Financial Statements

Financial Statements

for the year ended 31 March 2023

Manawa Energy is pleased to present its audited financial statements.

The notes to the financial statements are grouped into the broad categories the Directors consider the most relevant when evaluating the performance of Manawa Energy. The sections are:

Accounting policies can be found throughout the notes to the financial statements and are denoted by a black box surrounding them. Policies are placed within the note that is the most relevant, however the policy applies to all financial statements and notes.

Key Metrics

	2023	2022	2021	2020	2019
Net Profit after Tax ($M)	444	120	31	98	93
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)* excluding discontinued operations ($M)	137	160	157	–	–
Total EBITDAF* ($M)	140	204	200	186	222
Underlying earnings after tax ($M)	70	89	91	78	105
Basic earnings per share (cents per share)	140.5	37.4	10.9	30.4	29.0
Underlying earnings per share (cents per share)	21.6	27.7	30.1	24.1	32.8
Dividends paid during the year (cents per share)	58.5	35.5	32.5	49.0	59.0
Net debt to EBITDAF (includes discontinued operations)	3.2	3.6	3.6	3.5	2.5
Net tangible assets per share (dollars per share)	3.96	3.25	3.14	3.12	3.61
Commercial and Industrial Sales					
Time of use sales – fixed price (GWh)	424	407	483	826	902
Time of use sales – spot price (GWh)	671	813	826	972	1,028
Total commercial and industrial sales (GWh)	1,095	1,220	1,309	1,798	1,930
Load weighted average price before hedging ($/GWh)	127	176	147	109	131
Generation Production and Procurement					
North Island generation production (GWh)	1,132	824	777	849	1,010
South Island generation production (GWh)	785	936	931	910	984
Total New Zealand generation production (GWh)	**1,917**	**1,760**	**1,708**	**1,759**	**1,994**
Generation weighted average price before hedging ($/GWh)	109	166	144	107	125
Other Information					
Resource consent non-compliance events	9	7	10	21	10
Staff numbers (full time equivalents)	238	777	801	809	818

*EBITDAF is a non-GAAP measure. Refer to **Note 5** for more information.

Directors' Responsibility Statement

The Directors are pleased to present the financial statements of Manawa Energy Limited and subsidiaries for the year ended 31 March 2023.

The Directors are responsible for ensuring that the financial statements fairly present the financial position of the Group as at 31 March 2023 and the financial performance and cash flows for the year ended on that date. Manawa Energy Limited was previously named Trustpower Limited and was renamed on 2 May 2022 following the sale of its mass market retail business (see **Note 2** for more details).

The Directors consider that the financial statements of the Group have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The owners of Manawa Energy do not have the power to amend these financial statements after they are issued.

Paul Ridley-Smith
Chair

Kevin Baker
Director

Company Registration Number: 565426
Dated: 16 May 2023

Consolidated Income Statement

for the year ended 31 March 2023

	Note	2023 $000	2022 $000 Restated**
Continuing Operations			
Operating Revenue			
Retail electricity revenue		204,240	253,124
Wholesale electricity revenue		216,068	213,304
Other operating revenue		16,476	24,697
		436,784	491,125
Operating Expenses			
Line costs		57,109	59,538
Electricity costs		134,214	181,400
Generation asset maintenance costs		27,111	26,508
Employee benefits		34,457	36,943
Generation development expense		6,700	535
Other operating expenses	6	40,455	26,480
		300,046	**331,404**
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)*	5(b)	**136,738**	**159,721**
Impairment of assets		12,827	–
Net fair value (gains)/losses on financial instruments	16(d)	(62,895)	(43,442)
Amortisation of intangible assets		1,798	2,776
Depreciation	7	19,728	17,748
Operating Profit		**165,280**	**182,639**

	Note	2023 $000	2022 $000 Restated**
Interest paid	10	25,616	28,904
Interest received	10	(731)	(330)
Net finance costs		**24,885**	**28,574**
Profit Before Income Tax		**140,395**	**154,065**
Income tax expense	19	39,157	45,999
Profit From Continuing Operations		**101,238**	**108,066**
Profit from Discontinued Operations	2	343,130	11,747
Profit After Tax		**444,368**	**119,813**
Profit after tax attributable to the shareholders of the Company		439,836	117,206
Profit after tax attributable to non-controlling interests		4,532	2,607
Basic and diluted earnings per share from continuing operations (cents per share)	13	30.9	33.7
Basic and diluted earnings per share from discontinued operations (cents per share)	13	109.6	3.8
		140.5	**37.4**

* EBITDAF is a non-GAAP measure. Refer to **Note 5** for more information.
** Refer to **Note 1** for an explanation of the restatement.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 $000	2022 $000
Profit after tax		**444,368**	**119,813**
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Fair value (losses)/gains on cash flow hedges	17	482	(68,828)
Items that will not be subsequently reclassified to profit or loss:			
Revaluation losses on generation assets	7	(30,704)	–
Tax effect of the following:			
Revaluation losses on generation assets	20	(3,488)	–
Fair value losses/(gains) on cash flow hedges	17	(135)	19,157
Total Other Comprehensive (Loss)/Gain		**(33,845)**	**(49,671)**
Total Comprehensive Income		**410,523**	**70,142**
Attributable to shareholders of the Company		403,061	67,535
Attributable to non-controlling interests		7,462	2,607
Total comprehensive income attributable to shareholders of the Company arises from:			
Continuing operations		61,076	55,788
Discontinued operations		343,130	11,747

