year. Relationships with clients, strong cohesion across the energy sector, and an ability to stay operational throughout were all highlights.

The strength of our long-term relationships with clients helped get work programmes back on track, and enabled us to continue to invest in this business. Safety continues to be a central focus for us backed by key investments in plant, facilities, and training as outlined in this report.

Our people have been at the heart of our success this year. Disruption and change have given our people the opportunity to innovate, turn out for their community, and deliver improved ways of doing things with our clients. It's put our people and relationships back at the heart of what we do.

You'll see examples of the 'people behind the results' throughout this report, our leaders, our frontline field teams, our trainees, and the clients we are privileged to work with. It's our way of celebrating the very human response we have seen to the impact of COVID-19 in our communities.

As New Zealand looks forward to a post COVID-19 recovery, we can be proud of the progress made. It's proven the true resilience and resourcefulness of New Zealand as a nation.

Andrew McLeod
BEng (Mech), PGDip FA
Chief Executive

Mark Trigg
B Eng Chemical and Materials
Chair

Financial overview

The Northpower group delivered a credible financial result in FY21 despite the headwinds faced due to the COVID-19 pandemic. Our electricity and fibre networks performed well over the period and were essential in supporting our community as we adapted to new ways of working.

Our contracting division was instrumental in supporting our electricity distribution and transmission clients to keep the lights on over the four lockdowns experienced over FY21. These lockdowns caused significant disruption to our contracting division, but our teams worked hard to deliver significant levels of work once COVID-19 restrictions were eased.

Northpower is grateful for the support we have received through this challenging period. We also acknowledge our clients who worked closely with us to re-plan disrupted work so our teams could be deployed quickly and safely onto good levels of workflow when restrictions were eased.

Northpower's Group NPAT (net profit after tax) for the year was $18.7 million after applying the $10.2 million posted discount paid to consumers. This distribution was paid via a credit on electricity bills reducing energy costs for connected consumers.

Northpower continued to invest in core business systems and process improvement throughout the period. New works management systems were embedded including development of client integrations to streamline workflow within our contracting division. Our electricity network deployed a new Advanced Distribution Management System (ADMS) which will enable new energy platforms. We have also invested in significant automation within our fibre network which has delivered both efficiencies and enhanced customer service.

Balance sheet

Along with investments in core business systems, Northpower continued to make material investments in assets to support the electricity and fibre networks over the period, while also investing in new depots in Wellington and Paraparaumu to support growth in the contracting division.

We have continued to focus on balancing discounts for consumer owners, investments into our core networks and services, and the total level of debt.

Northpower retains a strong balance sheet and actively manages gearing to provide capacity for group businesses to absorb market and operating shocks should these occur. Overall, the portfolio has demonstrated resiliency over FY21 and is well set up to continue to deliver for our customers and clients over FY22.

Electricity network

Electricity division earnings were slightly ahead on the prior year. Distribution revenue increased in-line with connection growth and increased residential usage as customers adopted new ways of working over the period. Generation revenue improved over prior year due to higher spot prices, though water volumes were variable throughout the period which affected generation at our Wairua plant. Capital investment was lower than projections for the period due to the disruption caused by COVID-19.

Contracting

Northpower's contracting division performed credibly despite the disruptions caused by the COVID-19 restrictions. Our teams worked together with our clients to deliver on disrupted work programmes once restrictions were eased. New Zealand's distribution and transmission sectors continue to forecast a period of increasing investment in the medium to long term.

Fibre investment

The ultra-fast broadband (UFB) network in Whangārei is owned by Northpower Fibre Limited, a joint venture between Northpower and Crown Infrastructure Partners. As at 31 March 2021, Northpower owned 87.6% of this business with the remaining 12.4% purchased from Crown Infrastructure Partners in April 2021. It has continued to perform well while delivering world-class speed and reliability outcomes to families and businesses in our region which was evidenced as customers adopted new ways of working over FY21.

$18.7 million
Net Profit After Tax

$10.2 million
discount to customers

$290 million+
electricity assets

Our Directors

Mark Trigg
B Eng Chemical and Materials
Ex officio Audit and Risk Committee
People and Capability Committee
Chair

Mark brings extensive industry experience with a career in the energy sector encompassing asset management, operations, strategy, market trading and portfolio management and large-scale project management. He has also held roles in the financial markets industry. Mark's current directorships include Liquigas, Ngāti Tūwharetoa Holdings Limited and subsidiaries.

Richard Booth
MBA, Dip Ag
Audit and Risk Committee
Director

Richard brings a robust governance background to the Northpower board, with previous directorships in the food and dairy industries including Delta Produce, Northland Dairy Co-op, the New Zealand Dairy Board, Kiwi Co-op and Fonterra. He also recently served as a ministerial appointee to the commission governing Kaipara District Council. Richard additionally has private interests in two dairy farms and an avocado orchard.

Lisbeth Jacobs
PhD (Eng), PGDip Bus,
GMP CEDEP-INSEAD, MInstD
Audit and Risk Committee
Director

Lisbeth's passion for international strategy, change management and innovation is underpinned by strong values in relation to long-term social and environmental sustainability. Lisbeth is Global General Manager Animal Management at Gallagher. Lisbeth is an elected director of BRANZ and previously was a non-executive director of the NZ technology company Wellington Drive Technologies. Lisbeth is an experienced director in the technology, engineering and innovations sectors. She brings a focus on customers, a deep understanding of international markets, familiarity with digitisation and long-term strategic outlook to the Northpower board.

Phil Hutchings
B.Eng. (Hons), Dip Bus Admin
Audit and Risk Committee
Director

Phil qualified as a mechanical engineer and later added business qualifications. He has worked widely across Australia's mining sector and led the commercial side of a large export-oriented mine and refinery. He had ten years' experience at partner level in corporate finance, mainly in energy and resources. Phil's later career included consulting to the energy and renewable sectors. He has served as General Manager and CEO, including two years in the renewable sector in Europe.

Michael James
BCom, CA
Audit and Risk Committee Chair
Director

Michael's senior executive financial experience in the hi-tech and innovation sector aligns well with Northpower, where he's been a director since 2014. Michael's previous roles include CFO for Plant and Food Research, CFO for Navman and General Manager Europe for Dynamic Controls.

Michelle Kong
BA (Hons I), LLB, L.Mus.A
People and Capability Committee
Director

Michelle brings extensive experience in infrastructure industries to the Northpower board, with experience in strategy, customer and market insights, pricing, corporate finance and growth ventures across the telecommunications, media, building products, waste management and airport sectors. Michelle is passionate about ensuring companies have the right focus, culture and capability to build future focused strategies for a changing world. Michelle has previously been a Future Director at Auckland Airport and an Independent Director at Snakk Media, and is now part of the leadership team at Smart Environmental as Head of Strategic Projects.

Laurie Kubiak
MAICD, GAICD, MInstD
People and Capability Committee Chair
Director

Laurie's international career has spanned commercial and strategic roles across the energy, ICT, telco, aviation and infrastructure sectors. Previous responsibilities include leading multi-disciplinary teams across Europe, the US, Africa and Asia for some of the world's FTSE 100 companies. Laurie is the Chair of NZSO and Chair of Trustees Executors Limited. Since 2014 Laurie is the Chief Executive for NZIER.

Laurie brings a wealth of commercial strategy, economic, policy and regulation expertise to the Northpower board.

Our leadership team

Andrew McLeod
BEng (Mech), PGDip FA
Chief Executive

Andrew joined Northpower as Chief Executive in 2017 and has a background in infrastructure management and construction management, spanning the electricity, oil and gas, and water utility sectors. Andrew is responsible for ensuring appropriate performance and positioning of Northpower's group of businesses, with a focus on ensuring appropriate returns and outcomes for Northpower's consumer owners.

Josie Boyd
LLB (Hons)/BA, MInstD
General Manager Network

Josie joined Northpower in 2011, was its General Counsel for a number of years and prior to that worked in New Zealand and the UK in a range of private practice and in house corporate roles in the utilities, construction and professional services industries. Josie has responsibility for managing Northpower's electricity network, including engineering, asset investment, customer, operational, commercial, and regulatory functions.

Darren Mason
BMS (Honours), MInstD
Northpower Fibre Chief Executive

Darren joined Northpower in 1996 and was instrumental in the company securing the Whangārei UFB build. Prior to his appointment as Northpower Fibre CEO in 2011, Darren was Northpower's longstanding Marketing and Fibre Manager. Darren is responsible for all aspects of Northpower Fibre as Chief Executive.

Andrea O'Brien
Dip Bus
General Manager People and Capability

Andrea joined Northpower in 2009 and took on the role of General Manager People and Capability in 2016. Andrea has over 20 years experience in human resources, safety and quality management, previously working in the timber, forestry and mining industries. Andrea is responsible for all people related activities including recruitment, training, development, people related performance systems and staff advisory.

Ollie O'Neill
ACCA
Chief Financial Officer

Ollie joined Northpower in 2018 and brings with him over 15 years of financial and executive experience across agricultural, finance and gaming sectors. Ollie is responsible for ensuring appropriate financial outcomes for the group, and for leading Northpower's finance, risk, legal, and procurement functions.

Kevin Porteous
NZCE (Electrical), NZCE (Mechanical)
General Manager Contracting Operations

Kevin has most recently been our Contracting Regional Manager in the Central region and brings over 15 years of Northpower experience and 30 years of industry experience to this role. Kevin is one of our most experienced operational leaders, with a deep passion for instilling strong safety mind-set and practice.

Lloyd Richards
NZCE (Electrical), Registered Engineering Associate, IPENZ (Tech)
General Manager HSQE

Lloyd has over 40 years engineering, construction and management experience working for Northpower, and previously led Northpower's contracting group. Lloyd is now responsible for Northpower's health and safety strategy, quality systems and work procedures to ensure the safety of staff, contractors and the public, and to lead a targeted lift in these areas.

Andrew Wilshire
MBA, MInstD
General Manager Strategy and Change

Andrew joined Northpower in 2018 to lead the business performance function following a career in IT advisory, and technical leadership including the role of Chief Technology Officer at Fonterra Cooperative Group. Andrew is responsible for ensuring Northpower's business performance systems are appropriate including leading Northpower's strategy, business planning, information technology and process enhancement functions.

Protect lives and wellbeing

Ensuring the health and safety of our over 1,200 staff plus contractors and public around our assets and worksites is of utmost importance to us.

- **99%**
  of staff have attended a live electricity critical risk control workshop

- **49,000**
  live electricity actions assessed

- **QMS**
  has reduced number of document types to 7, down from 26

- **65%**
  of the business now migrated to the new quality management system

- **140**
  staff participants in the Northpower Wild Kiwi event

- **45**
  trained Kaitiaki peer mentors

Introducing critical risk control management

Keeping our people safe is of utmost importance here at Northpower, and during 2020 we kicked off our Critical Risk Controls Management (CRCM) programme , introducing critical control management as a key health and safety risk management model.

Back in 2017 we identified ten critical risks within our business that can result in high potential events, events that could cause catastrophic outcomes for both our people and our business.

Our CRCM programme applies a five step process to assess each of our ten critical risks and identify the related critical controls.

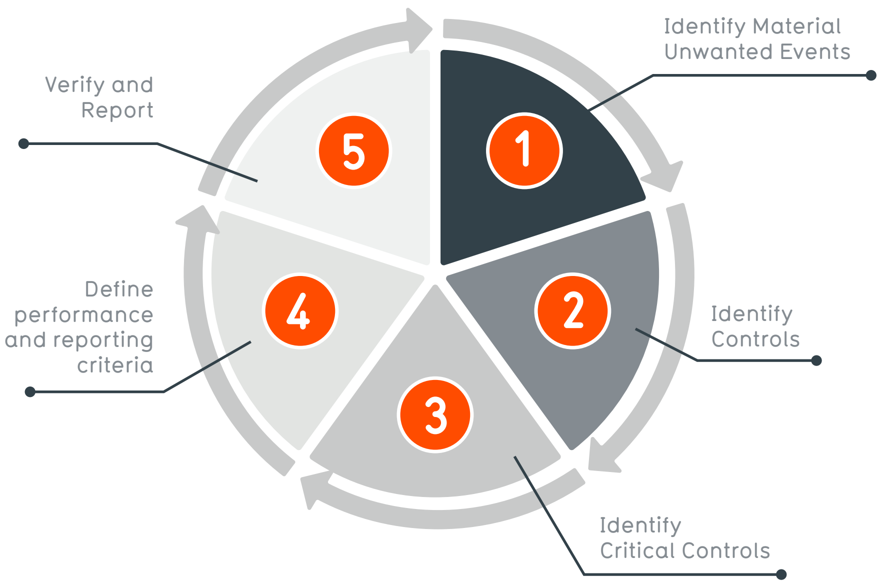
Critical risk controls are the mechanisms that we put in place to prevent or mitigate the impact of these critical risks. We then apply verification activities to monitor and report on the presence and effectiveness of the critical controls for the critical risk.

The CRCM programme started with the critical risk of live electricity and will expand to address the other critical risks in due course.

Workshop training sessions were rolled out across our business during October and November, with all staff in attendance regardless of their roles. These sessions introduced CRCM, and our teams completed training on the 12 critical risk controls identified for live electricity.

In the lead up to the training days, we shared several video stories from our people who have been involved in prior serious harm incidents, along with stories from their whānau and fellow teammates about the impact it has had on them.

These heartfelt videos brought home just how real the live electricity risk is, and we are proud and appreciative of the participants for their openness, honesty and courage in sharing their stories.



Learning modules for live electricity critical risk management are aligned to SM-EI (Safety Manual – Electricity Industry) ensuring a consistent approach. Staff completed assessments on the day online through our learning management system 'npower me' using tablets/mobile devices.

Following the theory assessment, all operational staff completed practical assessments to ensure thorough understanding of the application of the controls. These practical assessments were completed using a mix of internal and external industry professionals.

• **49,000**

live electricity actions assessed

• 99%

of staff have attended a live electricity critical risk control workshop

Despite COVID-19 lockdown interruptions, over 1,200 of our people attended a live electricity critical risk controls workshop across our 13 locations.

At the end of March more than 1,780 or 84% of the Work Type Competencies (WTC) practical assessments were complete.


Northpower

Our Live Electricity Working Group

Our live electricity working group, a cross-functional team of industry specialists from across the business, have been an integral part of developing the live electricity critical risk controls introduced at the training days.

During January and February the team held verification design workshops to define the performance criteria for each of the 12 live electricity critical controls.

This has pinpointed exactly what we need to be monitoring regularly as well as identifying the critical control check types to be carried out.

Verification provides business risk owners with visibility of the performance of each of the 12 live electricity critical controls so they can take action when critical control health isn't on point.

This information is able to be viewed across our business utilising our Power BI reporting function.

For Kevin Porteous, General Manager – Contracting Operations and Live Electricity Critical Risk Control Programme Sponsor, the programme's "back to basics" nature is a contributing success factor.

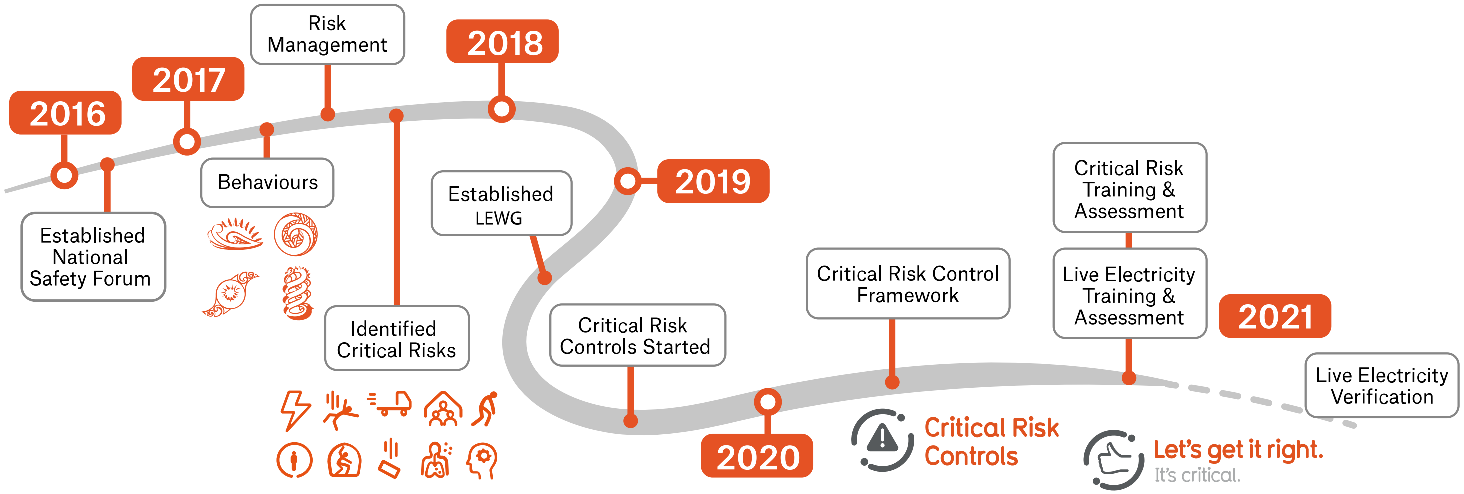
"We've essentially stripped back the clutter from Health and Safety at Northpower and focused sharply on the factors that are likely to be catastrophic if there is an incident," he says.