 The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Note	Share capital $000	Revaluation reserve $000	Cash flow hedge reserve $000	Retained earnings $000	Total shareholders' equity $000	Non-controlling interest $000	Total equity $000
Opening balance as at 1 April 2021		**2**	**732,898**	**69,254**	**267,472**	**1,069,626**	**17,278**	**1,086,904**
Profit after tax attributable to the shareholders of the Company		–	–	–	117,206	117,206	2,607	119,813
Disposal of revalued assets		–	–	–	–	–	–	–
Other comprehensive income – items that will not be reclassified to the profit or loss								
Revaluation losses on generation assets		–	–	–	–	–	–	–
Other comprehensive income – items that may be reclassified to the profit or loss								
Fair value losses on cash flow hedges:								
Realised		–	–	(51,054)	–	(51,054)	–	(51,054)
Unrealised		–	–	(17,774)	–	(17,774)	–	(17,774)
Tax effect of the following:								
Revaluation losses on generation assets		–	–	–	–	–	–	–
Fair value losses on cash flow hedges		–	–	19,157	–	19,157	–	19,157
Total other comprehensive income		**–**	**–**	**(49,671)**	**–**	**(49,671)**	**–**	**(49,671)**
Transactions with owners recorded directly in equity								
Dividends paid		–	–	–	(111,105)	(111,105)	(3,372)	(114,477)
Total transactions with owners recorded directly in equity		**–**	**–**	**–**	**(111,105)**	**(111,105)**	**(3,372)**	**(114,477)**
Closing balance as at 31 March 2022		**2**	**732,898**	**19,583**	**273,573**	**1,026,056**	**16,513**	**1,042,569**
Opening balance as at 1 April 2022		**2**	**732,898**	**19,583**	**273,573**	**1,026,056**	**16,513**	**1,042,569**
Profit after tax attributable to the shareholders of the Company		–	–	–	439,836	439,836	4,532	444,368
Disposal of revalued assets		–	–	–	–	–	–	–
Other comprehensive income – items that will not be reclassified to the profit or loss								
Revaluation losses on generation assets		–	(34,779)	–	–	(34,779)	4,075	(30,704)
Other comprehensive income – items that may be reclassified to the profit or loss								
Fair value gains/(losses) on cash flow hedges:								
Realised		–	–	11,668	–	11,668	–	11,668
Unrealised		–	–	(11,186)	–	(11,186)	–	(11,186)
Tax effect of the following:								
Revaluation losses on generation assets		–	(2,343)	–	–	(2,343)	(1,145)	(3,488)
Fair value gains/(losses) on cash flow hedges		–	–	(135)	–	(135)	–	(135)
Total other comprehensive income		**–**	**(37,122)**	**347**	**–**	**(36,775)**	**2,930**	**(33,845)**
Transactions with owners recorded directly in equity								
Dividends paid		–	–	–	(183,089)	(183,089)	(1,074)	(184,163)
Total transactions with owners recorded directly in equity		**–**	**–**	**–**	**(183,089)**	**(183,089)**	**(1,074)**	**(184,163)**
Closing balance as at 31 March 2023		**2**	**695,776**	**19,930**	**530,320**	**1,246,028**	**22,901**	**1,268,929**

Consolidated Statement of Financial Position

as at 31 March 2023

	Note	2023 $000	2022 $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	11	2	2
Revaluation reserve		695,776	732,898
Retained earnings		530,320	273,573
Cash flow hedge reserve	17	19,930	19,583
Non-controlling interests		22,901	16,513
Total Equity		**1,268,929**	**1,042,569**
Represented by:			
Current Assets			
Cash at bank		2,805	9,382
Electricity market security deposits		45,837	64,826
Accounts receivable and prepayments	22	60,084	60,422
Assets held for sale		–	181,597
Emission units held for trading		8,199	15,370
Derivative financial instruments	16	22,163	64,937
Taxation receivable		–	5,632
		139,088	**402,166**
Non-Current Assets			
Property, plant and equipment	7	1,817,073	1,836,943
Right-of-use assets		2,542	–
Derivative financial instruments	16	143,455	44,529
Intangible assets		2,215	4,973
		1,965,285	**1,886,445**
Total Assets		**2,104,373**	**2,288,611**

	Note	2023 $000	2022 $000
Current Liabilities			
Accounts payable and accruals	24	60,292	109,857
Liabilities held for sale		–	50,224
Unsecured senior bonds	8	–	127,734
Unsecured bank loans	8	51,580	180,107
Lease liabilities		1,199	–
Derivative financial instruments	16	36,828	47,547
Taxation payable		8,005	–
		157,904	**515,469**
Non-Current Liabilities			
Unsecured bank loans	8	23,050	217,900
Unsecured senior bonds	8	371,955	223,023
Lease liabilities		1,352	–
Derivative financial instruments	16	71,592	68,099
Deferred tax liability	20	209,591	221,551
		677,540	**730,573**
Total Liabilities		**835,444**	**1,246,042**
Net Assets		**1,268,929**	**1,042,569**

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

for the year ended 31 March 2023

	Note	2023 $000	2022 $000 Restated*
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		422,925	484,679
		422,925	**484,679**
Cash was applied to:			
Payments to suppliers and employees		290,914	328,127
Taxation paid		28,365	27,203
		319,279	**355,330**
Net cash flow from operating activities generated by discontinued operation		(39,392)	32,633
Net Cash from Operating Activities	29	**64,254**	**161,982**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment		290	–
Sale of other investments		–	7,333
Return of electricity market security deposits		158,586	192,679
Interest received		731	330
		159,607	**200,342**
Cash was applied to:			
Lodgement of electricity market security deposits		139,597	172,465
Purchase of property, plant and equipment		39,963	31,806
Purchase of intangible assets		1,031	1,517
		180,591	**205,788**
Net cash flow to investing activities generated by discontinued operation		462,543	(13,150)
Net Cash from/(used in) in Investing Activities		**441,559**	**(18,596)**

	Note	2023 $000	2022 $000 Restated*
Cash Flows from Financing Activities			
Cash was provided from:			
Bank loan proceeds		29,987	277,713
Senior bond issue proceeds		100,000	–
		129,987	**277,713**
Cash was applied to:			
Bond brokerage costs		1,627	–
Repayment of bank loans		353,364	183,000
Repayment of senior bonds		77,831	83,046
Repayment of lease liability		1,396	–
Interest paid		23,896	27,741
Dividends paid to owners of the Company		183,089	111,106
Dividends paid to non-controlling shareholders in subsidiary companies		1,074	3,372
		642,277	**408,265**
Net cash flow to financing activities generated by discontinued operation		(100)	(9,543)
Net Cash used in Financing Activities		**(512,390)**	**(140,095)**
Net (Decrease)/Increase in Cash and Cash Equivalents		**(6,577)**	**3,291**
Cash and cash equivalents at beginning of the year		**9,382**	6,091
Cash and Cash Equivalents at End of the Year		**2,805**	**9,382**

* Refer to **Note 1** for an explanation of the restatement.

Notes to the Financial Statements

for the year ended 31 March 2023

NOTE 1: GENERAL INFORMATION

Reporting Entity

The reporting entity is the consolidated group comprising Manawa Energy Limited and its subsidiaries together referred to as Manawa Energy. Manawa Energy is a limited liability company incorporated and domiciled in New Zealand. The principal activities of Manawa Energy are the ownership and operation of electricity generation facilities from renewable energy sources and the retail sale of electricity to its commercial and industrial customers. Manawa Energy was known as Trustpower Limited prior to the sale of its mass market retail business on 2 May 2022. See **Note 2** for more details.

Manawa Energy Limited is registered under the Companies Act 1993, and is listed on the New Zealand Stock Exchange (NZX). It is an FMC Reporting Entity under the Financial Markets Conducts Act 2013.

The financial statements are presented for the year ended 31 March 2023.

Basis of Preparation

The financial statements are prepared in accordance with:

- the Financial Markets Conduct Act 2013, and NZX equity listing rules
- Generally Accepted Accounting Practice (GAAP)
- New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand accounting standards and authoritative notices, as appropriate for for-profit entities.

In preparing the financial statements we have:

- Recorded all transactions at the actual amount incurred (historical cost convention), except for generation assets, emission units held for trading, and derivatives which are recorded at fair value
- Reported in New Zealand Dollars (NZD) rounded to the nearest thousand.

Estimates and judgements made in preparing the financial statements are frequently evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Manawa Energy makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Critical accounting estimates and judgements

The areas involving a higher degree of judgement or complexity are:

- fair value of Manawa Energy's generation assets (**Note 7**)
- fair value of derivatives and other financial instruments, particularly the electricity price CFD entered with Mercury NZ Limited (**Note 16 (b)**).

Restatement

In preparing the 31 March 2022 financial statements, where the pending sale of the mass market retail business was reported as a 'discontinued operation', 'electricity revenue' had to be split between 'continuing' and 'discontinued operations'. In performing this split, the revenue from the wholesale electricity market was incorrectly presented net in the income statement (this revenue was netted with the cost of electricity purchased from the wholesale market). The impact of correcting this treatment to show the revenue gross results in a $168,302,000 increase in wholesale electricity revenue and electricity costs in the income statement at 31 March 2022 and has no impact on profit after tax or statement of financial position. The change is only presentational with no impact on profit. This presentation also results in a $168,302,000 increase in receipts from customers and payments to suppliers and employees in the cash flow statement, with no impact on net cash from operating activities.

Adoption Status of Relevant New Financial Reporting Standards and Interpretations

Manawa Energy has not early adopted any standards. There are no NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on Manawa Energy, including NZ IFRS 17 *Insurance Contracts*.

The External Reporting Board ('XRB') of New Zealand has developed reporting standards to support mandatory reporting on climate risks. The XRB has issued a climate-related disclosure framework: Aotearoa New Zealand Climate Standards with three Climate Standards being issued that set requirements for: Climate related Disclosures; First-time adoption; and General Requirements for Disclosures. The disclosure areas are in line with the International Task Force onClimate-related Disclosures ('TCFD'), being Governance, Strategy, Risk Management and Metrics and Targets.

The XRB issued the standards in December 2022 and the first climate statement required under these new standards would be as at 30 June 2024, with mandatory assurance required on the Greenhouse Gas emissions included in the climate statements for the 2025 Annual Report. Manawa Energy has prepared separate voluntary Climate-related Financial Disclosures that follow the principles outlined in the TCFD. This does not form part of the consolidated financial statements. Climate change and environmental policies established by the New Zealand Government have an impact throughout the New Zealand energy sector and impact the strategy of the business and therefore is reflected in the financial statements through the fair value of the generation assets and electricity price derivatives due to their sensitivity to the future wholesale electricity price path.

NOTE 2: ASSETS HELD FOR SALE/DISCONTINUED OPERATION

Description

Manawa Energy sold its mass market retail business to Mercury NZ Limited on 2 May 2022 for $467,438,000 including estimated working capital. A working capital wash-up process was then completed which resulted in Mercury NZ Limited paying an additional $2,008,000 to bring the final sale proceeds to $469,446,000.

The mass market retail business meets the definition of a discontinued operation under NZ IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. NZ IFRS 5 requires that where a non-currect asset is classified as held for sale that asset must be carried at the lower of cost or the amount expected to be recovered on sale. The profit and cash flows must also be presented separately as discontinued operations.

The gain on sale is calculated below.

(a) Details of the sale

Details of the sale	Notes	2023 $000
Consideration received or receivable		
Cash		426,000
Working capital adjustment		43,446
Total disposal consideration		**469,446**
Carrying amount of net assets sold		124,934
Gain on sale before transaction costs		344,512
Costs of disposal		2,449
Gain on sale	2b	**342,063**

The carrying amounts of assets and liabilities as at 1 May 2022 transferred to Mercury:	2023 $000
Property, plant and equipment	17,803
Intangible assets	22,015
Capitalised customer acquisition costs	47,992
Right of use assets	25,200
Accounts receivable and prepayments	53,472
Total assets	**166,482**
Employee entitlements	1,462
Deferred tax liability	13,479
Lease liability	26,607
Total liabilities	**41,548**
Net assets	**124,934**

Manawa Energy retained the accounts payable related to the mass market retail business at 2 May 2022 and settled these in the ordinary course of business. The payment of these accounts payable flowed through the 'net cash flow (to)/from operating activities generated by discontinued operation' in the cash flow statement. The accounts receivable of the mass market retail business was sold to Mercury NZ Limited and the receipt of these funds flowed through the 'net cash flow from/(to) investing activities generated by discontinued operation' in the cash flow statement.

Manawa Energy and Mercury NZ Limited also entered an electricity price derivative on 2 May 2022. Measured against the wholesale electricity price curve, this derivative had a value on day 1 of negative $521,777,000. Under NZ IFRS 9 *Financial Instruments*, no day 1 fair value is recognised on the Statement of Financial Position. See **Note 16 (b)** for more details.

(b) Financial performance and cash flow information of discontinued operations

The financial performance for the discontinued operations is presented on the next page for the year ended 31 March 2023 and 31 March 2022.

Financial performance information of discontinued operations	Notes	2023 $000	2022 $000
Operating Revenue			
Electricity revenue		36,770	502,046
Gas revenue		2,434	34,890
Telecommunications revenue		9,957	116,468
Revenue allocated to customer incentives		3,537	28,605
Other operating revenue		1,333	14,090
		54,031	**696,099**
Operating Expenses			
Electricity costs		14,165	202,015
Line costs		15,558	190,986
Telecommunications cost of sales		5,517	75,182
Employee benefits		3,403	38,891
Meter rental costs		2,182	25,588
Gas cost of sales		2,068	31,951
Market fees and costs		846	9,266
Marketing and acquisition costs		440	11,829
Customer incentives		2,883	21,601
Bad debts		312	2,816
Other operating expenses*		3,165	41,483
		50,539	**651,608**
EBITDAF		**3,492**	**44,491**
Capital gain on sale of mass market retail business	2a	(342,063)	–
Amortisation of intangible assets		772	11,565
Depreciation		1,143	15,391
Operating Profit		**343,640**	**17,535**
Net finance costs		95	1,220
Profit Before Income Tax		**343,545**	**16,315**
Income tax expense		415	4,568
Profit after income tax of discontinued operation		**343,130**	**11,747**

*Included within other operating expenses are disposal costs of $3,049,000 in the prior year.