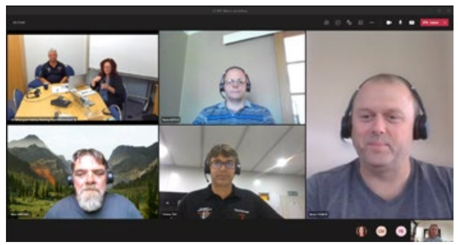
"And more importantly we've referenced and cross-referenced our approach back to the SMEI (Safety Manual – Electricity Industry)."

Kevin also sees alignment with Northpower's behaviours which are well recognised and received by our people.

"The roll-out of the live electricity training has been highly successful and people have really bought into it with a lot of enthusiasm," he says. "They can see that it makes sense and integrates well with the training they've had in the past. These are enduring concepts – they're ingrained in our work type competencies (WTCs) and we will continue to refresh them as part of our working practices on an ongoing basis."

We will continue to develop and introduce critical risk controls for our mental health, contractor management, public safety and moving vehicle critical risks over the coming months.





Members of our LEWG participating in online verification design workshops during Auckland's COVID-19 lockdown in early 2021.

Keeping safe during lockdown

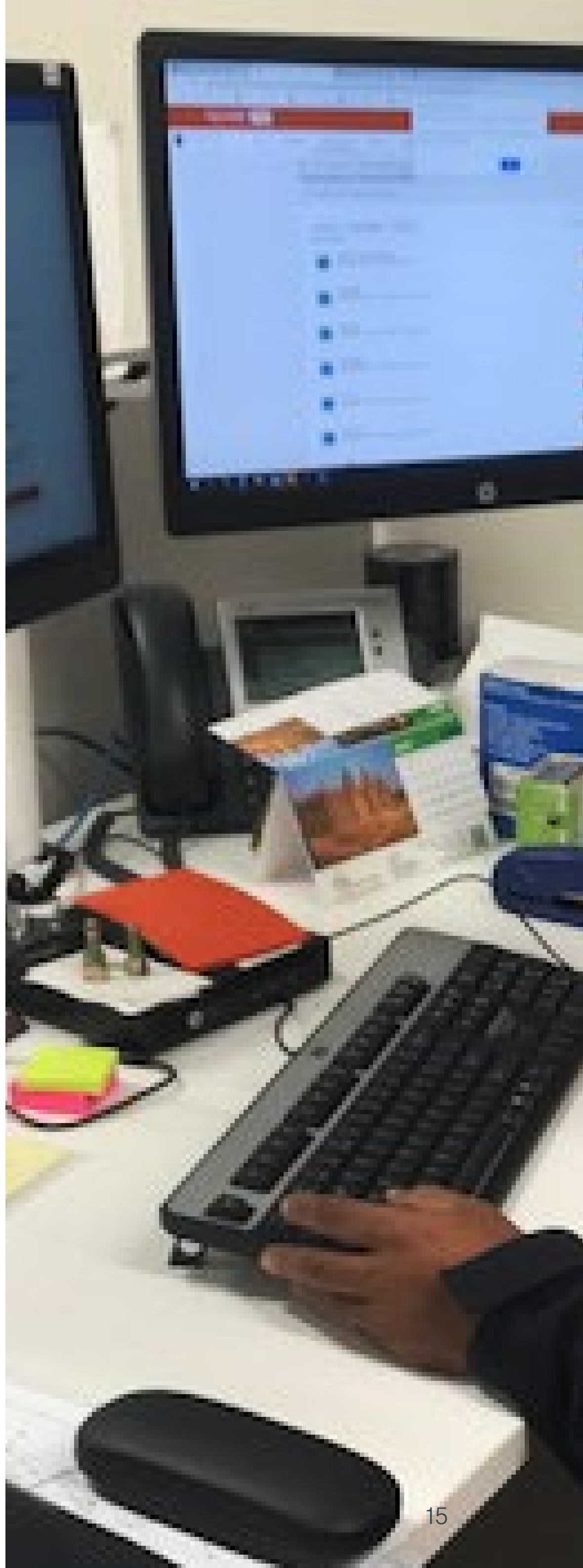
We're proud to have continued to deliver our essential services 24/7 over the past year, despite New Zealand being in COVID-19 level 4 lockdown during March and April, and during the subsequent Auckland level 3 lockdowns.

Ensuring the ongoing reliability of our networks and those of our customers across the North Island was incredibly high priority.

We quickly developed a control framework that involved a series of working protocols for our people to keep them, our customers and the public safe during the various alert level restrictions.

This included the use of team "work bubbles" with crews working at distance wherever possible, split shift working where critical systems and infrastructure are involved, maintaining social distancing when working in public and visiting customer and business premises, use of additional PPE and office-based staff working from home wherever possible.

In the spirit of partnership during these unprecedented times, we made our COVID-19 control framework available to the industry via our website and shared it on social media to anyone who would find it helpful. Several organisations utilised the framework and we received positive comment and feedback about it.



Improving quality assurance

As we continually improve our quality systems and assurance, it has been great to see ongoing progress with the rollout of the quality management system (QMS) programme of work.

The project has seen the migration of our controlled documents – standards, processes, procedures, policies, work instructions – onto a new platform to make it more easily accessible for our people. At the same time, documents have been reviewed and updated, ensuring they meet our requirements to support the delivery of quality products and services, assisting in underpinning our commitment to health, safety and the environment.

Some of the improvements that have been made include a rationalisation of our documentation ensuring it is fit for purpose, a simplified controlled documents framework, the ability to search for documents on any device, and much of our key business information sitting on a front-end Sharepoint platform.

65% of our business has now been migrated over to our new platform with the remaining 35% due for completion by end of July 2021.

Additionally, as part of embedding the essence of 'plan-check-do-act' principles within our management systems, we have begun a programme to evaluate and redesign our health, safety, quality and environment (HSQE) framework.

This includes processes, procedures and reporting along with developing additional internal capability within our HSQE team around the audit and assurance of our systems.

This initiative will build on our existing systems and will deliver further strength to our health and safety, quality and environmental expertise.

• **QMS**

has reduced number of document types to 7, down from 26

Our Kaitiaki network

Taking care of our people has been a high priority during this tumultuous year. Wellbeing at Northpower is going from strength to strength with the addition of our Kaitiaki network to our suite of wellbeing tools and initiatives. This programme of work was scheduled to happen in late 2020, however was fast-tracked due to the rapid change in our workplaces due to COVID-19.

Our Kaitiaki network comprises over 45 people from across Northpower who have volunteered (with the support of their Manager) to be members of our peer support network.

The Kaitiaki network members are given comprehensive training and support, then become available to be a 'listening ear' for our people – to connect them to the right resources or to provide extra support when it is needed, during both challenging times and periods of growth.

"It's heartening to see the number of people who have expressed interest in our Kaitiaki network and putting their hands up to be a wellbeing champion," says Lian Passmore, Engagement and Wellbeing Manager. "It feels like we're creating a safe environment and encouraging people to be open and authentic about what's going on in their lives if they need it".

• 45
trained Kaitiaki peer mentors

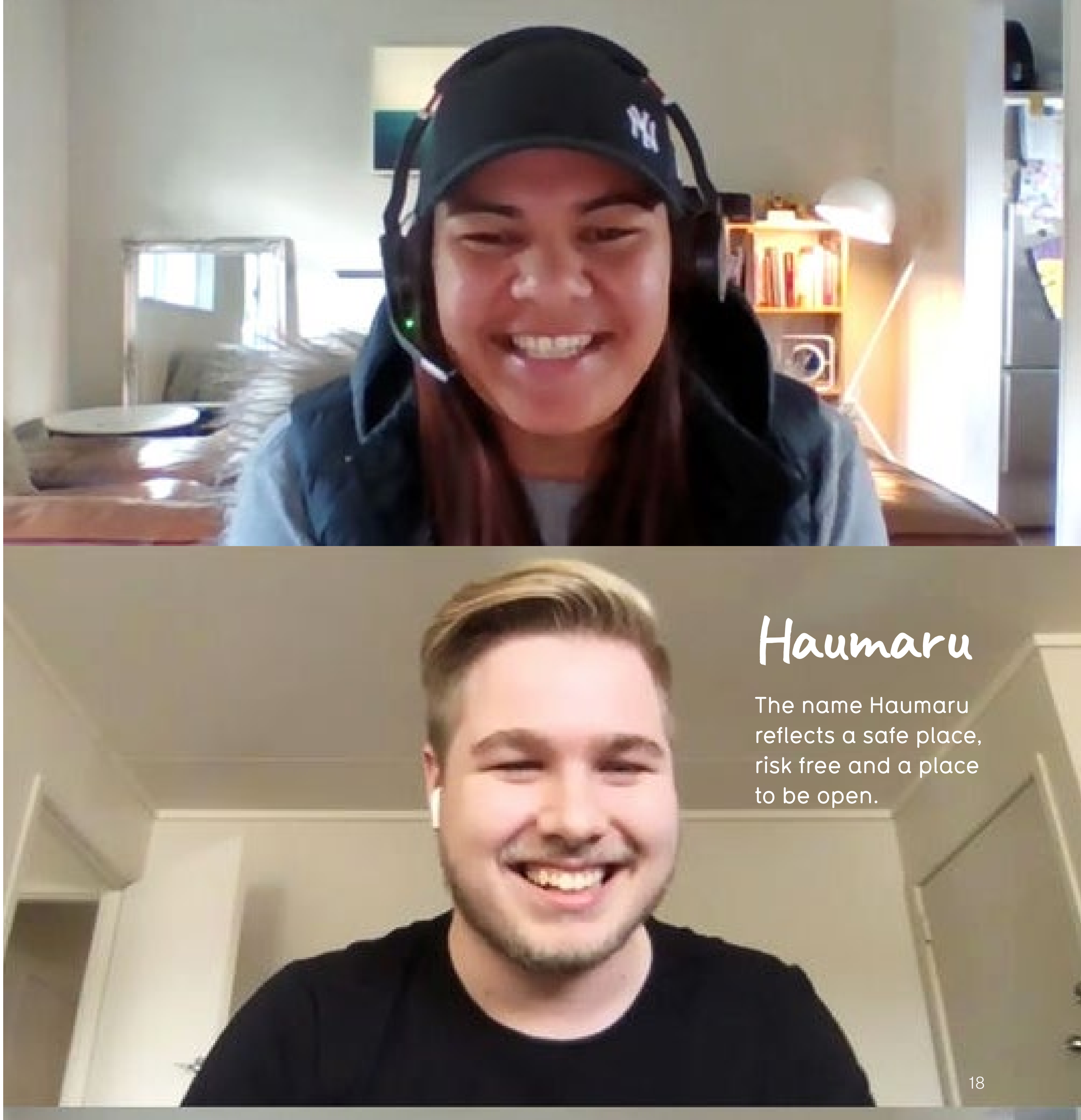
The Haumaru podcast

The Haumaru podcast is a people focused initiative aimed at getting to know people a little better right across our business, giving them a platform to share their stories.

Spearheaded by Lian Passmore and Jasher Drake, Digital Content and Marketing Co-ordinator, the podcasts have featured such diverse content as volunteering for Land and Search Rescue, a passion for $1 history books on TradeMe, a Greek Isles love story, the inspirational ins and outs involved with fostering of children, weight loss surgery and mental health advocacy.

The podcast also inspired the Haumaru 75 Wellbeing Challenge, where participants were challenged to improve their mental clarity and wellbeing through completing a list of personal challenges for 75 days. The tricky bit – if you fail a day, you start back at day one!

• **18**
podcast recordings



Haumaru

The name Haumaru reflects a safe place, risk free and a place to be open.

Wild Kiwi multisport event

After the disappointing COVID-19 related cancellation in 2020, we were thrilled to be back as headline sponsor of the Northpower Wild Kiwi run, walk and multi-sport event at Whangārei Heads.

The event includes several different distances and courses involving running, walking, mountain biking and kayaking suitable for experienced athletes through to families and novices, with the aim of helping participants to improve their fitness and enjoy a fun event in Northland's beautiful backyard.

The event also supports the Bream Head Conservation Trust, with a portion of the entry fee going towards the conservation work the Trust enables at Bream Head and along the Wild Kiwi course.

We also proudly sponsor the Northpower Wild Kiwi Scholarship Programme, an initiative that helps Northlanders who would not normally have health and wellness support around them to participate in the event.

Participants are provided with a training and bootcamp programme, nutrition and lifestyle advice, and free entry to the event.

Once again, our Northpower team represented us proudly, with over 140 participants from around the North Island coming together in a sea of bright orange! We had teams and individuals participating in most of the event categories, with some great results and good yarns of their adventures over pizza and a drink at the end of the course.

Returns to the community

Distributions to our consumers of $239 million since 1993. Giving back to the Northland community is the basis of our business.

- **$10.2 million**
  discount to customers
- **$18.7 million**
  net profit after tax
- **$6.6 million**
  investment in new Maunu substation
- **100%**
  Northpower Fibre ownership

Maunu substation is live!

The livening of our new substation at Maunu in March 2021 saw the completion of a project to increase resilience and reliability of supply for Whangārei. This $6.6 million investment will support growth of up to 5,000 new homes, new businesses and provides a critical alternate supply to Whangārei hospital and the CBD.

This is the first new zone substation to be built on our network in 14 years and reflects the actual and predicted growth coming to our region.

The occasion was marked by open days before the substation was livened, and many from the local community, stakeholders along with our staff and their whanau came to learn about the inner workings of a modern substation.

"More than ever people and companies are seeing Northland as a great place to live and do business," says Josie Boyd, General Manager Network. "A growing population is creating more demand in certain areas of our network, and we are making the necessary investment in capacity to support this demand."

Investment in regional facilities

This year has seen investment into our regional facilities through moving to new fit-for-purpose facilities to serve our customers and their needs in both Wellington and Paraparaumu.

These new facilities allow us to better service our contracting customers in the area and provide our teams with enhanced work and depot spaces.

We were honoured to have kaumatua attend completed construction of the facilities at a dawn blessing acknowledging the local land and its history, with the service being attended by a mix of our people from various locations and functions throughout our business.

Our teams are now moved in and enjoying their new wharenui and improved workspaces.