Revenue recognition relating to discontinued operations

Electricity and gas revenue
Customer consumption of electricity and gas is measured and billed by calendar month for half-hourly metered customers and in line with meter-reading schedules for non-half-hourly metered customers. Accordingly, revenues from electricity and gas sales include an estimated accrual for units sold but not billed at the end of the reporting period for non-half-hourly metered customers.

Telecommunications revenue
Customer consumption of telecommunications services is measured and billed according to monthly billing cycles. Accordingly, revenues from telecommunications services provided include an estimated accrual for services provided but not billed at the end of the reporting period.

Bundled revenue including revenue allocated to customer incentives
Manawa Energy previously offered new customers goods, including appliances and modems, as an incentive to enter into a contract for electricity and telecommunications services. Under NZ IFRS 15, these incentives are considered performance obligations in their own right and a proportion of the revenue expected to be received over the contract period is allocated to these physical goods proportionately to their standalone selling price. This revenue is recognised immediately and a capitalised customer acquisition cost asset is recorded on the statement of financial position. Revenue is recognised at a point in time for the good, no revenue is recognised over the contract as appliance revenue. The capitalised asset is expensed during the contractual period to telecommunications and electricity revenue. Where a bundle of services is provided to a customer and a discount is provided for one of those services, the discount is allocated to each distinct performance obligation based on the relative standalone selling price of those services.

Discounts
Where a discount is offered for prompt payment revenue, is initially recognised net of estimated discount based on accumulated experience used to estimate the amount of discounts taken by customers. There are no significant timing differences between the payment terms and this policy.

FINANCIAL PERFORMANCE

NOTE 3: OPERATING SEGMENT

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses and for which operating results are regularly reviewed by the entity's chief operating decision-maker and for which discrete financial information is available. Manawa Energy's Board of Directors has been identified as the chief operating decision-maker for the purpose of segmental reporting. Manawa Energy has determined that it operates in one segment generating and providing nationwide energy. The determination is based on the reports reviewed by the Board in assessing performance, allocating resources and making strategic decisions. All of Manawa Energy's operations are provided in New Zealand, therefore no geographic information is provided. A portfolio of electricity hedges are used to manage the combined generation revenue and cost of the commercial and industrial customers.

NOTE 4: REVENUE

Revenue from contracts with customers comprises the fair value of consideration received or receivable for the sale of electricity and related services in the ordinary course of the Group's activities.

Wholesale electricity income

Wholesale electricity revenue is received from the spot electricity market for Manawa Energy's own generation production and includes electricity price derivative settlements. Revenue is recognised over time as the energy is delivered. Where Manawa Energy purchases the output from a third party generator and submits this to the national grid under its own name, Manawa Energy treats this as an agency relationship and does not recognise the revenue or corresponding expense.

Retail electricity

Retail electricity revenue is received from commercial and industrial customers for the supply of electricity to their premises. Revenue is recognised over time when the energy is supplied for customer consumption. Revenue is measured and billed by calendar month for half-hourly metered customers and in line with meter-reading schedules for non-half-hourly metered customers.

There is some judgement applied to determine the volume of unbilled revenue, as revenues from electricity and gas sales include an estimated accrual for units sold but not billed at the end of the reporting period for non-half-hourly metered customers.

Certain electricity meters are read on a progressive basis throughout the period. This means that some customers will have used electricity since their last meter reading but have not been billed for it. Manawa Energy therefore estimates the amount of unbilled electricity.

This estimate is then used in the calculation of electricity revenue, electricity purchases and line costs paid to network companies for the use of their networks and the national grid.

This estimate is based on units bought from the wholesale electricity markets as well as historical factors. Manawa Energy considers the estimate to be accurate as it is prepared on an individual customer-by-customer basis, is used consistently across both revenue and costs so therefore only impacts on the gross margin, and uses a well-established process based on each individual customer's historical data where this is available.

Even if there were a large error in the estimate, ten percent for example, the impact on operating profit would be immaterial.

Other operating income

Other income is recognised when the service is provided. No individual component of other income is material.

Emission unit revenue from trading

Sale of emission units. Revenue is recognised at the point in time that the emission unit is confirmed as being transferred into the acquirer's emission unit account.

Revenue from emissions units held for trading was $3,059,000 (2022: nil). Fair value losses of emission units held for trading were $3,551,000 and are included in other operating expenses as described in **Note 23** (2022: $8,545,000 fair value gain shown in other operating income).

NOTE 5: NON-GAAP MEASURES

(a) Underlying Earnings After Tax

Underlying Earnings is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Manawa Energy believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long-term interest rate and/or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business, such as changes to the company tax rate or gain/impairment of generation assets.

Underlying earnings does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

Underlying Earnings After Tax	Note	2023 $000	2022 $000
Profit after tax ($000)		**444,368**	**119,813**
Fair value losses/(gains) on financial instruments	16	(62,895)	(43,442)
Asset impairments	7	12,827	–
Gain on sale of mass market retail business	2(a)	(342,063)	–
Adjustments before income tax		**(392,131)**	**(43,442)**
Change in income tax expense in relation to adjustments		17,611	12,164
Adjustments after income tax		**(374,520)**	**(31,278)**
Underlying Earnings After Tax		**69,848**	**88,535**
Underlying earnings after tax attributable to the shareholders of the Company		67,581	86,547
Underlying earnings after tax attributable to non-controlling interests		2,267	1,988

(b) Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments, Asset Impairments and Discount on Acquisition (EBITDAF)

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before the impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

EBITDAF does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

NOTE 6: OTHER OPERATING EXPENSES

Other operating expenses include market fees and costs of $4,404,000 (2022: $2,175,000), computer maintenance and support costs $5,441,000 (2022: $13,519,000), donations of $397,000 (2022: $771,000) and directors' fees $726,000 (2022: $746,000).

Expenses from emissions units held for trading was $3,059,000 (2022: nil). Fair value losses on emission units held for trading were $3,551,000 (2022: $8,545,000 fair value gain shown in 'Other operating income', see Note 4).

OUR ASSETS

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Generation Assets $000	Other Land and Buildings $000	Other Plant and Equipment $000	Total $000
Opening balance as at 1 April 2021				
Fair value	1,770,214	–	–	1,770,214
Cost	592	28,534	62,455	91,581
Capital work in progress	33,948	–	4,653	38,601
Accumulated depreciation	(16,381)	(1,624)	(43,241)	(61,246)
	1,788,373	**26,910**	**23,867**	**1,839,150**
Additions at cost	29,571	3,650	7,563	40,784
Depreciation	(15,997)	(229)	(8,307)	(24,533)
Disposals at net book value	40	(56)	(181)	(197)
Transfers	517	(149)	(826)	(458)
Transferred to held-for-sale asset	–	(8,767)	(9,036)	(17,803)
Closing balance as at 31 March 2022				
Fair value	1,770,287	–	–	1,770,287
Cost	10,960	22,158	17,476	50,594
Capital work in progress	53,554	–	3,529	57,083
Accumulated depreciation	(32,297)	(799)	(7,925)	(41,021)
	1,802,504	**21,359**	**13,080**	**1,836,943**
Additions at cost	34,812	5,206	4,172	43,560
Depreciation	(16,115)	(118)	(3,237)	(19,470)
Disposals at net book value	(423)	–	(403)	(826)
Revaluations	(30,704)	–	–	(30,704)
Impairments	(12,827)	–	–	(12,827)
Transfers	(1,017)	(2,402)	3,816	397
Transferred to held-for-sale asset	–	–	–	–
Closing balance as at 31 March 2023				
Fair value	1,697,359	–	–	1,697,359
Cost	–	19,919	22,669	42,588
Capital work in progress	78,241	5,031	5,575	88,897
Accumulated depreciation	–	(905)	(10,816)	(11,721)
	1,775,600	**24,045**	**17,428**	**1,817,073**

Property, Plant and Equipment

Generation assets are revalued by independent external valuers every three years, or more frequently if there is evidence of a significant change in value. The revaluation reserve within equity contains accumulated revaluations of generation assets. All other property, plant and equipment is stated at its original cost less depreciation and impairment.

Land is not depreciated. Depreciation on all other property, plant and equipment is calculated using the straight-line method at the following rates:

Freehold buildings	2%
Metering equipment	5–15%
Generation Assets	0.5–8%
Plant and equipment	10–33%

Generation Development

An ongoing part of Manawa Energy's business is the development of new generation assets. All costs incurred prior to the commitment to build a new asset are expensed, including exploration, evaluation and consenting costs. In line with the recognition criteria set out in NZ IAS 16 *Property, Plant and Equipment*, all costs from the point of commitment are capitalised if appropriate.

Generation assets include land and buildings that are not separately identifiable from other generation assets. Generation assets were independently revalued, using a discounted cash flow methodology, as at 31 March 2023, to their estimated market value as assessed by Deloitte Corporate Finance.

Fair value of generation property, plant and equipment

The valuation of Manawa Energy's generation assets is sensitive to the inputs used in the discounted cash flow valuation model. A sensitivity analysis around some key inputs is given in the table below. The valuation is based on a combination of values that are generally at the midpoint of the range. The valuation impact is calculated as the movement in the fair value as a result of the change in the assumption and keeping all other valuation inputs constant. At 31 March 2023, the overall valuation range was determined to be $1,633,900 to $1,952,400, with the mid-point selected for revaluation purposes. The sensitivities around weighted average cost of capital have been used to create this overall range. This has resulted in a reduction in the carrying value of generation assets of $43,531,000, $30,704,000 of this amount has been taken to the revaluation reserve and $12,827,000 is recognised as an impairment expense on the income statement.

Assumptions as at 31 March 2023	Low	High	Impact ($000) of Low/High Change in Assumption
Forward electricity price path	Decreasing in real terms from $140/MWh to $85/MWh by 2028. Thereafter held constant.	Decreasing in real terms from $140/MWh to $95/MWh by 2028. Thereafter held constant.	-/+ $123,000
Long-term inflation	1.7%	2.3%	-$90,000/ +$100,000
Generation volume	1,841GWh	2,030GWh	-/+ $149,000
Operating expenditure	$60,000,000 p.a.	$73,000,000 p.a.	+/- $96,000
Capital expenditure	$27,000,000 p.a. average	$33,000,000 p.a. average	+/- $53,000
Weighted average cost of capital	6.7%	7.7%	+$174,000/ -$144,000

Some of these inputs are not based on inputs observable in the market, and so under NZ IFRS they are classified within level 3 of the fair value hierarchy.

Property, plant and equipment at historical cost

If generation assets were stated on an historical cost basis, the amounts would be as follows.

Property, plant and equipment at historical cost	2023 $000	2022 $000
Generation assets (at cost)	1,060,420	1,051,348
Generation assets under construction (at cost)	78,241	53,554
Generation assets accumulated depreciation	(321,204)	(305,089)
	817,457	**799,813**

Capital Commitments	2023 $000	2022 $000
The capital commitments figure comprises a number of capital projects across Manawa Energy's generation schemes. None of these projects are individually material.	15,438	16,751

OUR FUNDING

NOTE 8: BORROWINGS

Manawa Energy's debt comprises a combination of bank facilities and senior bonds that are listed on the New Zealand Stock Exchange.

Manawa Energy borrows under a negative pledge arrangement, which, with limited exceptions, does not permit Manawa to grant any security interest over its assets. The negative pledge deed requires Manawa Energy to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The banking arrangements may also create restrictions over the sale or disposal of certain assets unless the bank loans are repaid or renegotiated. Certain Group companies, which represent over 90 percent of the Group's assets, form a guaranteeing group under the negative pledge arrangement where every member of the guaranteeing group guarantees the debt of every other member.

Manawa Energy's banking facilities are with institutions that all have a Standard & Poor's long-term credit rating of A or higher. Senior bonds rank equally with bank loans.

	2023		2022	
Borrowings	Unsecured Bank Loans $000	Senior Bonds $000	Unsecured Bank Loans $000	Senior Bonds $000
Repayment terms				
Less than one year	51,580	–	185,107	127,734
One to two years	23,050	–	177,000	–
Two to five years	–	275,000	35,900	125,000
Over five years	–	100,000	–	100,000
Bond issue costs	–	(3,045)	–	(1,977)
	74,630	**371,955**	**398,007**	**350,757**
Current portion	51,580	–	180,107	127,734
Non-current portion	23,050	371,955	217,900	223,023
	74,630	**371,955**	**398,007**	**350,757**
Undrawn facilities				
Less than one year	213,500	–	55,000	–
One to two years	21,950	–	3,000	–
Two to five years	–	–	9,100	–
Over five years	–	–	–	–
	235,450	**–**	**67,100**	**–**
Weighted average interest rate				
Less than one year	5.5%	–	2.2%	4.0%
One to two years	4.7%	–	2.4%	–
Two to five years	–	4.4%	4.8%	3.4%
Over five years	–	4.0%	–	4.0%
	5.3%	**4.3%**	**2.5%**	**3.8%**

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently recognised at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method. A loan that matures within a year will still be considered non-current if Manawa Energy has an unconditional right to refinance the loan through non-current undrawn facilities with the same lender.