Local ownership of fibre network brings benefits

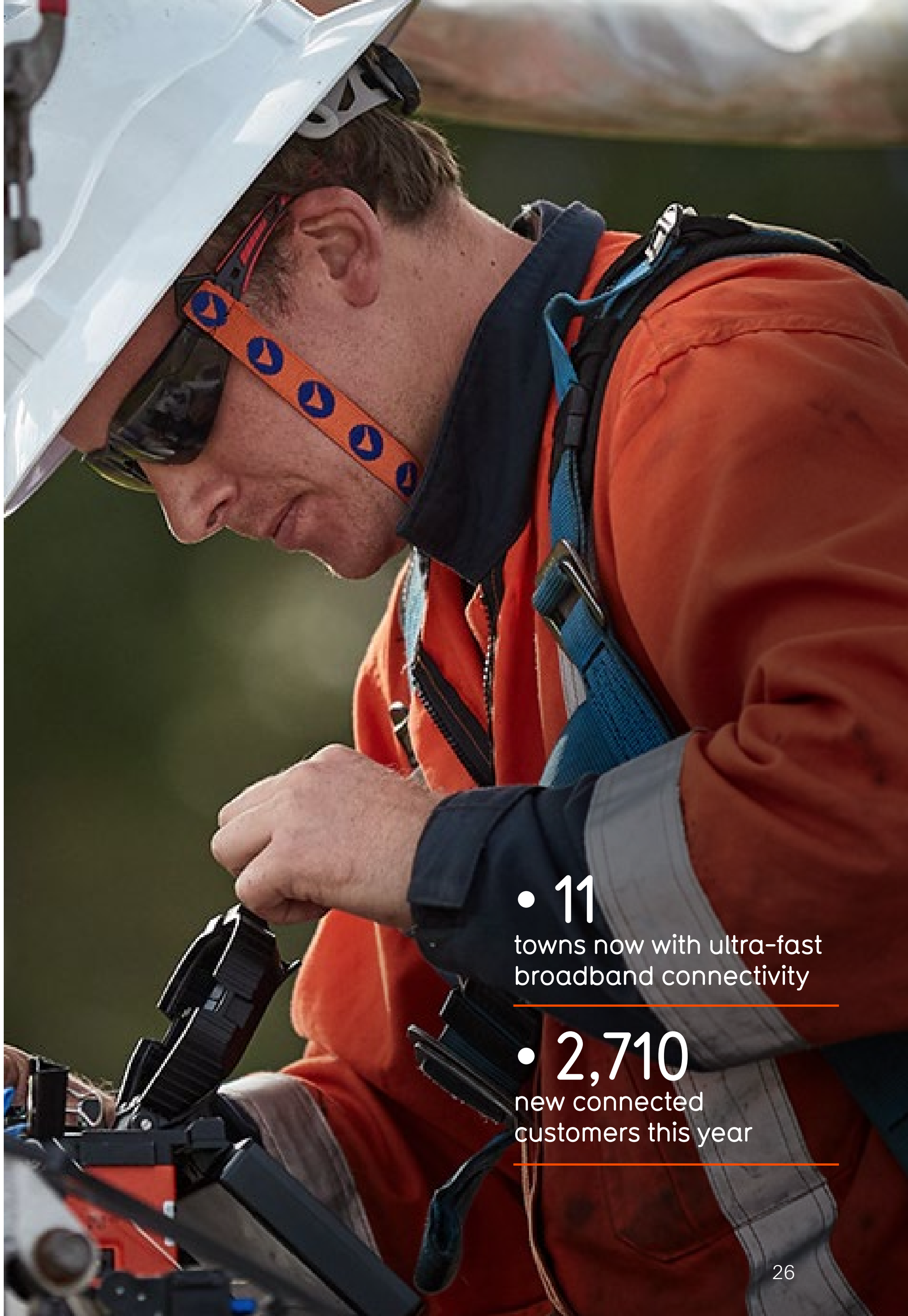
As the milestone of completion of Northpower Fibre Limited UFB2 build came about, we sought to bring complete ownership of the company into the Northpower Group through the acquisition of the final shares held by Crown Infrastructure Partners. The purchase was completed on 1 April 2021.

Purchasing of the final shareholding sees the conclusion of a mutually beneficial partnership of over ten years between Northpower and Crown Infrastructure Partners. It has enabled the New Zealand Government to achieve outcomes both socially and economically in the region, and Northpower Fibre to achieve the ambition of providing a world-class fibre broadband network for the benefit of its local consumer owners.

Having complete ownership of Northpower Fibre means that we will continue to invest in the fibre network, maintaining the network's reliability and resilience utilising technology and new innovations from leading global providers.

"The ultra-fast broadband initiative has unlocked prosperity and improved social outcomes for communities across New Zealand," comments Graham Mitchell, CEO Crown Infrastructure Partners. "In particular we have been delighted to work with Northpower as one of the first joint venture partners to deliver fibre benefits to these Northland communities."

Independent testing confirms that fibre continues to significantly outperform other technologies such as fixed wireless and satellite technology on speed and reliability. "Northpower Fibre is investing in exciting new innovation, and we look forward to unlocking this value for a wider set of consumers in our region in the near future," says Darren Mason, Northpower Fibre CEO.



Building resilience for growth in Mangawhai

Residential and business growth continues in the Northland town of Mangawhai, with growth predictions of an increase in population of over 33% or 7,200 residents with an additional 3,200 dwellings by 2051. We are working to ensure that the area has a reliable power supply in the years to come.

Currently the area is supplied by a sole 33kV sub-transmission line powering the area. To increase the resilience of this supply, we have focused on managing vegetation threats close to the line, which runs from Maungaturoto to Mangawhai in recent years.

In February, after months of careful planning our team undertook an equipment upgrade to install new cross arms, poles and guy wires at multiple locations along a 27km stretch of line.

To minimise disruption to our customers while essential power outages occurred to allow the work to proceed, our teams constructed a farm of four large 1,250kVA generators and two transformers producing 4 MW, to keep the power on to most of our customers.

A future resilience building project to reinforce 33kV subtransmission supply to the area through construction of a duplicate line from Maungaturoto, has been accounted for in our recent ten-year asset management plan. We also have upgrades planned in the coming year to increase capacity to Mangawhai enabling more customers to be restored quickly in the event of a power outage.


CUMMINS
grs
generator rental
services
CICU 983556 3
22G1
MAX.GR.
TARE
NET
CU. CAP.
generator rental services

Keeping communities connected

Keeping the lights on to over 400,000 homes across the North Island and fibre connectivity to over 20,000 homes in Northland.

- **$290 million+**
  in electricity assets

- **$251 million**
  planned spend on our electricity network over the next ten years

- **80%**
  of fibre faults avoided from using diagnostic tools and automation

- **20,000+**
  homes and businesses connected to Northpower Fibre

- **2,689**
  switching operations since go live of ADMS 33kV network in August

Investing in our electricity network assets

The role of our electricity network is delivering reliable, resilient and safe electricity services today and for tomorrow for every person, family and business in our communities of Whangārei and Kaipara.

Rangātamiro. Kaitiakitanga ('We weave the fibres together to create strength. We are guardians of the future').

We are the stewards of over $290 million of electricity network assets on behalf of our consumer owners - a role we do not take lightly. When planning for today and the future, we consider our customers' requirements and seek to enable choice and flexibility about how, when and where they access and consume energy affordably. We call this 'Your energy future' and is the ethos we have approached when planning investment and maintenance of our network over the next ten years.

We have placed particular emphasis on creating a network that is 'fit for the future' - shifting our network from being passive to an active operation that enables customer choice, particularly with new technologies such as electric vehicles (EVs), distributed energy resources (DER) like photovoltaics and home energy management systems.

As we prepare for the future, ensuring energy affordability and equity of pricing continue to be at the forefront of our strategic planning.

Population growth in our region is also likely to continue, with a predicted linear load growth of 1.1% per annum in the coming years. Increased residential and commercial activity in Whangārei and east coast towns such as Bream Bay, Waipu and Mangawhai are key drivers of this growth.

To prepare for these technological advancements and population growth over the next ten years, we are planning to invest capital expenditure of $143 million in asset replacement and renewal, $23 million on targeted reliability and safety improvements, $23 million in system growth, $48 million on enabling customer connections and $14 million on non-network assets.

The full details of this expenditure are outlined in our recently published Asset Management Plan which can be downloaded from our website.

Completing Northpower Fibre's UFB2 network

Northpower Fibre in partnership with Crown Infrastructure Partners began construction of Whangārei and Kaipara's ultra-fast broadband network back in 2010, and it was fantastic to see the completion of the build take place in January 2021.

Over 20,000 Northland homes and businesses are now connected to the Northpower Fibre network, including 15,000 in Whangārei from the first tranch of the build completed in 2014. Stage two of the build that began in 2017 has seen households and businesses in Ruakaka, One Tree Point, Waipu, Dargaville, Mangawhai, Maungaturoto, Ruawai, Paparoa, Kaiwaka and Hikurangi able to connect to the Northpower Fibre network.

An additional $734,000 in funding from the Government's $50 million digital package was announced in August, enabling us to invest over $900,000 to further extend our fibre network to 367 homes and businesses in our region.

"Our high-speed fibre network has been delivered by Northlanders, for Northlanders, and is a great example of working in partnership with the Crown, local suppliers and global technology players" says Andrew McLeod, Northpower Chief Executive.

"Our network connects Northland to the world and provides a critical platform for improving outcomes for our region."

We are proud to provide this essential service to our community - particularly through the challenges of the past year - enabling global connectivity across our region through the provision of world-class ultra-fast broadband.

Enabling competition for better customer outcomes

One of the many benefits to our customers of a Northpower Fibre connection is the wide range of Retail Service Providers (RSPs) they can choose from to access the internet.

We now provide the option to connect to 25 different RSPs for our customers for both internet and phone services. This includes the recently launched Sky Broadband service.

This level of choice means our customers can select an RSP that not only meets their specific requirements around speed, data requirements and contract terms, but also provides competition levels encouraging the best possible value.

"This choice selection offers great opportunities for consumers to choose the service and products that meet their individual requirements," says Jason Wickliffe, Northpower Fibre Account Manager.

"Fibre not only represents the best choice for broadband connections, but our customers are also shareholders in the company given that we are now 100% owned by Northpower Group."

Keeping Auckland and Northland powered-up

A fault on one of the main 220kV Transpower cables responsible for transporting electricity from the Southern Waikato to Auckland and onwards to Northland saw our cable location fault response team in action in September.

Northpower provided Transpower with end-to-end management on this critical project - first locating and diagnosing a faulty cable joint, followed by managing the repair project including the entire works program, cable jointers, materials, subcontractors, along with testing and commissioning of the 220kV cable.

Setting up traffic management and a site office, the team went to work excavating the cable joint bay. Extreme caution was needed in carrying out this time-consuming work to ensure no damage to the cables, whilst bearing in mind the need to repair the cable and get it back into service as soon as possible.

Once excavations were complete - much of it taking place utilising hand-held tools - the joint bay was cleaned out and a scaffold constructed to enable a clean and secure working environment to repair the cable, which took around four weeks. Testing was completed , overhead lines re-connected and the road re-instated just in time for Christmas.

One of the biggest challenges of this project was sourcing the skilled personnel needed to complete the works. Due to COVID-19 New Zealand border closures, it was impossible to sub-contract any skillset from overseas.

To mitigate this, we contracted in the skills from within different locations of the Northpower Group, and partners within the industry, the outcome being that we were able to carry out works and get this vital piece of New Zealand electricity infrastructure back into service. Additionally, an environmental specialist worked alongside us to ensure there was no adverse impacts from our works to an adjacent reserve.

"This work is a great example of Northpower's capability in stepping up to manage essential works on the country's critical infrastructure, on behalf of our partner Transpower," says Kevin Porteous, General Manager Contracting.

"Despite the challenges of border closures, we were able to second skilled contractors to work as part of our team and repair this vital cable in a safe and timely way."

Talent, skills and know how

Supporting 30 cadets and trainees to enter the industry each year and equipping our people to adapt to a changing world.

- **1,267**
  staff

- **112**
  new employees this year

- **85%**
  of new employees sourced through our in-house recruitment centre

- **$1.59 million**
  funding secured to train an additional 40 cadets in the next two years

- **18**
  trainee cadet graduates this year

- **12**
  trainees sponsored to achieve a NZ Diploma in Engineering

Providing pathways to a brilliant career

In addition to our cadet trainee programme, we have also continued our partnership with Manukau Institute of Technology (MIT) to provide a mixed model academic and practical qualification to achieve the NZ Diploma in Engineering.

We currently have 12 people enrolled, who are in their second year of training.

The successful applicants are employed as an engineering cadet at one of our depots across the North Island. The cadets are paid while undertaking on-the-job learning and when completing residential study. Northpower also pays the course fees for all participants.

We are looking forward to welcoming a new cohort of cadets in the coming year.

Ben Mascarina
NZ Diploma in Engineering

Ben Mascarina is one of our cadets who is now working for us as a full-time Maintenance Engineer while completing his NZ Diploma in Engineering.

He recently spent time in a placement with our Auckland Health and Safety team and found the experience to be a great learning opportunity.

"One of my biggest learning experiences during this placement was to never compromise safety. As much as anyone in this industry can be working for many years and be very skilled, it is still possible to slip up, make mistakes and overlook small details," says Ben.

Ben has been reflecting on his time spent working as part of the team. They taught me something that is also important... growth. Having the right attitude and a positive mindset can also be very useful throughout the way we handle situations throughout our careers."

Max Eyton
NZ Diploma in Engineering

Max Eyton is one of our 12 NZ Diploma in Engineering cadets, gaining both theoretical and practical skills in the electricity industry.

Before completing his second block course, Max had the opportunity to spend time with our Auckland distribution zone substation team, who manage capital substation projects on behalf of our customer Vector.

Max gained exposure to various disciplines involved in this area of our business including project management, construction, testing and commissioning.

"This was a great experience for me and I can't thank the distribution zone substation team enough for giving me the opportunity to work alongside them ," says Max.

"I definitely recommend this engineering cadetship to anyone who is given the opportunity."

Cormac Jardine
NZ Diploma in Engineering

Cormac Jardine is another of our cadets completing the NZ Diploma in Engineering and is completing the practical component with our teams at our Hamilton depot.

"Throughout all of these projects and jobs I have been able to assist the crews and build knowledge on the practical task at hand," says Cormac.

Cormac has also enjoyed the relationships he has formed with the other cadets in the programme. "Having a large proportion of the cadets staying at the same accommodation village gave a great opportunity to bond and make strong connections with our peers," he says. "I would like to thank everyone that has given me the privilege to work beside them and learn and gain knowledge from them.

Yumi Kong
NZ Diploma in Engineering

Yumi is another of our cadets who is working at our Hamilton depot. Yumi is getting practical, hands-on experience through doing placements in health and safety, distribution and inspection.

A highlight for Yumi has been working alongside the distribution team in constructing a new network for a housing development from the ground up. "The team has taught me a variety of things, from reading the flow plan, to the structure of the network and the planning involved in reducing the risk of outages when there is a power failure," she says. "I have even had a chance to practice cable jointing first-hand, giving me a huge appreciation for the difficulty involved in the work the jointers do every day!"

Yumi says "I am grateful for the support of the team and they have been instrumental in my professional development. Working at Northpower has been a learning experience from day one."

Finding potential in people

As part of our commitment to providing employment options for young people and ensuring we have a talent pipeline to service our industry in the future, we're proud to continue our ongoing partnership with People Potential for our cadet training programmes in Whangārei and Hamilton. 18 cadets have graduated from the programme over the past year. The next round of cadet training programmes starting in mid-May will include participants from Rotorua also.

Upon completion participants achieve a Level 2 Electricity Supply (Introductory) qualification. Completing this then opens the door for successful graduates to complete a three-month cadetship at a Northpower location, which may then lead on to a full-time apprenticeship pathway in the cadets chosen specialisation.

There are no fees for participants in the programme – just a positive attitude and 100% commitment.

Ezekiel Bidois
Cadet spotlight

Ezekiel Bidois was a 16-year-old student at Hamilton Boys High when he first heard about Northpower's Electricity Supply Level 2 programme in 2020.

After gaining a cadetship, Ezekiel worked throughout the year and graduated in December 2020. He then secured a role at our Hamilton depot working in the Transmission substation team, where he's learning about the electricity transmission network and is helping to maintain transmission substation equipment in the Waikato.

"Northpower is an awesome company to work for, and people are always happy to help", says Ezekiel. "My advice to anyone considering applying for the cadet programme is to go for it!"

Ezekiel is now working towards starting an electrical fitter apprenticeship.

Testing times in Auckland

Our Auckland based teams thought dealing with COVID-19 was the worst that the past year would throw at them, however an additional two incidents really kept our teams on their toes!

Our Kerwyn Avenue offices were struck by a tornado on a Saturday morning in June 2020, causing damage to roller doors, signage and air conditioning units on the building's roof.

Thankfully no staff were injured in the incident, however several were left shaken as they took cover in our stores department to avoid the fierce winds.

In March, two of our crew working on-site in Papakura encountered a long, slippery character that we are not used to dealing with here in Aotearoa – a stow-away snake inside some ducting that had arrived from Australia.

The quick-thinking duo moved to a distance once they realised it was a snake, however it was no longer alive due to the high pressure compressed air flushing that had been conducted inside the pipe. They alerted Ministry of Primary Industries who removed the snake and identified it as a non-venomous juvenile carpet python of one metre length.

The snake is now being kept in laboratory as part of a specimen collection and our two relieved crew members are breathing a big sigh of relief after the unexpected fright of a lifetime!


Northpower
CAN SAVE LIVES

STARs amongst us

We were thrilled to be amongst the leading contenders in our industry at the biennial Transpower STAR (Safety Thanks And Recognition) Awards this year. The awards champion best practice in the field, recognising the contributions made towards the work across our national grid.

The finalists were shortlisted from 66 nominations down to 17 entries across six categories and we were delighted to be nominated as finalists in the following categories:

- Matt Iorangi, our National Safety Forum Chair for the Thought Leadership Award – an individual who provides key health, safety or wellbeing insights or influence, respected as a go-to person in this field of expertise.
- Our Live Electricity Working Group for the Team Safety Award – a team or organisation that has significantly improved its safety culture and performance by adopting better ways of working.
- Northpower's Kaitiaki network for the Hauora Wellbeing Initiative Awards – an innovation or strategy that is leading to greater physical, mental, social and/or spiritual hauora or wellbeing for people.

The winners were announced at the STAR Awards ceremony in April 2021, and we are delighted that Matt Iorangi won the Thought Leadership Award and was awarded the overall Supreme Award.