Except for senior bonds, the carrying amount of borrowings recorded in the financial statements approximates their fair values. At 31 March 2023 the senior bonds had a fair value of $364,369,000 (31 March 2022: $350,790,000). The bonds have been classified as level 1 in the fair value hierarchy.

Manawa Energy has complied with all debt covenants during the year and the period subsequent to balance date and is forecasting to remain compliant.

Subsequent to balance date, Manawa Energy refinanced its bank debt due in less than one year with $305,000,000 of new debt facilities maturing in two to five years.

Reconciliation of change in liabilities arising from financing activities

Liabilities	2023 $000	2022 $000
Opening balance	748,764	769,715
Net cash flow to financing generated by discontinued operation	1,395	(4,877)
Bank loan proceeds	29,987	277,713
Repayment of bank loans	(353,364)	(183,000)
Senior bond issue proceeds	100,000	–
Repayment of senior bonds	(77,831)	(83,046)
Bond brokerage cost	(1,627)	–
Non-cash bond brokerage cost amortisation	657	753
Repayment of lease liability	(1,396)	(8,317)
Interest paid	–	(28,985)
Closing balance	**446,585**	**748,764**

NOTE 9: CAPITAL RISK MANAGEMENT OBJECTIVES

When managing capital, Manawa Energy's objectives are to ensure sufficient funds are available to pay liabilities when they fall due and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Manawa Energy has discretion to adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Manawa Energy's primary measure for monitoring its capital structure is net debt to EBITDAF. This is calculated below.

Net debt to EBITDAF calculation	Note	2023 $000	2022 $000
Net debt			
Unsecured bank debt	8	74,630	398,007
Unsecured senior bonds	8	371,955	350,757
Cash and cash equivalents		(2,805)	(9,382)
		443,780	**739,382**
EBITDAF (including discontinued operations)		140,230	204,212
Net debt to EBITDAF		3.2	3.6

Manawa Energy has a medium-term target of maintaining its net debt to EBITDAF ratio to between 3.0 and 4.0.

As a secondary measure, Manawa Energy also monitors its gearing ratio. This ratio is calculated as net debt divided by net debt plus equity. The gearing ratio is calculated below.

Gearing ratio calculation	2023 $000	2022 $000
Net debt	443,780	739,382
Equity		
Total equity	1,268,929	1,042,569
Remove cash flow hedge reserve	(19,930)	(19,583)
	1,248,999	**1,022,986**
Total capital funding	**1,692,779**	**1,762,368**
Gearing ratio	26%	42%

NOTE 10: FINANCE INCOME AND COSTS

Finance income and costs	2023 $000	2022 $000
Amortisation of debt issue costs	657	753
Interest paid on unsecured bank loans	4,586	5,685
Interest paid on unsecured senior bonds	15,766	16,581
Interest paid on lease liabilities	102	22
Other interest costs and fees	4,505	5,863
Total Interest Expense	**25,616**	**28,904**
Interest received on cash at bank	731	330
Total Interest Income	**731**	**330**

There was no capitalised interest in the year to 31 March 2023 (2022: none). Interest paid includes realised gains and losses on interest rate swap arrangements.

NOTE 11: SHARE CAPITAL

Share capital	2023 000s of shares	2022 000s of shares	2023 $000	2022 $000
Authorised and issued ordinary shares at beginning of period	312,973	312,973	2	2
	312,973	**312,973**	**2**	**2**

All shares rank equally with one vote per share, have no par value and are fully paid. The amount of share capital is increased or decreased by the amount paid or received when Manawa Energy buys or sells its own shares.

NOTE 12: DIVIDENDS ON ORDINARY SHARES

Dividends on ordinary shares	2023 Cents per share	2022 Cents per share	2023 $000	2022 $000
Final dividend prior period	16.0	17.0	50,075	53,205
Interim dividend paid current period	7.5	17.0	23,473	53,205
Special dividend paid current period	35.0	1.5	109,541	4,695
	58.5	**35.5**	**183,089**	**111,105**
Final fully imputed dividend declared subsequent to the end of the reporting period payable 16 June 2023 to all shareholders on the register at 9 June 2023.	8.5	16.0	26,603	50,075
Unimputed special dividend declared subsequent to the end of the reporting period.	–	35.0	–	109,541

Dividend Distribution
Dividends payable to Manawa Energy's shareholders are recognised as a liability in the financial statements in the period in which the dividend is approved by the Board.

NOTE 13: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of Manawa Energy by the weighted average number of ordinary shares on issue during the year.

Earnings per share	Note	2023	2022
Profit after tax from continuing operations attributable to the shareholders of the Company ($000)		96,706	105,459
Weighted average number of ordinary shares on issue (thousands)	11	312,973	312,973
Basic and diluted earnings per share from continuing operations (cents per share)		**30.9**	**33.7**
Profit after tax from discontinued operations attributable to the shareholders of the Company ($000)	2(b)	343,130	11,747
Weighted average number of ordinary shares on issue (thousands)		312,973	312,973
Basic and diluted earnings per share from discontinued operations (cents per share)		**109.6**	**3.8**
Underlying earnings after tax attributable to shareholders of the Company ($000)	5	67,861	86,547
Weighted average number of ordinary shares on issue (thousands)	11	312,973	312,973
Underlying earnings per share (cents per share)		**21.6**	**27.7**

OUR KEY FINANCIAL RISKS

NOTE 14: ELECTRICITY PRICE RISK

In New Zealand there is a wholesale electricity market that sets the price of electricity every half hour. This market is volatile and the prices can vary significantly. All of the electricity that Manawa Energy generates is sold on this market and the cash received is therefore volatile.

Manawa Energy manages this volatility by:

- Selling electricity to certain retail customers at a fixed price
- Entering hedge agreements which fix the price paid for electricity on the wholesale market (refer **Note 16**).

Consequently these measures limit the amount of electricity sold which is exposed to spot pricing. Manawa Energy's Energy Trading Policy sets limits around the amount of fixed exposure permissible now and into the future.

The aggregate notional volume of the outstanding electricity derivatives at 31 March 2023 was 12,926GWh (31 March 2022: 3,621GWh).

Sensitivity analysis

At 31 March 2023, if the relevant forward electricity prices increased/decreased by 10 percent with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in electricity price derivatives.

Sensitivity analysis of electricity forward price	2023 $000	2022 $000
Decrease to profit of a 10% increase in electricity forward price	(12,213)	(15,173)
Increase to profit of a 10% decrease in electricity forward price	12,213	15,173
Decrease to equity of a 10% increase in electricity forward price	(104,435)	(1,029)
Increase to equity of a 10% decrease in electricity forward price	104,435	1,029

Electricity Market Security Deposits

Manawa Energy is required to provide cash deposits as prudential security in order to trade in the wholesale electricity futures market. The required level of deposits depends on the amount of outstanding contracts Manawa Energy is a party to and the fair value of these contracts. These deposits are not necessarily convertible to cash as, in some cases, Manawa Energy's broker in this market applies these funds against offsetting trades. Electricity market security deposits are measured at amortised cost.

NOTE 15: INTEREST RATE RISK

All of Manawa Energy's bank facilities are on floating interest rates. Manawa Energy then uses Interest Rate Swaps (IRS) to fix most of the interest costs of the Group. This stabilises Manawa Energy's debt servicing costs. However, for every dollar of debt protected against a potential rise in market interest rates, that same dollar is unable to take advantage of a potential fall in market interest rates. Payments made or received by IRS are recognised as a part of "Interest paid on unsecured bank loans".

The aggregate notional principal amount of the outstanding interest rate derivative instruments at 31 March 2023 was $742,000,000 (31 March 2022: $393,000,000). $467,000,000 of this amount was receive floating, pay fixed interest rate swaps and $275,000,000 was received fixed, pay floating interest rate swaps (2022: $218,000,000 receive floating, pay fixed, $175,000,000 receive fixed, pay floating).

Interest payment transactions are expected to occur at various dates between one month and nine years from the end of the reporting period consistent with Manawa Energy's forecast total borrowings.

Sensitivity analysis

At 31 March 2023, if interest rates at that date had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year and other components of equity would have been adjusted by the amounts in the table below, as a result of the fair value change in interest rate derivative instruments.

Sensitivity analysis of interest rates	2023 $000	2022 $000
Decrease to profit of a 100 basis point decrease in interest rates	(3,427)	(806)
Increase to profit of a 100 basis point increase in interest rates	3,339	788
Decrease to equity of a 100 basis point decrease in interest rates	(3,427)	(806)
Increase to equity of a 100 basis point increase in interest rates	3,339	788

NOTE 16: DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value of derivative financial instruments

Derivative financial instruments	2023 $000	2022 $000
Current		
Interest rate derivative assets	2,276	72
Electricity price derivative assets	19,791	64,865
Exchange rate derivative assets	96	–
	22,163	**64,937**
Interest rate derivative liabilities	1,551	16
Electricity price derivative liabilities	35,193	47,258
Exchange rate derivative liabilities	84	273
	36,828	**47,547**
Non-current		
Interest rate derivative assets	7,653	3,185
Electricity price derivative assets	135,683	41,344
Exchange rate derivative assets	119	–
	143,455	**44,529**
Interest rate derivative liabilities	13,786	11,836
Electricity price derivative liabilities	57,734	55,901
Exchange rate derivative liabilities	72	362
	71,592	**68,099**

Derivatives

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently remeasured to fair value. The gain or loss on remeasurement is recognised in the income statement, unless the derivative is designated into an effective hedge relationship as a hedging instrument, in which case the timing of recognition in the income statement depends on the nature of the designated hedge relationship. The Group uses cash flow hedges, which is where the derivative is used to manage the variability in cash flows relating to recognised liabilities or highly probable forecast transactions. The effective portion of changes in the fair value of cash flow hedges are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The ineffective portion of changes in the fair value of cash flow hedges is recognised immediately in the income statement in the net fair value (gains)/losses on financial instruments line. Amounts accumulated in other comprehensive income are reclassified to the income statement in the period when the hedged item is recognised in the income statement.

(b) Fair value

Except for subordinated bonds and senior bonds (see **Note 8**), the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and liabilities are calculated using discounted cash flow analysis based on market-quoted rates.
- The fair value of derivative financial instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve or available forward price data for the duration of the instruments. Where the fair value of a derivative is calculated as the present value of the estimated future cash flows of the instrument, the two key types of variables used by the valuation techniques are:
  - forward price curve; and
  - discount rates.

The selection of variables requires significant judgement and therefore there is a range of reasonably possible assumptions in respect of these variables that could be used in estimating the fair value of these derivatives. Maximum use is made of observable market data when selecting variables and developing assumptions for the valuation techniques.

Electricity derivative valuation input	Source
Electricity forward price curve to value electricity price derivative instruments	Market quoted prices where available and the Directors' best estimate based on their view of the long run marginal cost of new generation where no market quoted prices are available
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 3.1% to 6.1%
Inflation forecast for valuing inflation-linked electricity price derviatives	Reserve Bank of New Zealand forecasts

If the discount rate for valuing electricity price derivatives increased/decreased by 1 percent then the fair value of the electricity price derivatives would have decreased/increased by $1,441,000 (2022: $13,612,000). If the forecast inflation rate had increased/decreased by 1 percent then the fair value of electricity price derviatives would have increased/decreased by $16,232,000 (2022: nil).

Treatment of electricity price CFD entered with Mercury NZ Limited

The electricity price CFD entered with Mercury NZ Limited was transferred at a price of $1 per the mass market retail business sale and purchase agreement (see **Note 2** for details). When valued against the wholesale electricity price curve, this derivative had a value on day one of negative $521,777,000. NZ IFRS 9 Financial Instruments requires that where the fair value differs to the transaction price for a Level 3 instrument,the valuation must be calibrated to reflect the transaction price. As a result, no day one fair value has been recorded. The day one loss of $521,777,000 will be recognised in profit and loss as contractual cash flows on the swap are settled and fair value gains/losses on the calibrated swap are realised over time. During the period $122,155,000 of the deferred day one value has been recognised through wholesale electricity revenue as the calibrated CFD cash flows have been realised throughout the period. The remaining $399,622,000 of the day one loss will be recognized accordingly in future periods over the remaining term of the contract. These CFD cash settlements have reduced the impact of changes in wholesale electricity prices on Manawa Energy's revenue. A fair value gain of $97,376,000, over the period from 1 May 2022 to 31 March 2023, has been booked with $27,781,000 taken to the cash flow hedge reserve and $69,595,000 taken to net fair value gains on financial instruments.