In announcing Matt's win, the judges confirmed "he was a relatable role-model to his colleagues, an enabler and facilitator for middle management, and has a reputation that gains the confidence and trust of senior management. His work fosters safety participation and leadership from the ground up, encouraging collaboration as teams solve problems and innovate to mitigate critical risks."

Photo credit: Transpower


STARAWARDS
TRANSPOWER
SAFETY
THANKS
AND
RECOGNITION
AWARDS

Enabling communities to thrive and prosper

Delivering cost-efficient energy to Northland communities; $1.4 million supporting regional skills development and lifting regional well-being.

- **95%**

residential electricity customers 'satisfied' or 'highly satisfied'

- **91%**

commercial electricity customers 'satisfied' or 'highly satisfied'

- **3,000**

customer service calls answered per month

- **2,000+**

service applications processed this year

- **1,195**

flights by Northland Rescue Helicopter this year, an average of three per day

- **500+**

homes insulated this year through sponsorship of Healthy Homes initiative

A world-first innovative fleet partnership

The discontinuation of our usual choice of low voltage insulated compact EWP (elevated work platform) truck by manufacturers meant our Fleet team were needing to find replacements to meet our ongoing requirements.

After discussions with our supplier Aichi Japan, we were able to collaborate directly with Aichi engineers to design and build a fully insulated truck that met both our and our customers' requirements.

This is the first time that the engineers at Aichi have worked directly with their customers rather than liaising with their sales team to get specifications on vehicle requirements.

The benefit to Northpower was we were able to prototype the truck exactly to our requirements for fault work for our Auckland reactive maintenance teams.

This new SH11J truck has an overall length of six metres and is just over two metres wide. The single person bucket and fast set-up along with a compact footprint enables movement into tight spaces, perfect for Auckland conditions.

The 11 metre maximum reach is sufficient for faults to be rectified without the need for a ladder. The jacks only deploy vertically which keeps the footprint at 2.2 metres wide allowing set-up time to be kept at a minimum.

"It's fantastic that we have been able to work so closely in partnership with our supplier Aichi Japan, to deliver trucks that are fit for purpose for our New Zealand market,' says Phil Bixley, National Fleet Manager.

"We are proud to be involved in this collaboration and be the first market in the world to be using this new model in the field."

New heavy lift truck the pride of our fleet

We have welcomed a new 8 x 4 Hino truck with a Palfinger PK40 onto our Auckland-based fleet, to replace our current heavy lift vehicle which has reached its end of life.

The new truck has the capability to transport two 15 metre poles and can stand a double 12 metre pole at ten metres. It also enables us to install 1.5MVA TX's (5.5T) ten metres away from the truck.

The new truck not only can handle larger loads but has a six metre plus deck, meaning we can transport full pallets of duct cable. The truck has a ring feeder connection for trailers giving additional capacity to deliver around our North Island depots including Waiheke Island.

The benefit to Northpower was we were able to prototype the truck exactly to our requirements for fault work for our Auckland reactive maintenance teams.

40 new trainees in partnership with Regional Apprenticeship Initiative

In partnership with the Regional Apprenticeship Initiative (RAI), it was announced in September that we will be recruiting 40 new trainees over the next two years for the Northpower Trades Cadetship Programme.

The focus for this intake will be on those most needing assistance to get onto the career ladder, including those who have undertaken pre-trades training and are looking for work.

Northpower Chief Executive Andrew McLeod says we are grateful for the $1.59 million in funding to allow this programme to take place.

"It will allow us to contribute back to our communities in the regions in which we work," he says. "This is very much about workforce planning to ensure we meet the current and future needs of our business in Northland and throughout the North Island."

We are also partnering with People Potential to deliver the initiative, another Northland-owned business who provide excellent training and support.

In addition to our usual methods, we will recruit through iwi and Pasifika networks – we have 70% Māori representation in our current intake of cadets, adding to our existing diversity.

The trainees in our initial cadet programme have been highly successful and made a great contribution to our business. We are delighted to be playing our part in addressing the skills shortage within our industry, and we look forward to seeing the achievements of our trainees and cadets as they progress through their careers.

10,000+ hours helping to secure our national grid

A project on behalf of our partner Transpower to de-commission a 220/33kV transformer in Edgecumbe and replace with a new supply transformer, along with an upgrade to the oil contaminant system on-site, saw our central North Island teams contribute over 10,000 people hours on this important installation to help secure our national grid.

Our team overcame many interesting challenges to deliver this project including operating within strict resource consent conditions, working in partnership to deliver a suitable robust engineering solution to cater for this earthquake prone area, managing equipment delivery issues to site due to COVID-19 shipping delays, and unforeseen issues such as finding asbestos on-site.

The scale of the project saw the team move 2,500 cubic metres of soil, with over 400 cubic metres of concrete installed to cater for the new foundations and oil tank. The potential geohazards in the area meant civil works including over 100 piles to over six metres deep were required, which our team managed.

As always, health, safety and the environment was of highest priority when completing this project on behalf of Transpower. Our teams were highly conscious of the resource consent conditions, breaking down each condition to understand the impact on design, excavation and backfilling. Additionally, we undertook regular monitoring of river levels and ground water.

Every morning before commencing work our teams held a project meeting to recap the previous day's work and ascertain what improvements could be made going forward. Information was shared with a brief for the day ahead, including awareness and mitigation of hazards related to the tasks scheduled for that day. Site visitors and sub-contractors were carefully managed to ensure the highest possible levels of safety.

"Despite some of the unique challenges and unforeseen hurdles we encountered on this project, our teams came together to find innovative solutions, working in partnership with our customer to find ways to overcome the issues," says Brett Sweeny, Regional Manager, Transmission. "The project was delivered on time despite this, and we're very proud to be playing our part in keeping our national grid secure and resilient."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Faster fault resolutions

A re-configuration of how we respond to faults on behalf of our customer Vector has led to improved response times and our teams' customer service.

Our faults teams are now based in six zones around Auckland, with standby shifts available 24/7 to respond to faults callouts. The location of the teams around Auckland means faster response times due to being able to get to jobs more quickly. This minimises the length of time of power outages, improving SAIDI (the System Average Interuption Duration Index) minutes – or how long the electricity is out.

This continuous improvement ethos is also resulting in improved safety for the public, with the length of time of outages being reduced, and in instances such as a car hitting a power pole, the ability for our crews to arrive and secure the scene more quickly.

We are delighted to report that these new initiatives have assisted Vector with meeting their SAIDI regulatory compliance standards in the past year.

Customer system integration

Aligning our systems to meet the requirements of our partners is a high priority for Northpower, and this year has seen the launch of our Regional Works Management System, a new system that aligns to our customer Vector's new maintenance and data standards.

This new system allows integration with Vector's SAP system, capturing and transferring field data digitally using tablet devices and our own field data collection tool GADGET.

Our field inspection teams work in the field closely monitoring many of Vector's assets using various methods such as PD testers, thermal cameras, visual inspections, earth testing, close approach consents, sub transmission patrols and overhead inspections. This information is then captured in the field, with the findings then undergoing a risk analysis to aid maintenance prioritisation.

The new Regional Works Management System enables us not only to increase our works management capability in line with industry best-practice but brings us closer to our important contracting customers by providing them with vital information to maintain and improve their networks.


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Northpower Ltd

Encouraging STEM at the EPro8 challenge

We are passionate about encouraging participation in STEM (science, technology, engineering and maths) for Northland students, which sees Northpower sponsoring the Northland division of the national EPro8 challenge annually.

The EPro 8 challenge is an inter-school science and engineering competition, with over 10,000 young people from 800 schools taking part across New Zealand.

This year saw the biggest ever competition for our region, with over 300 students making up 77 teams from 26 Northland schools over 2 weeks of heats and finals.

Kamo Intermediate and Waipu School were crowned the champions, with two all-female teams taking out the competition. The Kamo Intermediate "Kamo Thinkersplus" received the Year 7 and 8 title, with Waipu School's "4 Wheel" team winning the Year 5 and 6 competition.

"We had over 300 students take part this year in our biggest event to date, and to see the excitement on their faces is awesome," says Josie Boyd, Northpower's General Manager Network.

"We look forward to making the 2022 Northpower EPro8 challenge even bigger and better to inspire more students to continue studying science, mathematics and technology, which can lead on to a range of exciting career options."

Getting girls into the infrastructure industry

Northpower is getting right behind initiatives to boost the number of females in the infrastructure industry and promoting gender diversity.

Our General Manager Network Josie Boyd is the Chair of the Northland Chapter of Women's Infrastructure Network (part of Infrastructure New Zealand). The chapter hosted a "Girls in Infrastructure" event at Golden Bay Cement in March, with many of our female employees attending.

The event is designed to break down barriers and encourage senior high school students into the industry, which has many exciting pathways to employment.

Over 70 female high school students attended the day from over ten Northland schools and institutions, with ten local and national infrastructure companies there to share their knowledge and career pathways.

"The infrastructure industry is absolutely for everybody. There are a range of great career options out there, but often young women haven't had any exposure to these roles, whether through their family, school or their wider community networks," says Josie. "That is why we are passionate about creating awareness and giving students access to speak to women with successful careers across the infrastructure industry. We look forward to making this an annual event in Northland."

Healthy Homes Tai Tokerau

We are delighted to have continued another year of contribution to the Healthy Homes Tai Tokerau insulation programme, making Northland homes warmer, healthier and drier.

Since 2007 more than 12,000 homes in Kaipara, Whangārei and Far North Districts have been retro-fitted with insulation, making a hugely positive impact on the health of tens of thousands of Northlanders.

The cost of insulating a home is the same as a night's stay at Starship Hospital, so the health, environmental and employment outcomes generated through this programme are immense.

Supporting Northland Rescue Helicopter

We have continued our long-standing sponsorship of the Northland Rescue Helicopter which has airlifted over 21,000 people to safety in the past 31 years. In recent times, this equates to 1,195 missions per year or 1,198 hours with the helicopters in the air three times a day.

The annual appeal to raise funds for the service made $334,000 in 2020, an increase of $88,000 on the previous year. We are proud to have joined forces with Top Energy and matched public donations dollar for dollar up to $200,000.

Keeping communities safe from tsunami

Northpower operates and maintains the tsunami warning siren network in Whangārei and Kaipara on behalf of Northland Civil Defence Emergency Management. The tsunami warning sirens are mounted across our electricity pole network and powered directly from our main network operations centre.

The value of this service was recently demonstrated by a tsunami warning following a magnitude 8.1 earthquake off the Kermadec Islands, threatening waves of one to three metres high, however thankfully the waves did not eventuate.

Over 205 tsunami warning sirens were activated, with tens of thousands of people evacuating to higher ground as instructed in the region's largest ever mass-tsunami evacuation. It was great to see people proactively responding in this emergency, keeping themselves, their whanau and fellow community members safe.

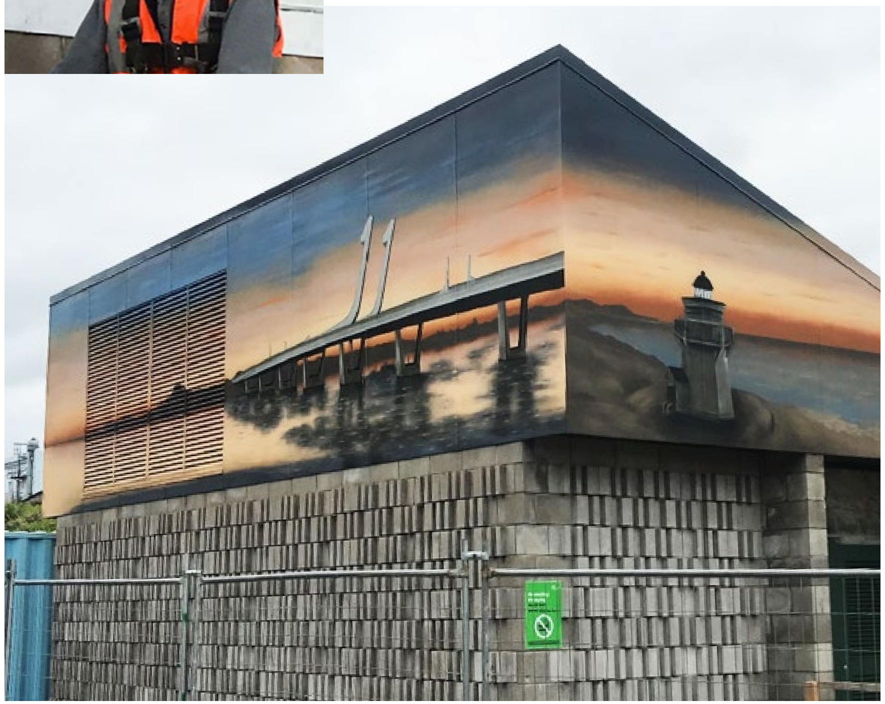
Substation brightening up Whangārei CBD

The substation located in the Forum North carpark in Whangārei's CBD underwent maintenance this year replacing some of the aging equipment inside, along with upgrading the exterior of the building.

This project also allows our people to operate the substation equipment remotely from our control room and restore power more quickly in the event of an outage.

The upgraded substation is now more visually appealing, with a mural from local artist Bryce Williams commissioned for the external walls. The mural beautifully captures the expanse of the Northpower network – from Whangārei Heads right across to the Kaipara district and Pouto Lighthouse and symbolises Northpower's connection with the region.

The site is also home to a new Tesla EV supercharger, enabling Tesla vehicle owners to recharge their EVs in around 30 minutes.



Protecting our environment

We are proud to be supporting the transition to a zero-carbon future through generating 21 GWh/yr of renewable generation and facilitating renewable energy.

- **17**
  electric vehicles in our fleet

- **>5MW**
  installed PV capacity on our network, or 1.9% of ICPs, slightly higher than the national average of 1.5%

- **21 GWh**
  per year of renewable electricity generation

- **Enviroschools**
  hydro power station open day showcasing clean, renewable energy

Showcasing next generation renewable energy

Last November we opened the doors to our 104-year-old Wairua hydroelectric power station, to local school children as part of the Water For Life Enviroschools Expo. The Enviroschools programme, which is co-ordinated by Northland Regional Council, focuses on teaching our tamariki and rangatahi skills on how to live sustainably.

The expo showcased to local schools the importance of water to the community and how we can work with nature to become resilient in a changing climate.

Our visitors were shown through the station and saw in action how water can be turned into electricity, and the steps that we take to reduce impacts on the local tuna (eel) ecosystems.

It was a great and rewarding day seeing our community learn how we care for our environment in partnership with Te Parawhau ki Korokota.

Bringing sustainable energy choices to our neighbourhoods

Advances in sustainable electrical technologies are growing at the fastest rate ever, and we're preparing our networks for the huge changes ahead as affordability increases.

Presently, our Northland region has the highest uptake of EVs in provincial New Zealand. Based on current trends, we are forecasting an increase of around 150 new EVs in our network area per annum.

We are working hard to enable our customers to determine 'Your energy future' - shifting our operations from a 'passive' to an 'active' operation that gives them choice in the types of technologies, vehicles, home energy monitoring and control systems that will increasingly become part of our everyday lives.

Part of being prepared for these changes is to have good technical standards, including ensuring new connections on our network are installed correctly, do not shift costs onto others, and new equipment like solar panels and batteries meet emerging standards and do not impact power quality.

It also means requiring fair contributions to network costs, and ensuring equipment is designed and connected to keep our staff, contractors and the public safe.

Our environmental management framework

Our behaviours and values recognise our role of ‘kaitiakitanga’ in the guardianship and protection of our environment.

To reflect this in our day-to-day operations, our teams have recently collaborated to produce an environmental management framework. This framework is structured to meet the requirements of our ISO 14001:2015 environmental management systems (EMS) certification.

In practice, this means ensuring we are considering all environmental aspects including interactions with district councils and iwi, legislative and compliance obligations, hazardous substances and waste, environmental risk management processes and hazard identification.

It also covers the supporting elements including training and competencies, incident and emergency management and our assurance and governance supporting our EMS. The next steps in our journey are for each of our business units to work through their individual environmental plans.

In addition to the development of our environmental management framework, we have embarked on work to ascertain our overall carbon footprint through a robust assessment process. This will enable us to establish our total greenhouse gas emissions, report on these to meet legislative requirements, and ultimately work on ways to reduce our outputs.

We are excited to begin this piece of work to play our part in supporting Aotearoa’s commitment to reducing our emissions to 30% below 2005 levels by 2030 and achieving domestic targets of net zero emissions by 2050 (excluding biogenic methane).

Board of Directors' report

The Board of Directors are appointed by the Northpower Electric Power Trust to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework, and monitors management performance.

Principal activities

The group's principal activities are the distribution of electricity, electrical contracting and telecommunications fibre.

Directors holding office during the year

Northpower Limited

N P Davies-Colley (Chair to 31 July 2020)
M D Trigg (appointed Chair from 1 August 2020)
R C Booth
E M P A Jacobs
M B D James
P G Hutchings
M K Kong
L S Kubiak

West Coast Energy Pty Limited, and Northpower Western Australia Pty Limited

N P Davies-Colley (retired 31 July 2020)
P G Hutchings
O M O'Neill
A I McLeod (from 1 August 2020)

Northpower LFC2 Limited

J M Boyd
A I McLeod

Northpower Limited, in conjunction with Crown Infrastructure Partners Limited, has an investment in a jointly controlled entity Northpower Fibre Limited (NFL). A I McLeod and J M Boyd are directors of NFL.

Results

The group recorded an after tax profit of $18.7 million for the period, as set out in the Consolidated Statement of Comprehensive Income.

Dividend

A fully imputed dividend of $0.7 million was declared for the year.

Donations

The group made donations of $150,000 to Northland Emergency Services Trust, $55,000 to Taitokerau Education Trust and sundry of donations of $28,913 during the year.

Insurance of Directors

The company has insured all its Directors against liabilities to other parties that may arise from their positions as Directors.

Share dealings

It is not possible for any Director to acquire or dispose of any interest in shares in the Company.

Use of company information

The Board received no notices during the year from Directors requesting use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Directors' interest

The following Directors have made general disclosures of interest pursuant to Section 140 of the Companies Act 1993 that the named Directors are to be regarded as having an interest in any contract that may be made with the entities listed below:

N P Davies-Colley

Director – Farmlands Co-Operative Society
Director – Worksafe NZ
Director – Tiaki Plantations Limited
Director – West Coast Energy Pty Limited
Director – Northpower Western Australia Pty Limited
Director – Kitchen Studios Limited

M D Trigg

Director – Langman Lane Limited
Director – Ngati Tuwharetoa Holdings Limited
Chair – Ngati Tuwharetoa Geothermal Assets Limited
Chair – Ngati Tuwharetoa Electricity Limited
Director – Liquigas Limited

P G Hutchings

Shareholder – Career Engagement Group Limited
Director – West Coast Energy Pty Limited
Director – Northpower Western Australia Pty Limited
Director/Shareholder – Wycliffe Pty Limited
Director/Shareholder – Wycliffe Limited

E M P A Jacobs
General Manager – Fletcher Building
Honorary Consul of Belgium in Auckland
Director – BRANZ

M B D James
Trustee – Middlemore Clinical Trials Trust
General Manager – Wanaka Medical Centre
Director - OSPRI

M K Kong
Director – The Exponential Agency Limited
Shareholder – Trosk Limited
Shareholder – Golden Super Pig Limited
Director/Shareholder – Lodestar Consulting Limited
Senior Consultant – Smart Environmental

L S Kubiak
Trustee – The Graduate Choir of NZ
Trustee – The Holy Trinity Cathedral Music Trust
Director/Shareholder – Quilisma Limited
Chief Executive – NZIER
Chair – New Zealand Symphony Orchestra
Chair – Trustees Executors Limited
Director/Shareholder – Gently Does It LLC
Director – Sterling Grace (NZ) Limited

R C Booth
Partner – R&S Booth Partnership
Director/Shareholder – Puketitoi Farm Limited
Trustee and Beneficiary – R&S Booth Trust
Shareholder – Ballance Agri-Nutrients Limited
Shareholder – Fonterra
Shareholder – LIC

Remuneration of employees

Bands:	No. of Employees:
$100,000 - $109,999	148
$110,000 - $119,999	117
$120,000 - $129,999	97
$130,000 - $139,999	67
$140,000 - $149,999	70
$150,000 - $159,999	46
$160,000 - $169,999	32
$170,000 - $179,999	18
$180,000 - $189,999	20
$190,000 - $199,999	8
$200,000 - $209,999	6
$210,000 - $219,999	3
$220,000 - $229,999	6
$230,000 - $239,999	2
$240,000 - $249,999	3
$250,000 - $259,999	1
$260,000 - $269,999	1
$270,000 - $279,999	1
$330,000 - $339,999	1
$380,000 - $389,999	2
$400,000 - $409,999	2
$630,000 - $639,999	1

Please note that the remuneration of employees as reflected in the above table contains severance payments made to some employees.

Directors' remuneration

Directors' remuneration paid during the period was:

Northpower Limited:	
M D Trigg	$105,946
N P Davies-Colley	$40,058
M B D James	$67,113
R C Booth	$62,196
P G Hutchings	$62,196
L S Kubiak	$62,181
E M P A Jacobs	$62,196
M K Kong	$62,196
	$524,082
West Coast Energy Pty Limited:	
P G Hutchings	**$18,444**

Changes in Directors

Mark Trigg was appointed Chair from 1 August 2020 with the retirement of Nikki Davies-Colley in July 2020. Directors Michael James and Laurence Kubiak retired and offered themselves for re-election and were duly reappointed by the Northpower Electric Power Trust.

For and behalf of the Board

M D Trigg
Chair

Governance statement

Code of conduct

As part of the Board's commitment to the highest standards of behaviour and accountability, the Company adopts a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code covers matters such as:

- responsibilities to shareholders
- relations with customers and suppliers
- employment practices

Board operations and membership

The Board comprised eight Directors until 31 July 2020, at which time the non-executive Chair retired and a new Chair was appointed. From 1 August the Board comprised seven Directors, including the non-executive Chair and six non-executive Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities. The Board meets regularly and has additional meetings as required to address specific issues.

The primary responsibilities of the Board include:

- ensuring preparation of the annual and half-year financial statements;
- the establishment of the long term goals of the Company and strategic plans to achieve these goals;
- the review and adoption of annual budgets for the financial performance of the Company, monitoring results on a monthly basis;
- managing risk by ensuring that the Company has implemented adequate systems of internal controls, together with appropriate compliance monitoring;
- working with management to create shareholder value.

Audit and Risk Committee

The Audit and Risk Committee is responsible for overseeing the financial, accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies, including oversight of risk management and treasury.
The Committee met four times during the year.

People and Capability Committee

The People and Capability Committee has responsibilities to assist the Board in relation to the oversight of the people strategy, performance and remuneration of the Chief Executive, succession planning for the Chief Executive, diversity, inclusion and equal employment opportunities in the Company.
The Committee met three times during the year.

Statement of corporate intent

In accordance with Section 39 of the Energy Companies Act 1992, the Board submits to the Northpower Electric Power Trust a draft statement of corporate intent (SCI) for the coming financial year. The SCI sets out the Company's overall objectives, intentions and financial performance targets.

Risk management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control.

In addition, the Board reviews ways of enhancing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and the implementation, where considered necessary and effective, of recommendations made by the external auditors.

Financial statements

Statement of service performance

	Note	FY21 Actual	FY21 Target	FY20 Actual
Financial KPIs				
Net profit after tax/shareholder funds (pre-distribution)	1	**8.5%**	≥7.5%	8.9%
Net profit after tax/shareholder funds (post-distribution)		**5.8%**	≥5%	6.3%
Capital ratio	2	**50.6%**	50.0%	55.5%
Debt coverage ratio	3	**2.5**	≤4.25 x	3.3
Dividend equivalent (posted discount plus dividend)		**$11.7m**	≥$10.9m	$10.1m
Non- Financial KPIs				
Safety				
Total Recordable Injury Frequency Rate (TRIFR)	4	**12.24**	≤8	17.27
Northpower Electricity Network				
Network reliability (SAIDI)	5			
Planned		**127.6**	≤100	104.9
Unplanned		**138.8**	≤105	145.2
Average number of faults per 100km of line		**8.6**	≤10	12.2
Network interruptions (SAIFI)	6,7	**3.01**	≤3.25	3.50
Customer satisfaction (residential)		**95%**	≥85%	92%
Customer satisfaction (commercial)		**91%**	≥85%	91%
Northpower Fibre Network				
Network availability (max downtime)	8			
Layer 1		**4.27**	≤120 min	8.19
Layer 2		**0.58**	≤30 min	17.26
Faults (max downtime)				
Layer 1		**100%**	99% within 48 hrs	100%
Layer 2		**100%**	99% within 12 hrs	100%
Service level performance	9			
Residential		**97%**	≥95%	96%
Commercial		**97%**	≥95%	92%

Group financial KPIs

The Group achieved all of its financial SCI targets over FY21 on the back of solid financial performance across all business units over the year. The total dividend equivalent for FY21 was $11.7 million comprising of a posted discount of $10.2 million paid to consumers, a $0.7 million dividend declared for the current year (reflecting the strong performance of the Group) and a $0.8 million dividend declared for FY20 and paid in July 2020. Excluding the $0.8 million dividend for FY20, the dividend equivalent for FY21 was $10.9 million which met the target and also exceeded the prior year.

Safety

The TRIFR targets for the year have not been achieved. However, the TRIFR improved from the prior year as a result of a strong focus on critical risk controls particularly on high potential events that have significant consequences.

Electricity network

The results for network reliability and performance results were variable. Targets for faults per 100km of line and SAIFI were met, reflecting the results of strong proactive corrective maintenance regimes. SAIDI, due to defective equipment and vegetation events, reduced from FY20 results and we expect to see SAIDI contribution from these events remain at or below the long-term average. Planned SAIDI was higher than target, reflecting the continuing focus on asset replacement programmes, specifically in relation to defect remediation and targeted end of life asset replacements. We expect to see planned SAIDI remain at similar levels for the next few years as we continue to focus on asset renewal across our distribution network, to ensure resilience and reliability.

Unplanned SAIDI was adverse to target. This was primarily due to events outside our direct control, including a substantial increase in third party damage events (car vs pole), and a single lightning strike on the sole 33kV line to Kaiwaka and Mangawhai (27.68 SAIDI minutes). As outlined in our asset management plan, actions are underway to improve network restoration through a feeder automation programme, and a project to improve the security of supply to Mangawhai.

Statement of service performance (continued)

The results from the annual survey demonstrate a continuation of strong customer satisfaction levels, with an increase in residential customer satisfaction while commercial customer satisfaction remains steady versus last year. SCI targets were achieved.

There has been a lift in performance in some areas, including interactions with customers, image and reputation, communication, sponsorship awareness and reliability; this is pleasing given the focus on improving reliability and customer communications over the past 12 months.

Fibre network

The fibre network exceeded all its availability performance targets for FY21. With no major upgrades to the core network, the volume of planned outages was low resulting in a very low average down time minutes for Layer 2. The Layer 1 network also performed well with no major issues occurring throughout FY21.

The fault counts were also low due to an upgrade to the self-service portal that allowed better visibility for the RSPs to diagnose their fault before submitting them to Northpower Fibre. This resulted in a lower number of faults being submitted and the faults that were submitted were more likely to require input from Northpower Fibre to repair. With the network performing so well, there were very few individual customers that exceeded their allowed outage time throughout the year resulting in a favourable fault maximum downtime result in both Layer 1 and Layer 2 networks.

Notes to the statement of service performance

1. Net profit after tax is the net profit after tax less the impact of fair value adjustments – i.e. gain on derivatives, net of tax $1.6 million.
2. Group capital ratio is Group shareholders' funds/Group total assets.
3. Debt coverage ratio is calculated as total debt/earnings before interest and tax.
4. The total recordable injury frequency rate (TRIFR) per million man hours is calculated as:

$$\frac{\text{number of lost time injuries + medical treatment injuries + restricted treatment injuries}}{\text{hours worked x 1,000,000 hours}}$$

5. SAIDI is the system average interruption duration index i.e. the average duration of interruptions to consumers in the year, and is calculated as:

$$\frac{\text{sum of (number of interrupted consumers x interruption duration)}}{\text{average number of connection customers}}$$

6. SAIFI is the system average interruption frequency index i.e. the average number of interruptions to consumers in the year.
7. An interruption means a cessation of supply to consumers for a period of more than one minute. During the interruption to supply, some customers may be temporarily restored, as supply is restored for a short period due to switching operations carried out in the course of locating a fault. This is because, until the fault has been located and addressed, supply has not properly been restored. A subsequent permanent fix following a temporary repair is treated as a further interruption. This is because supply which had been restored, is then interrupted again to undertake the planned works. The treatment of successive interruptions in FY21 is consistent with that of FY20.
8. Fibre network availability measure reports the average time in minutes that the fibre network is unavailable to an end user over the 12 month period to end of March 2021.
The formula is:

$$\frac{\text{sum of downtime for all end users in the previous 12 month-period caused by a fault in the Layer 1 or Layer 2 service}}{\text{average total number of end users over that 12 month period.}}$$

- Layer 1 refers to the fibre network infrastructure and the availability is mainly affected by unplanned faults. Layer 2 refers to the electronic component of the network and availability is mainly affected by planned outages for the purpose of upgrading infrastructure or software.

Estimated minutes are measured as follows:

- Unplanned faults are measured by the minutes an incident ticket is open in the faults system. Due to the manual process of closing the tickets, the open minutes are adjusted when it is established that the ticket was not closed when the service was restored.
- Planned outage minutes are modelled in the test environment by a technical expert and this is the basis of estimation for network unavailability during an outage.

Notified maximum minutes are measured as follows:

- Unplanned faults minutes recorded by the faults system, unadjusted for process delays in closing the incident in the system.
- Planned outage minutes are the outage duration minutes notified to the retail service providers on the outage notification multiplied by the number of end users in the areas affected by the outage.
- If the notified maximums were used in the availability measures the results would reflect 8.14 minutes for Layer 1 and 1.32 minutes for Layer 2.

9. Service level performance measures the percentage of customers connected within target timeframes.

Consolidated statement of comprehensive income

	Note	2021 $000s	2020 $000s
Revenue from contracts with customers	2	**364,609**	368,887
Other income		**10,733**	2,258
Materials and supplies		**(156,143)**	(165,385)
Employee benefits	6	**(137,025)**	(129,830)
Transmission costs		**(17,320)**	(18,639)
Depreciation and amortisation		**(32,354)**	(28,592)
Other expenses	3	**(3,045)**	(3,083)
Fair valuation gain/(loss) on derivative		**2,270**	(1,368)
Net finance cost	4	**(5,997)**	(5,394)
Share of profit in equity-accounted investment, net of tax	22	**1,970**	1,815
Profit before income tax		**27,698**	20,669
Income tax expense	10	**(8,978)**	(4,120)
Profit for the year attributable to the owners of the parent		**18,720**	16,549
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	17	**(101)**	88
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk	17	**(325)**	(20)
Other comprehensive (loss)/income for the year, net of tax		**(426)**	68
Total comprehensive income for the year attributable to the owners of the parent		**18,294**	16,617

The above statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet

	Note	2021 $000s	2020 $000s
Assets			
Current assets			
Cash and cash equivalents		**1,303**	2,013
Trade and other receivables	8	**36,300**	54,312
Contract assets	2	**29,846**	25,258
Tax receivable		**-**	4,622
Derivatives	19	**13**	33
Assets held for sale	12	**155**	-
Inventory	5	**11,276**	9,649
Total current assets		**78,893**	95,887
Non-current assets			
Intangible assets	13	**18,422**	19,810
Equity-accounted investment	22	**39,663**	32,461
Derivatives	19	**272**	-
Right of use assets	15	**74,416**	67,582
Assets under construction	13,14	**11,346**	16,750
Property, plant and equipment	14	**362,212**	338,278
Total non-current assets		**506,331**	474,881
Total assets		**585,224**	570,768

	Note	2021 $000s	2020 $000s
Liabilities			
Current liabilities			
Trade and other payables	9	**24,585**	38,692
Contract liabilities	2	**9,866**	12,525
Employee entitlements	6	**16,635**	13,844
Provision for dividend	17	**660**	-
Provision for tax		**5,910**	-
Derivatives	19	**224**	280
Borrowings	18	**-**	45,000
Total current liabilities		**57,880**	110,341
Non-current liabilities			
Employee entitlements	6	**761**	709
Lease liabilities	15	**76,160**	68,481
Borrowings	18	**82,607**	41,115
Deferred revenue	7	**6,366**	6,024
Derivatives	19	**3,976**	5,613
Deferred tax	11	**53,078**	50,963
Total non-current liabilities		**222,948**	172,905
Total liabilities		**280,828**	283,246
Net assets		**304,396**	287,522
Equity			
Equity attributable to owners of the parent	17	**304,396**	287,522
Total equity		**304,396**	287,522

These financial statements are authorised for issue on 30 June 2021, for and on behalf of the Board:

Mark Trigg
Chair

Michael James
Audit and Risk Committee Chair

The above statement should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Note	Ordinary Shares $000s	Retained Earnings $000s	Other Reserves $000s	Asset Revaluation Reserve $000s	Foreign Currency Translation Reserve $000s	Total $000s
Balance as at 1 April 2020		**35,989**	**234,727**	**325**	**19,311**	**(2,830)**	**287,522**
Profit for the year		**-**	**18,720**	**-**	**-**	**-**	**18,720**
Other comprehensive loss for the year		**-**	**-**	**(325)**	**-**	**(101)**	**(426)**
Total comprehensive income for the year, net of tax		**-**	**18,720**	**(325)**	**-**	**(101)**	**18,294**
Dividend declared/paid	17	**-**	**(1,420)**	**-**	**-**	**-**	**(1,420)**
Balance as at 31 March 2021		**35,989**	**252,027**	**-**	**19,311**	**(2,931)**	**304,396**
Balance as at 1 April 2019		35,989	218,178	345	19,311	(2,918)	270,905
Profit for the year		-	16,549	-	-	-	16,549
Other comprehensive income for the year		-	-	(20)	-	88	68
Total comprehensive income for the year, net of tax		-	16,549	(20)	-	88	16,617
Balance as at 31 March 2020		35,989	234,727	325	19,311	(2,830)	287,522

The above statement should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

	Note	2021 $000s	2020 $000s
Operating activities			
Receipts from customers		**373,631**	361,158
Wages subsidy received		**8,438**	-
Interest received		**-**	78
Dividends received		**6,510**	1,322
Payments to suppliers		**(192,069)**	(185,067)
Payments to employees		**(134,182)**	(130,615)
Interest paid		**(5,803)**	(5,299)
Income tax received /(paid)		**3,669**	(13,451)
Net cash inflows from operating activities	16	**60,194**	28,126
Investing activities			
Proceeds from sale of property, plant and equipment		**1,394**	826
Purchase of intangible assets		**(3,141)**	(3,189)
Purchase of property, plant and equipment		**(29,866)**	(33,871)
Investment in equity-accounted investment		**(11,742)**	(6,512)
Net cash outflows from investing activities		**(43,355)**	(42,746)
Financing activities			
(Repayment)/drawdown of borrowings		**(3,092)**	25,905
Repayment of lease liabilities		**(13,596)**	(11,091)
Dividends paid to owners of the parent	17	**(760)**	(1,410)
Net cash (outflows)/inflows from financing activities		**(17,448)**	13,404
Net decrease in cash and cash equivalents		**(609)**	(1,216)
Net foreign exchange differences		**(101)**	88
Cash and cash equivalents at the beginning of the year		**2,013**	3,141
Cash and cash equivalents at the end of the year		**1,303**	2,013

The above statement should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

1. General information and significant matters

General information

Northpower Limited ("the Company") is a profit oriented limited liability company incorporated in New Zealand.

The Company was formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The financial statements presented are for Northpower Limited Group (or "the Group") as at, and for the year ended 31 March 2021. The Northpower Electric Power Trust is the sole shareholder of the Company. The Group consists of Northpower Limited, its subsidiaries and its interest in joint ventures. The principal activities of the Group are electricity distribution and contracting. The principal activities of the subsidiaries are telecommunications and acoustic testing.

Basis of preparation

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

The financial statements have been prepared on an historical cost basis except for the revaluation of derivatives, other financial assets, electric distribution network assets, and land and buildings.

The presentation currency is New Zealand dollars ($). All financial information has been rounded to the nearest thousand unless otherwise stated.

The consolidated statement of comprehensive income and consolidated statement of changes in equity are stated exclusive of GST. All items in the consolidated balance sheet and consolidated cash flow statement are stated exclusive of GST except for trade receivables, trade payables, receipts from customers, and payments to suppliers which include GST.

Significant accounting policies

Accounting policies, and information about judgements, estimations and assumptions that have had a significant effect on the amounts recognised in the financial statements are disclosed in the relevant notes as follows:

- Revenue from contracts with customers (Note 2)
- Trade and other receivables (Note 20)
- Intangible assets (Note 13)
- Property, plant and equipment (Note 14)
- Financial risk management objectives and policies (Note 20)
- Related parties (Note 22)
- Other income (see below)

Other income

In March 2020, the New Zealand Government announced a wages subsidy scheme which provides government financial assistance to employers to help pay employee salary and wages for a 12-week period. This assistance qualifies as government grant within the scope of NZ IAS 20. The wages subsidy receivable is recognised as an asset when the claim is submitted along with a corresponding liability until the conditions attached to the grant are satisfied. As and when the Group pays the salaries or wages to the employees, the wages subsidy payable is reduced and recognised as other income in the consolidated statement of comprehensive income.

New accounting standards and interpretations adopted

On 1 June 2020 the Group adopted "COVID-19 Rent Related Concessions" standard. The Group received rental concession for some of its leased properties and therefore it applied the practical expedient under COVID-19 Rent Related Concessions. Accordingly, the concession received was accounted for as negative variable lease.

Standards issued but not yet effective

Certain new accounting standards and amendments have been issued that are not mandatory for the 31 March 2021 financial year and have not been early adopted by the Group. The Group has assessed that these are not likely to have a material effect on its financial statements.

2. Revenue from contracts with customers

	Note	2021 $000s	2020 $000s
Revenue recognised over time			
Electricity distribution revenue	i	**66,016**	63,880
Metering	ii	**904**	885
Electricity generation	iii	**1,926**	1,767
Fibre telecommunication services	iv	**2,599**	1,691
Contracting revenue - electricity industry	v	**286,204**	292,582
Contracting revenue - fibre telecommunications industry	vi	**3,078**	4,119
Revenue recognised at a point in time			
Capital contributions	vii	**3,882**	3,963
Total		**364,609**	368,887

i ***Electricity distribution revenue***

The performance obligation is satisfied over time with the delivery of electricity and payment is generally due within 20 to 45 days from delivery. The Group adopts a practical expedient allowed by NZ IFRS 15 and recognises electricity distribution revenue when the right to invoice arises.

Part of the network charges is based on normalisation, where consumption is estimated to the end of the billing period based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refunds given. These adjustment amounts are not significant compared with total network revenue.

The revenue disclosed above is net of a posted discount of $10.2 million paid during the year to the consumer owners (2020: $10.1 million), refer to Note 17.

ii ***Metering***

The performance obligation is satisfied on reading of end consumer electricity metering equipment and revenue is recognised over time. Payment is generally due days from delivery.

iii ***Electricity generation***

The Group owns and operates an electricity power station at Wairua, Northland. The performance obligation of the supply of generated electricity is satisfied over time and pricing is based on the final electricity industry spot price, as defined by the Electricity Industry Participation Code. Payment is generally due days from supply of the electricity.

iv ***Fibre telecommunication services***

The performance obligation is satisfied over time with the provision of fibre internet connectivity and payment is generally due from provision of the service. Revenue is recognised as the service is provided.

v ***Contracting revenue – electricity industry***

The contracting division provides maintenance and construction services under fixed-price and variable price contracts. Revenue from these services is recognised in the accounting period in which the services are rendered. For fixed-priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual costs incurred relative to the total expected costs.

The Group determined that the input method is the best method of measuring progress of the services because there is a direct relationship between cost incurred and the transfer of service to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

vi Contracting revenue – fibre telecommunications industry

The fibre division provides maintenance and connection services under fixed-price contracts to its joint venture company Northpower Fibre Limited. Revenue related to services to connect end users to the fibre network is recognised when the connection is complete. Revenue for maintenance services is recognised in the accounting period in which the services are rendered because the customer receives and uses the benefits simultaneously.

vii Capital contributions

Capital contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the consolidated statement of comprehensive income when the asset is complete.

Contract assets and contract liabilities

Amounts relating to contract assets are balances due from customers under construction contracts that arise when the performance obligations have been completed but not invoiced. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. The remaining performance obligations at balance date are part of contracts that are estimated to have a duration of one year or less. Hence the Group applied the practical expedient in NZ IFRS 15 in relation to the disclosure of information about remaining performance obligations at balance date.

Contract liabilities relating to construction contracts are balances due to customers under construction contracts. These arise if a particular milestone payment exceeds the revenue recognised to date under the cost-to-cost method. The revenue recognised during the year includes the contract liabilities balance at the beginning of the reporting period.

3. Other expenses

Profit before income tax includes the following specific expenses:

	Note	2021 $000s	2020 $000s
Fees to Audit New Zealand for:			
- Audit of financial statements		**234**	215
- Special audits required by regulators		**47**	60
Fees to non Audit New Zealand firms for:			
- Audit of financial statements of subsidiary		**22**	27
- Advisory services		**133**	480
Under provision of prior year audit fees		**-**	63
Net loss/(gain) on foreign exchange		**28**	(35)
Directors' fees		**543**	498
Rental and lease costs		**673**	1,518
Impairment of software	13	**1,281**	-

The rental and lease costs represent short-term leases, leases of low value assets and variable lease costs not included in NZ IFRS 16 costs.

4. Net finance cost

	2021 $000s	2020 $000s
Interest income	-	78
Finance income	-	78
Interest expense	(3,784)	(3,813)
Capitalised interest	200	241
Interest on leases	(2,413)	(1,900)
Net finance cost	(5,997)	(5,394)

Interest income and interest expense is recognised using the effective interest method. Eligible borrowing costs were capitalised at an average interest rate of 1.37% (2020: 2.3%).

5. Inventory

Inventory is stated at the lower of cost and net realisable value. Inventory comprises of finished goods. The carrying amount of inventory held for distribution is measured on a weighted average cost basis. Inventory issued of $29.2 million was recognised in the profit or loss during the year (2020: $26.1 million). Inventory written off during the period amounted to $0.3 million (2020: Nil). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

6. Employee benefits and entitlements

	2021 $000s	2020 $000s
Salaries & wages	130,607	126,398
Defined contribution plan employer contributions	3,575	4,217
Movement in employee entitlements	2,843	(785)
Total employee benefit expenses	137,025	129,830

The compensation of the Directors and Executives, being the key management personnel of the entity, is set out as below:

	2021 $000s	2020 $000s
Short-term employee benefits	3,382	3,117
Termination benefits	129	-
Total compensation of key management personnel	3,511	3,117

Employee entitlements are represented by:	2021 $000s	2020 $000s
Current		
Accrued salaries & wages	4,808	2,724
Annual leave	10,897	10,310
Sick leave	930	810
Total current portion	16,635	13,844
Non-current		
Retirement & long service leave	761	709
Total non-current portion	761	709
Balance as at 31 March	17,396	14,553

The group accrues for employee benefits which remain unused at balance date, and amounts expected to be paid under bonus and other entitlements.

7. Deferred revenue

	2021 $000s	2020 $000s
Balance as at 1 April	**6,024**	4,342
Received during the year	**809**	1,930
Income recognised during the year	**(467)**	(248)
Balance as at 31 March	**6,366**	6,024

The Group has received an interest free loan from the Government for construction of fibre network assets and the loan is recognised at its fair value when received, refer to Note 18. The difference between the amount received and the fair value is recognised as government grant in accordance with NZ IAS 20. As the grant relates to the construction of property, plant and equipment it has been included in non-current liabilities as deferred revenue and is recognised in the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred.

8. Trade and other receivables

	Note	2021 $000s	2020 $000s
Trade receivables		**35,193**	44,394
Less provision for impairment	20	**(574)**	(489)
Wages subsidy receivable	9	**-**	9,008
Prepayments		**1,681**	1,399
Balance as at 31 March		**36,300**	54,312

9. Trade and other payables

	Note	2021 $000s	2020 $000s
Trade payables		**17,423**	21,213
Accrued payables		**7,162**	9,071
Wages subsidy payable	8	**-**	8,408
Balance as at 31 March		**24,585**	38,692

In 2020 the Group was eligible for $9.0 million of New Zealand Government wages subsidy and it was received in full from the Government in April 2020. Of this amount, $0.6 million was recognised as income in FY20. During the year, the Group repaid $0.6 million of wages subsidy to the Government and recognised the balance amount of $7.8 million as income.

10. Income tax expense

	2021 $000s	2020 $000s
Profit before income tax	**27,698**	20,669
At New Zealand's statutory tax rate of 28% (2020: 28%)	**7,755**	5,787
Plus/(less) tax effect of:		
- Non-deductible expense	**217**	222
- Non-taxable income	**(46)**	(97)
- Prior period adjustment	**(219)**	(70)
Adjustment for joint venture	**(552)**	(505)
Deferred tax on buildings due to reinstatement of tax depreciation	**-**	(1,643)
Tax on income not included in accounting profit	**1,823**	426
	8,978	4,120
The taxation charge is represented by:		
- Current taxation	**7,375**	4,248
- Deferred taxation	**1,822**	251
- Prior period adjustment relating to current tax	**(512)**	(379)
- Prior period adjustment relating to deferred tax	**293**	-
	8,978	4,120
Imputation credits available for use in subsequent reporting periods	**59,963**	55,681

Income tax expense comprises current and deferred tax using tax rates and tax laws that have been enacted or substantively enacted at balance date. Current tax is the income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

11. Deferred tax

	Property, Plant & Equipment $000s	Employee entitlements $000s	Other $000s	Total $000s
Balance as at 1 April 2020	**(50,449)**	**3,394**	**(3,908)**	**(50,963)**
Charged to profit/(loss)	**(853)**	**139**	**(1,401)**	**(2,115)**
Balance as at 31 March 2021	**(51,302)**	**3,533**	**(5,309)**	**(53,078)**
Balance as at 1 April 2019	(49,943)	3,593	(4,362)	(50,712)
Charged to profit/(loss)	(506)	(199)	454	(251)
Balance as at 31 March 2020	(50,449)	3,394	(3,908)	(50,963)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured at tax rates that are expected to be applied to the temporary differences when they reverse.

12. Assets held for sale

	2021 $000s	2020 $000s
Meters	**155**	-
Balance as at 31 March	**155**	-

The directors approved the sale of all remaining meters within the metering business as part of their decision to exit this part of the business. The metering assets were sold post balance date. In accordance with NZ IFRS 5 the assets held for sale are held at their carrying amount.

13. Intangible assets

Intangible assets are initially measured at cost and subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation expense of intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Easements are deemed to have an indefinite life and are not amortised. There is no intangible asset whose title is restricted.

Software costs have a finite useful life and are amortised over a period of expected future benefit of 3 - 15 years on a straight line basis.

Goodwill is allocated to the Group's cash-generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

The calculation of value in use in calculations for all cash-generating unit is most sensitive to movements in gross margin, discount rates and growth rates. Gross margins are based on the expected results as per next year's budget and future years' forecasts. Discount rates are based on the applicable weighted average cost of capital.

The Directors have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The Directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

Software under construction is subject to impairment testing on an annual basis. Included in assets under construction is software of $3.0 million (2020: $3.2 million).

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
Balance as at 1 April 2020	**4,122**	**33,371**	**453**	**37,946**
Addition	**-**	**3,141**	**-**	**3,141**
Balance as at 31 March 2021	**4,122**	**36,512**	**453**	**41,087**
Accumulated amortisation and impairment				
Balance as at 1 April 2020	**(1,745)**	**(16,391)**	**-**	**(18,136)**
Amortisation for the year	**-**	**(3,248)**	**-**	**(3,248)**
Impairment for the year	**-**	**(1,281)**	**-**	**(1,281)**
Balance as at 31 March 2021	**(1,745)**	**(20,920)**	**-**	**(22,665)**
Net carrying amount as at 31 March 2021	**2,377**	**15,592**	**453**	**18,422**
Cost				
Balance as at 1 April 2019	4,122	32,224	453	36,799
Addition	-	1,147	-	1,147
Balance as at 31 March 2020	4,122	33,371	453	37,946
Accumulated amortisation and impairment				
Balance as at 1 April 2019	(1,745)	(13,079)	-	(14,824)
Amortisation for the year	-	(3,312)	-	(3,312)
Balance as at 31 March 2020	(1,745)	(16,391)	-	(18,136)
Net carrying amount as at 31 March 2020	2,377	16,980	453	19,810

Allocation of goodwill to cash-generating units

	2021 $000s	2020 $000s
Northern contracting	**877**	877
Central contracting	**1,500**	1,500
Balance as at 31 March	**2,377**	2,377

Impairment of non-financial assets other than inventory and goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. Where the carrying value of an asset exceeds its recoverable amount i.e. the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets or cash-generating unit to which it belongs for which there are separately identifiable cash flows.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. A reversal of an impairment loss is recognised in the consolidated statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase through other comprehensive income.

During the year, software intangible assets were impaired by $1.3 million on the basis of anticipated benefits not being realised and non-utilisation of components of the software (2020: Nil). The impairment loss was recognised as a reduction in the carrying amount of software and as an expense in the profit or loss.

14. Property, plant and equipment

	Freehold land $000s	Freehold buildings $000s	Building infrastructure $000s	Leasehold improvements $000s	Distribution systems $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & equipment $000s	Motor vehicles $000s	Total $000s
Cost or fair value											
Balance as at 1 April 2020	**9,633**	**8,590**	**3,003**	**3,344**	**278,114**	**5,641**	**22,210**	**15,874**	**48,854**	**11,304**	**406,567**
Addition	**-**	**2,796**	**192**	**423**	**21,960**	**102**	**10,480**	**5**	**3,719**	**581**	**40,258**
Transfers	**-**	**-**	**31**	**4**	**5**	**-**	**-**	**-**	**(7)**	**-**	**33**
Disposal	**-**	**-**	**-**	**(282)**	**(29)**	**-**	**(70)**	**-**	**(7,849)**	**(6,274)**	**(14,504)**
Transfer to assets classified as held for sale	**-**	**-**	**-**	**-**	**-**	**(5,453)**	**-**	**-**	**-**	**-**	**(5,453)**
Balance as at 31 March 2021	**9,633**	**11,386**	**3,226**	**3,489**	**300,050**	**290**	**32,620**	**15,879**	**44,717**	**5,611**	**426,901**
Accumulated depreciation											
Balance as at 1 April 2020	**-**	**(280)**	**(133)**	**(948)**	**(7,574)**	**(5,333)**	**(2,588)**	**(10,309)**	**(32,380)**	**(8,744)**	**(68,289)**
Depreciation charge for the year	**-**	**(251)**	**(175)**	**(263)**	**(7,966)**	**(18)**	**(1,392)**	**(487)**	**(3,717)**	**(395)**	**(14,664)**
Transfers	**-**	**-**	**(31)**	**2**	**(5)**	**-**	**-**	**-**	**(74)**	**-**	**(108)**
Disposal	**-**	**-**	**-**	**164**	**14**	**-**	**70**	**-**	**7,686**	**5,140**	**13,074**
Transfer to assets classified as held for sale	**-**	**-**	**-**	**-**	**-**	**5,298**	**-**	**-**	**-**	**-**	**5,298**
Balance as at 31 March 2021	**-**	**(531)**	**(339)**	**(1,045)**	**(15,531)**	**(53)**	**(3,910)**	**(10,796)**	**(28,485)**	**(3,999)**	**(64,689)**
Net carrying amount as at 31 March 2021	**9,633**	**10,855**	**2,887**	**2,444**	**284,519**	**237**	**28,710**	**5,083**	**16,232**	**1,612**	**362,212**
Cost or fair value											
Balance as at 1 April 2019	9,633	8,590	2,813	2,766	259,702	5,452	14,735	15,871	43,439	14,513	377,514
Addition	-	-	201	578	18,469	189	7,475	3	5,699	53	32,667
Transfers	-	-	(9)	-	-	-	-	-	(21)	30	-
Disposal	-	-	(2)	-	(57)	-	-	-	(263)	(3,292)	(3,614)
Balance as at 31 March 2020	9,633	8,590	3,003	3,344	278,114	5,641	22,210	15,874	48,854	11,304	406,567
Accumulated depreciation											
Balance as at 1 April 2019	-	-	-	(745)	-	(5,305)	(1,812)	(9,807)	(29,152)	(11,072)	(57,893)
Depreciation charge for the year	-	(280)	(133)	(203)	(7,584)	(28)	(799)	(502)	(3,464)	(297)	(13,290)
Transfers	-	-	-	-	-	-	-	-	8	(8)	-
Disposal	-	-	-	-	10	-	23	-	228	2,633	2,894
Balance as at 31 March 2020	-	(280)	(133)	(948)	(7,574)	(5,333)	(2,588)	(10,309)	(32,380)	(8,744)	(68,289)
Net carrying amount as at 31 March 2020	9,633	8,310	2,870	2,396	270,540	308	19,622	5,565	16,474	2,560	338,278

The carrying value that would have been recognised had the following revalued assets been carried under the cost model would be as follows:

2021	Freehold land $000s	Freehold buildings $000s	Building infrastructure $000s	Distribution system $000s
Cost	6,223	13,124	3,734	366,105
Accumulated depreciation & impairment	-	(3,349)	(1,096)	(100,031)
Net carrying amount	**6,223**	**9,775**	**2,638**	**266,074**

2020	Freehold land $000s	Freehold buildings $000s	Building infrastructure $000s	Distribution system $000s
Cost	6,223	10,410	3,685	343,806
Accumulated depreciation & impairment	-	(3,068)	(985)	(92,037)
Net carrying amount	6,223	7,342	2,700	251,769

Property, plant and equipment (PPE), except revalued assets are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment loss. The cost of purchased PPE may include the initial purchase price plus directly attributable material, labour, finance costs, and other overheads incurred for bringing the assets to the location and condition necessary for their intended use. Finance costs incurred during the course of construction that are attributable to a project are capitalised using the finance rate applicable to the funding. Costs cease to be capitalised as soon as an asset is ready for productive use. Included in assets under construction is PPE of $8.3 million (2020: $13.6 million).

Revalued assets

Electric distribution network and land, buildings and building infrastructure assets are revalued after initial recognition and are stated in the consolidated balance sheet at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance sheet date. Additions between revaluations are recorded at cost. Depreciation on revalued assets is charged to profit or loss. Land is not depreciated.

Asset revaluation reserve

Any revaluation increment is recorded in profit or loss and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the profit or loss, in which case the increment is recognised in the profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation at the date of the revaluation is transferred to the gross carrying amount of the asset and the asset cost is restated to the revalued amount. When revalued assets are disposed of, the amounts included in the asset revaluation reserve are transferred to retained earnings.

Revaluation

The fair value of the Group's land and buildings is based on market values, being the price that would be received to sell land and buildings in an orderly transaction between market participants at the measurement date. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of the revalued assets.

The most recent valuation for land and buildings was completed at 31 March 2019 by AON Risk Solutions, a registered independent valuer. Fair value was determined by direct reference to recent market transactions on arm's length terms. To establish the valuation of properties, the valuer used a combination of income capitalisation, market comparison and depreciated replacement cost approaches. For the current year, the movement in the fair value of land and buildings was assessed at balance date. Accordingly, the land and buildings assets were not revalued during the year as the carrying value of land and buildings did not differ materially from its fair value.

Electric distribution network assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation for electric distribution network assets to determine the fair value was completed at 31 March 2019 by PriceWaterhouseCoopers, an independent registered valuer. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow methodology. A post tax nominal WACC of 6% was used. The distribution revenue forecast was based on ten year projections in which the fixed and variable revenues are forecast separately for four customer groups (mass market residential, mass market general, commercial and industrial). The quantities are assumed to remain constant for all categories except mass market residential which grow at 1.2% per annum. The fixed prices are assumed to remain constant except for the mass market general category which increase annually by 2.0% and the variable prices are assumed to increase by 2.0% per annum.

The FY21 posted discount was also included in the valuation cash flows as it formed part of the contract price.

The valuer estimated a range of values attributable to the Group's electric distribution network assets was between $249.1 million and $270.9 million as at 31 March 2019. The key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. The valuation was most sensitive to movements in discount rate and distribution revenue. A 5% increase/(decrease) in the discount rate i.e. 5.7% or 6.3% would (decrease)/increase the valuation by $7 million. A 5% increase/(decrease) in the distribution revenue indicated the valuation would increase/(decrease) by $7 million.

In the current year a fair value assessment of the electric distribution network assets value was performed which indicated no material movement between the carrying value at balance date and the fair value. A post tax nominal WACC of 4.85% was used for the DCF assessment. The distribution revenue forecast was based on updated ten year quantity and price projections for the four customer groups. The posted discount was not included in the valuation cash flows for FY22 – FY30 as it only forms part of the contract price once declared. Accordingly, no revaluation adjustments were recognised as the carrying value of the electric distribution network assets did not differ materially from its fair value.

Depreciation

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Buildings - freehold	10 - 50 years
Buildings - infrastructure	10 - 20 years
Leasehold improvements	2 - 20 years
Distribution system	5 - 70 years
Meters	2 - 20 years
Fibre assets	5 - 50 years
Generation	5 - 50 years
Plant & equipment	3 - 20 years
Motor vehicles	5 - 15 years

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties for plant and equipment (for plant and equipment), lease terms (for leased assets) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Loss on disposal of PPE

During the year a loss on disposal of PPE of $0.03 million (2020: $0.1 million gain) was recognised in the profit or loss within other income.

15. Leases

NZ IFRS 16 Leases establishes one sole accounting model for lessees, where the amounts in the consolidated balance sheet are increased by the recognition of right of use assets and the financial liabilities for the future payment obligations relating to leases classified previously as operating leases. The right of use asset is initially measured at cost and subsequently at cost less cumulative depreciation and impairment losses; adjustments are made for any new measurement of the lease liability due to the amendment or reassessment of the lease. The right of use asset is subsequently depreciated on a straight line basis 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.

The lease liability is measured using the present values of future lease payments. When calculating lease liabilities, the Group applied discount rates (incremental rate), depending on the lease terms.

The Group considers a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining the lease term, the non-cancellable period of the lease agreement and the periods covered by the option to extend the lease are taken into account, if the lessee is reasonably certain that they will exercise this option. Leases entered into and identified by the Group include property leases and vehicle leases.

The Group has also applied the practical expedient available from NZ IFRS 16 and excluded short-term leases and low value assets. The Group considers leases which has a duration of less than 12 months (unless there is reasonable certainty that they can be extended) as short-term leases.

Right of use assets

	Buildings $000s	Vehicles $000s	Total $000s
Cost			
Balance as at 1 April 2020	**24,005**	**55,361**	**79,366**
Additions	**7,594**	**13,155**	**20,749**
Disposals	**-**	**(140)**	**(140)**
Remeasurement	**608**	**33**	**641**
Balance as at 31 March 2021	**32,207**	**68,409**	**100,616**
Accumulated depreciation			
Balance as at 1 April 2020	**(2,942)**	**(8,842)**	**(11,784)**
Additions	**(3,685)**	**(10,757)**	**(14,442)**
Other adjustments	**24**	**2**	**26**
Balance as at 31 March 2021	**(6,603)**	**(19,597)**	**(26,200)**
Net book value	**25,604**	**48,812**	**74,416**
Cost			
Balance as at 1 April 2019	13,594	42,621	56,215
Additions	10,084	13,238	23,322
Disposals	-	(269)	(269)
Remeasurement	327	(229)	98
Balance as at 31 March 2020	24,005	55,361	79,366
Accumulated depreciation			
Balance as at 1 April 2019			
Additions	(2,913)	(9,077)	(11,990)
Disposals	-	245	245
Other adjustments	(29)	(10)	(39)
Balance as at 31 March 2020	(2,942)	(8,842)	(11,784)
Net book value	21,063	46,519	67,582

As lessor in operating leases, the aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Non-cancellable operating lease	2021 $000s	2020 $000s
Within one year	**45**	49
After one year but not more than five years	**35**	73
More than five years	**78**	85
Balance of non-cancellable operating leases	**158**	207

16. Cash flow statement reconciliation

	2021 $000s	2020 $000s
Reconciliation of net profit after tax to net cash flows from operations		
Net profit after income tax	**18,720**	16,549
Adjustments for:		
- Depreciation & amortisation	**32,354**	28,592
- Loss/(gain) on sale of property, plant & equipment	**29**	(106)
- Deferred income release	**(467)**	(248)
- Non cash capital contribution revenue	**(3,882)**	(3,963)
- Fair valuation (gain)/loss on derivative financial instruments	**(2,270)**	1,368
- Capitalised interest	**(200)**	(241)
- Non cash interest	**394**	258
- Impairment of software	**1,281**	-
- Share of profit in equity-accounted investment net of dividends received	**4,540**	(493)
Changes in assets & liabilities		
- (Decrease)/increase in trade & other payables	**(14,109)**	9,698
- Less related to property, plant and equipment	**(824)**	919
- Decrease in contract liabilities	**(2,659)**	(2,412)
- Increase in contract assets	**(4,588)**	(1,587)
- Increase/(decrease) in income tax	**10,532**	(9,582)
- Decrease/(increase) in trade & other receivables	**18,012**	(9,769)
- Increase in inventory	**(1,627)**	(323)
- Increase in deferred tax liabilities	**2,115**	251
- Decrease/(increase) in employee entitlements	**2,843**	(785)
Net cash from operating activities	**60,194**	28,126

The table below sets out an analysis of the Group's liabilities for which cash flows have been, or will be, classified as financing activities in the consolidated cash flow statement.

	2021			
	Cash and cash equivalents	Lease liabilities	Borrowings	Total
	$000s	$000s	$000s	$000s
Net debt as at 1 April 2020	**(2,013)**	**68,481**	**92,139**	**158,607**
Cash flows	**609**	**(13,596)**	**(3,092)**	**(16,079)**
Non cash movements	**101**	**21,275**	**(74)**	**21,302**
Net debt as at 31 March 2021	**(1,303)**	**76,160**	**88,973**	**163,830**

	2020			
	Cash and cash equivalents	Lease liabilities	Borrowings	Total
	$000s	$000s	$000s	$000s
Net debt as at 1 April 2019	(3,141)	-	66,224	63,083
Cash flows	1,216	(11,091)	25,905	16,030
Non cash movements	(88)	79,572	10	79,494
Net debt as at 31 March 2020	(2,013)	68,481	92,139	158,607

17. Equity

Share capital

The total number of shares authorised and issued is 35,981,848 (2020: 35,981,848). Share capital consists of ordinary shares which are classified as equity. All ordinary shares are issued, fully paid, have no par value and are ranked equally. Fully paid shares carry one vote per share and the right to dividends.

Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. The Australian subsidiaries' functional currency is Australian dollars which is translated to the presentation currency. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

Other reserves

The other reserve is used to record movements in the fair value of derivatives that is attributable to changes in the credit risk, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. The changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon de-recognition of the financial liability.

Capital management

The Company considers shares, reserves and retained earnings as part of its capital. When managing capital, the Board's objective is to ensure the entity continues as a going concern maintaining adequate working capital, ensuring obligations can be met on time, as well as maintaining returns to shareholders as set out in the statement of corporate intent.

The Group's policy, outlined in the statement of corporate intent, is to distribute to its shareholder all funds surplus to the investment and operating requirements of the Group. During the year fully imputed dividends of $0.66 million and $0.76 million in relation to FY21 and FY20 respectively were declared and the $0.76 million was paid during the year (2020: $1.4 million paid in relation to 2019 financial year).

During the year, a posted discount of $10.2 million (2020: $10.1 million) was paid to the consumers.

The Group's statement of corporate intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 50%.

18. Borrowings

	Maturity	2021 $000s	2020 $000s
Current	Less than 12 months	-	45,000
Non Current			
Unsecured loans	Within 2 & 3 yrs	**45,000**	34,000
Unsecured loans	Within 3 & 5 yrs	**28,400**	-
Interest free Crown loan	Beyond 5 years	**9,207**	7,115
Balance of non current as at 31 March		**82,607**	41,115
Balance of borrowings as at 31 March		**82,607**	86,115

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The carrying amount of borrowings repayable within one year approximates their fair value.

After initial recognition, borrowings are measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

At balance date the Group had $125 million of non-current lending facilities with an average rate of interest during the year of 1.4% (2020: 2.2%). Security held by the bank is in the form of a negative pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained. The bank covenants have all been met for the years ended 31 March 2021 and 2020.

19. Derivatives

	2021 $000s	2020 $000s
Current		
Forward foreign exchange contracts	**(13)**	(33)
Interest rate swaps	**224**	280
Non-current		
Interest rate swaps	**(272)**	-
Interest rate swaps	**3,976**	5,613

Derivatives are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange on purchases of property, plant and equipment.

In accordance with the Group's treasury policy, derivatives are only used for economic hedging purposes and not as speculative investments. The Group has elected not to apply hedge accounting. Derivatives are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. The carrying values of the derivatives are the fair values excluding any interest receivable or payable, which is separately presented in the consolidated balance sheet in other receivables or other payables.

20. Financial risk management objectives and policies

The Group risk management policy approved by the Board provides the basis for overall financial risk management. The Group's treasury policy covers specific risk management and mitigation principles for liquidity risk, credit risk, foreign exchange risk, hedging and interest rate risk. The Group Treasury identifies and evaluates financial risks in accordance with the policies approved by the Board. To monitor the existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its business units.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, derivatives and contract assets	Aging analysis Credit ratings	Diversification of counter parties, credit limits, performance bonds, prudential arrangements, Treasury Policy limits and Board oversight
Liquidity risk	Borrowings, contract liabilities and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities, Board oversight and Treasury Policy limits
Market risk – interest rate	Floating rate borrowings	Sensitivity analysis	Interest rate swaps
Market risk – foreign exchange	Future commercial transactions, recognised financial assets and liabilities denominated in foreign currency	Cash flow forecasting Sensitivity analysis	Forward foreign currency forwards

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has transactional and translational currency exposures. At 31 March 2021 forward foreign exchange contracts outstanding was $0.4 million (2020: $0.5 million).

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates. The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this. Based on the Group's interest rate risk exposure at balance date, an increase (or decrease) of 1% in the interest rates will likely cause a $1.2 million (2020: $1.3 million) increase (or decrease) in the post-tax profit. There would be no effect on other components of equity. The notional value of the outstanding interest rate swap contracts amounted to $61 million (2020: $72 million). The fixed interest rates of interest rate swaps vary from 0.89% to 4.26% (2020: 3.22% to 4.65%).

Credit risk

Credit risk is the risk that a third party will default on its contractual obligation resulting in financial loss to the Group. The maximum exposure to credit risk is the fair value of receivables. The Group does not generally require collateral from customers. The Group places its cash and short-term deposits with high credit quality financial institutions (A1 or better), and limits the proportion of credit exposure to any one institution in accordance with Company policy. There is no significant concentration of credit risk. As at 31 March 2021 the aging analysis is as follows:

	2021			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade receivables	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	**33,748**	**-**	**33,748**	49,258	-	49,258
Past due 31 - 60 days	**276**	**-**	**276**	2,603	-	2,603
Past due 61 - 90 days	**305**	**-**	**305**	316	-	316
Past due 91 days plus	**864**	**(574)**	**290**	1,225	(489)	736
Total	**35,193**	**(574)**	**34,619**	53,402	(489)	52,913

	2021			2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Contract assets	$000s	$000s	$000s	$000s	$000s	$000s
Less than 30 days past due	**23,696**	**-**	**23,696**	13,257	-	13,257
Past due 31 - 60 days	**2,556**	**-**	**2,556**	4,974	-	4,974
Past due 61 - 90 days	**873**	**-**	**873**	1,682	-	1,682
Past due 91 days plus	**2,721**	**-**	**2,721**	5,345	-	5,345
Total	**29,846**	**-**	**29,846**	25,258	-	25,258

The Group maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the debtors' portfolio. Movements in the allowance for expected credit losses of trade receivables and contract assets are as follows:

	2021 $000s	2020 $000s
Balance as at 1 April	**489**	169
Additions	**224**	482
Bad debts written off	**(139)**	(162)
Balance as at 31 March	**574**	489

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank funding facilities. The Group has a maximum amount that can be drawn against its lending facilities of $125 million (2020: $100 million). There are no restrictions on the use of the facilities. The Company also has in place a credit card facility with a combined credit limit over all cards issued of $1 million (2020: $1 million).

Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The risk implied from the values shown in the following tables, reflects management's expectation of cash outflows. The amounts disclosed are the contractual undiscounted cash flows.

Contractual cash flow maturity profile

			2021		
$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	**22,144**	**-**	**-**	**-**	**22,144**
Lease liabilities	**15,636**	**14,394**	**22,937**	**31,839**	**84,806**
Interest bearing loans	**-**	**278**	**55,086**	**20,287**	**75,651**
Interest free Crown loan	**-**	**-**	**-**	**15,579**	**15,579**
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	**(383)**	**-**	**-**	**-**	**(383)**
Forward exchange contracts outflow	**370**	**-**	**-**	**-**	**370**
Net settled derivatives					
Interest rate swaps	**224**	**600**	**2,909**	**195**	**3,928**
Total Contractual cash flows	**37,991**	**15,272**	**80,932**	**67,900**	**202,095**

			2020		
$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	36,584	-	-	-	36,584
Lease liabilities	14,308	12,376	20,472	30,410	77,566
Interest bearing loans	45,260	-	34,976	-	80,236
Interest free Crown loan	-	-	-	13,071	13,071
Derivative financial (assets)/liabilities					
Forward exchange contracts inflow	(561)	-	-	-	(561)
Forward exchange contracts outflow	528	-	-	-	528
Net settled derivatives					
Interest rate swaps	280	599	2,657	2,357	5,893
Total Contractual cash flows	96,399	12,975	58,105	45,838	213,317

21. Recognised fair value measurements

Financial assets and financial liabilities

The Group classifies its financial assets and financial liabilities into the following categories depending on the purpose for which the asset or liability was acquired.

	2021 $000s	2020 $000s
Financial assets at fair value through profit or loss		
Forward foreign exchange contracts	**13**	33
Interest rate swaps	**272**	-
Balance of financial assets at fair value through profit or loss	**285**	33
Financial assets at amortised cost		
Cash & cash equivalents	**1,303**	2,013
Trade & other receivables	**34,619**	52,913
Balance of financial assets at amortised cost	**35,922**	54,926
Financial liabilities at fair value through profit or loss		
Interest rate swaps	**4,200**	5,893
Financial liabilities at amortised cost		
Borrowings	**82,607**	86,115
Lease liabilities	**76,160**	68,481
Trade & other payables	**22,144**	36,584
Balance of financial liabilities at amortised cost	**180,911**	191,180

Financial assets at amortised cost

Financial assets at amortised cost consist of cash and cash equivalents and trade & other receivables. These are initially measured at fair value and subsequently at amortised cost. Due to the short-term nature of these receivables the carrying value of receivables approximates their fair value. Trade and other receivables and contract assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less an allowance for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss consist of derivatives. Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from financing activities.

Derivatives are initially recognised at fair value at the date of the contract and subsequently measured at fair value at each balance date with the resulting gain or loss recognised in the profit or loss except the portion attributable to credit risk that is recognised in other comprehensive income. Fair value is calculated as the present value of the estimated future cash flows based on observable interest yield curves. Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables, lease liabilities and borrowings. These are measured initially at fair value and subsequently at amortised cost using EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

The fair value is materially similar to amortised cost. Due to the short-term nature of the payables, no discounting is applied.

Impairment of financial assets

The Group recognises a lifetime loss allowance for expected credit losses (ECL) on trade receivables and contract assets. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Fair value hierarchy

A number of assets and liabilities included in the Group's financial statements require measurement at fair value and/or disclosure of fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. The Group's financial assets and liabilities measured at fair value are classified as Level 2 on the fair value hierarchy unless specified otherwise. The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

There have been no transfers between Level 1 and Level 2 during the year (2020: Nil).

Fair value hierarchy of non-financial assets

The Group obtains independent valuations for its electric distribution network assets and land and buildings at least every three years. Valuation techniques are based on the following hierarchy.

The following table summarises the fair value measurement hierarchy of the non-financial assets that are recognised and measured at fair value in the financial statements.

	Level 2 $000s	Level 3 $000s	Total $000s
Property, plant & equipment			
Distribution systems	-	284,519	284,519
Freehold land	4,104	5,529	9,633
Freehold buildings	3,415	7,440	10,855
Building infrastructure	2,126	761	2,887
Balance as at 31 March 2021	9,645	298,249	307,894

	Level 2 $000s	Level 3 $000s	Total $000s
Property, plant & equipment			
Distribution systems	-	270,540	270,540
Freehold land	4,104	5,529	9,633
Freehold buildings	3,760	4,550	8,310
Building infrastructure	2,176	694	2,870
Balance as at 31 March 2020	10,040	281,313	291,353

22. Related parties

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by Northpower Limited. All subsidiaries have a 31 March balance date and are wholly owned. Northpower Limited holds 100% of the voting rights in all entities reported as subsidiaries.

Northpower LFC2 Limited and Northpower Solutions Limited are incorporated in New Zealand. During FY20 Northpower Solutions Limited was fully amalgamated with Northpower Limited.

Northpower Western Australia Pty Limited and its non-trading wholly owned subsidiary West Coast Energy Pty Limited are incorporated in Western Australia.

The financial statements of subsidiaries are reported in the financial statements using the acquisition method of consolidation. Intra-group balances and transactions between group companies are eliminated on consolidation.

All transactions with the related parties are made at arm's length both at normal market prices and on normal commercial terms. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Interest in joint venture

Joint ventures are arrangements where parties to the arrangement have rights to the net assets of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group's investment in its joint venture Northpower Fibre Limited (NFL) is accounted for using the equity method. NFL has a 30 June balance date. NFL's accounting policies align with the Group's accounting policies.

At balance date, the Group held 87.6% (2020: 69.5%) of the shareholding in NFL with the remaining held by the other shareholder Crown Infrastructure Partners Limited (CIP).

The concession period ended on 13 December 2020 which triggered immediate conversion of B shares and A shares into ordinary shares.

The Group determined that it does not have control over NFL at balance date. The investment was therefore, classified as a joint venture at balance date because each party shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns. The Shareholders' Agreement states that the Reserved Matters listed in the agreement require unanimous agreement. The powers are very significant as they cover off major decisions relating to the operation of NFL. Neither party can determine these matters unilaterally.

The Shareholders' Agreement includes exercise of a Partner Call Option when CIP shareholding in NFL is reduced to 25% or less. At balance date CIP shareholding was below 25%, hence it was assessed whether the Partner Call Option was a substantive right in determining whether the Group had control over NFL at balance date. Due to the conditions attached to exercising the Partner Call Option, it was concluded that it was not a substantive right taking into account all facts and circumstances. The Group fully acquired NFL (with the exception of one golden share held by the Crown) on 1 April by buying out the remaining shareholding by negotiation from CIP.

	2021 $000s	2020 $000s
Transactions during the year		
Sales to joint venture	**5,937**	9,493
Purchases from joint venture	**423**	577
Dividend received from joint venture	**6,510**	1,322
Purchase of shares in joint venture	**11,742**	5,054
Outstanding balance as at 31 March		
Payable to joint venture	**31**	175
Receivable from joint venture	**632**	656

Movements in the carrying amount of the Group's joint venture

	2021 $000s	2020 $000s
Beginning balance	**32,461**	25,456
Additional investment made	**11,742**	6,512
Share of profit after income tax	**1,970**	1,709
Unrealised profit adjustment	**65**	167
Realised profit adjustment	**(65)**	(61)
Dividend received	**(6,510)**	(1,322)
Balance as at 31 March	**39,663**	32,461

At balance date, the Group's equity accounted investment in NFL was assessed for impairment by applying the recent purchase price paid by Northpower Limited for the acquisition of the remaining shareholding in NFL. The assessment indicated there was no impairment required (2020: Nil).

Summarised financial information

	2021 $000s	2020 $000s
Extract from the joint venture balance sheet:		
Cash and cash equivalents	**3,874**	4,401
Other current assets	**1,875**	1,614
Non-current assets	**44,369**	45,933
Current liabilities	**2,277**	1,853
Non-current liabilities	**1,590**	1,584
Net assets	**46,251**	48,511
Share of joint venture net assets	**40,497**	33,715
Extract from the joint venture statement of comprehensive income:		
Revenue	**12,004**	10,373
Depreciation	**(2,641)**	(2,535)
Interest income	**2**	28
Tax	**(1,037)**	(922)
Net profit after tax	**2,667**	2,369

Transactions between the Company and key management personnel

Certain Directors and key management of Northpower Limited are also directors of the subsidiaries. There are close family members of key management personnel employed by the Group. The terms and conditions of these arrangements are no more favourable than the Group would otherwise have adopted if there were no relationships to key management personnel.

A summary of trading activities with related parties is as below:

Key management personnel	Related party	Position	Purchases from related parties $000s		Amounts owing to related parties $000s	
			2021	2020	2021	2020
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	**2,671**	2,415	**275**	27
Ercoli Angelo Trustee of Northpower Electric Trust	Strada Eleven Limited	Director/ shareholder	**5**	4	**-**	-
	Ngatiwai Trust Board and DOC	Partnership	**-**	1	**-**	-
Josie Boyd General Manager Network	Electricity Engineers Association	Board member	**81**	75	**-**	-
Nikki Davies-Colley Ex-Chair of the Northpower Board	Farmlands Trading Society Limited	Ex-Director	**10**	8	**1**	-

23. Guarantees and contingencies

	2021 $000s	2020 $000s
Performance bonds in relation to contract work	**27,576**	31,554
Balance as at 31 March	**27,576**	31,554

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and off-shore. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower Limited is a participant in the DBP Contributors Scheme (the "Scheme") which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers or a number of employers ceased to participate in the Scheme, Northpower Limited could be responsible for the entire deficit of the Scheme or an increased share of the deficit. As at 31 March 2020, the Scheme had a past service deficit of $2.8 million (4.1% of the liabilities). March 2021 information was not available at the time the financial statements were authorised for issue.

24. Commitments

The future aggregate minimum lease payments payable for non-cancellable low value operating leases which are exempted under NZ IFRS 16 Leases are as follows:

	2021 $000s	2020 $000s
Within one year	**51**	127
After one year but not more than five years	**2**	49
Balance of non-cancellable operating leases	**53**	176

Capital commitments contracted at balance date was $5.1 million including software of $0.5 million (2020: $5.7 million including software of $0.5 million).

25. Events after balance date

On 1 April 2021, the Group purchased the remaining 12.4% shareholding in Northpower Fibre Limited (NFL) from Crown Infrastructure Partners Limited (CIP) for $8.8 million, refer to Note 22. The acquisition allows the Group to continue investing in the fibre network and growing its consumer base. The financial effects of this transaction have not been recognised in these financial statements. The operating results and balance sheet of NFL will be consolidated in the next financial year. At the time the financial statements were authorised for issue, the Group had not yet completed the acquisition accounting for NFL. In particular, the fair values of the assets and liabilities have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Metering assets were sold to FCL Metering Limited during April 2021 for $0.3 million.

On 1 May 2021, two of the Group entities, Northpower LFC2 Limited and Northpower Fibre Limited were amalgamated to become Northpower Fibre Limited.

26. COVID-19 impact disclosures

On 25 March 2020, New Zealand entered Government directed Alert Level 4 lockdown resulting in the shutdown of all but essential services until 27 April 2020. At the commencement of the financial year, the country was in lockdown at Alert Level 4 until 27 April and remained in lockdown at Alert Level 3 until 13 May inclusive.

During Alert Levels 3 and 4, staff worked remotely and services were limited to essential services (including electricity distribution and emergency response) and the Group suspended routine maintenance programme and capital works.

There was no significant impact on supply under Levels 3 and 4. Although staff were working remotely, this did not affect response times to emergency repairs.

The subsequent Level 3 lockdowns imposed in Auckland during August 2020, February 2021 and March 2021 did not materially affect the Group.

The Group assessed the current and future potential effects on the business caused either directly or indirectly by COVID-19. The effect on the overall results for FY21 on the individual divisions was not material because of the very short period of the lockdown. The Group was eligible for and received $9.0 million of New Zealand Government wage subsidy in April 2020, and the Group repaid $0.6 million.

In the current environment, it is challenging to predict its potential future effects. The Group believes that any potential negative effects would likely be limited, unless there is a sustained economic downturn.

Independent auditor's report

To the readers of Northpower Limited's group financial statements and performance information for the year ended 31 March 2021

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor-General is the auditor of Northpower Limited Group (the Group). The Auditor-General has appointed me, Wikus Jansen van Rensburg, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 67 to 89, that comprise the consolidated balance sheet as at 31 March 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 65 to 66.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2021.

Our audit was completed on 30 June 2021. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible, on behalf of the Group, for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible, on behalf of the Group, for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible, on behalf of the Group, for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

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

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1a to 64, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 - (consolidated in 2015), which is compatible with those independence requirements. Other than the audit and the assurance engagement, we have no relationship with or interests in the Group.

Wikus Jansen van Rensburg

Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Northpower Limited

Board

Chair

M D Trigg (from 1 August 2020)

N P Davies-Colley (to 31 July 2020)

Directors

R C Booth

P G Hutchings

E M P A Jacobs

M B D James

M K Kong

L S Kubiak

Executive Officers

Chief Executive

A I McLeod

General Manager, Network

J M Boyd

Northpower Fibre Chief Executive

D Mason

General Manager, People and Capability

A M O'Brien

Chief Financial Officer

O M O' Neill

General Manager, Contracting Operations

K Porteous

General Manager, HSQE

L B Richards

General Manager, Strategy and Change

A P Wilshire

Northpower Electric Power Trust

Trust

Chairman

E A Angelo

Deputy Chairman

S K McKenzie

Trustees

I M Durham

P R Heatley

W E Rossiter

P M W Yovich

C H Biddles

Bankers

Westpac Banking Corporation

ANZ Banking Corporation

Head Office

Mount Pleasant Road,
Raumanga, Whangārei

Auditors

Audit New Zealand, Auckland,
on behalf of the Auditor-General

Registered Office

28 Mount Pleasant Road, Whangārei

Northpower