Other derivatives valuation input	Source
Interest rate forward price curve to value interest rate swaps	Published market swap rates
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Manawa for liabilities.
Foreign exchange forward prices to value foreign exchange contracts	Published spot foreign exchange rates and interest rate differentials
Discount rate for valuing forward foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument adjusted by the cost of credit of the counterparty for assets and the cost of credit of Manawa for liabilities.

(c) Fair value hierarchy

NZ IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy which represents the level of judgement and estimation applied in valuing the instrument:

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

There were no transfers between level 1, 2 and 3 assets or liabilities within the fair value hierarchy (2022: none).

The following tables present Manawa Energy's derivatives that are measured at fair value.

Fair value As at 31 March 2023	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	–	9,929	–	9,929
Electricity price derivative assets	–	–	155,474	155,474
Exchange rate derivative assets	–	215	–	215
	–	**10,144**	**155,474**	**165,618**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	–	15,337		15,337
Electricity price derivative liabilities	–	–	92,927	92,927
Exchange rate derivative liabilities	–	156	–	156
	–	**15,493**	**92,927**	**108,420**

Fair value As at 31 March 2022	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets per the statement of financial position				
Interest rate derivative assets	–	3,257	–	3,257
Electricity price derivative assets	–	–	106,209	106,209
Exchange rate derivative assets	–	–	–	–
	–	**3,257**	**106,209**	**109,466**
Liabilities per the statement of financial position				
Interest rate derivative liabilities	–	11,852	–	11,852
Electricity price derivative liabilities	–	–	103,159	103,159
Exchange rate derivative liabilities	–	635	–	635
	–	**12,487**	**103,159**	**115,646**

The following tables present the changes during the year of the financial instruments classified within level 3 of the fair value hierarchy.

Level 3 of the fair value hierachy	2023 $000	2022 $000
Assets per the statement of financial position		
Opening balance	106,209	145,608
Gains and (losses) recognised in profit or loss		
Realised in wholesale electricity revenue	(56,379)	9,929
Unrealised	8,268	18,796
Gains and (losses) recognised in other comprehensive income		
Realised in wholesale electricity revenue	(12,861)	51,054
Unrealised	110,237	(119,178)
Closing balance	**155,474**	**106,209**
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	63,015	39,853
Liabilities per the statement of financial position		
Opening balance	103,159	121,734
(Gains) and losses recognised in profit or loss		
Realised in wholesale electricity revenue	52,710	(35,790)
Unrealised	(62,942)	17,425
(Gains) and losses recognised in other comprehensive income		
Realised in wholesale electricity revenue	(4,963)	–
Unrealised	4,963	(210)
Closing balance	**92,927**	**103,159**
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	87,942	67,073
Settlements during the year	(11,244)	30,931

(d) Fair value losses/gains on derivatives

The changes in the fair value of derivatives recognised in the income statement and the cash flow hedge reserve for the year to 31 March 2023 are summarised below.

Recognised in the income statement	Note	2023 $000	2022 $000
Interest rate derivatives		3,187	6,728
Ineffective portion of cash flow hedge	16(b)	69,595	–
Electricity price derivatives		(9,887)	36,714
		62,895	**43,442**

Recognised in the cash flow hedge reserve	Note	2023 $000	2022 $000
Electricity price derivatives		(212)	(68,407)
Exchange rate derivatives		694	(409)
		482	**(68,816)**

NOTE 17: CASH FLOW HEDGE RESERVE

Cash flow hedge reserve	Note	2023 $000	2022 $000
Balance at beginning of year		19,583	69,254
Fair value (losses)/gains		(11,186)	(17,774)
Transfers to energy cost expense		11,668	(51,054)
		482	**(68,828)**
Tax on fair value losses/(gains)		3,132	4,862
Tax on transfers to energy cost expense		(3,267)	14,295
		(135)	**19,157**
		19,930	**19,583**

NOTE 18: LIQUIDITY RISK

The Group's ability to readily attract cost-effective funding is largely driven by its credit standing.

Prudent liquidity risk management requires maintaining sufficient cash, marketable securities or unutilised committed credit facilities to provide cover for reasonably conceivable adverse conditions. The Group operates under a Board-approved Treasury Policy which dictates the level of available committed facilities to be maintained. This is measured by forecasting debt levels under various adverse scenarios and comparing this to committed facility levels. At balance date the Group has $235m in undrawn facilities to enable it to meet its working capital requirements as needed.

The tables below and right analyse Manawa Energy's financial liabilities excluding gross settled derivative financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at the period end date. The amounts in the tables are contractual undiscounted cash flows.

Liquidity risk As at 31 March 2023	Less than 1 month $000	1–6 months $000	6–12 months $000	Over 1 year $000	Total $000
Net settled electricity price derivatives	6,330	34,813	11,458	107,393	159,994
Net settled interest rate derivatives	1,502	6,568	17,075	52,356	77,501
Accounts payable and accruals	56,898	–	–	–	56,898
Lease liabilities	–	–	–	–	–
Unsecured senior bonds	1,047	7,052	8,099	429,409	445,607
Unsecured bank loans	–	52,396	–	35,900	88,296
Total	**65,777**	**100,829**	**36,632**	**625,058**	**828,296**

Liquidity risk As at 31 March 2022	Less than 1 month $000	1–6 months $000	6–12 months $000	Over 1 year $000	Total $000
Net settled electricity price derivatives	–	33,407	13,981	55,978	103,366
Net settled interest rate derivatives	1,047	4,332	7,329	44,862	57,570
Accounts payable and accruals	107,709	–	–	–	107,709
Lease liabilities	465	–	–	–	465
Unsecured subordinated bonds	–	–	–	–	–
Unsecured senior bonds	1,047	5,593	133,093	261,437	401,170
Unsecured bank loans	–	185,511	–	213,192	398,703
Total	**110,268**	**228,843**	**154,403**	**575,469**	**1,068,983**

OTHER DISCLOSURES

NOTE 19: INCOME TAX EXPENSE

Income tax expense	2023 $000	2022 $000
Profit from continuing operations before income tax	140,395	154,065
Profit from discontinued operations before income tax	343,545	16,315
	483,940	**170,380**
Tax on profit @ 28%	135,503	47,706
Tax effect of non-deductible expenditure	(96,568)	1,970
Income tax (over)/under provided in prior year	637	891
	39,572	**50,567**
Income tax expense is attributable to:		
Profit from continuing operations	39,157	45,999
Profit from discontinued operations	415	4,568
	39,572	**50,567**
Represented by:		
Current tax	41,863	43,757
Deferred tax	(2,291)	6,810
	39,572	**50,567**

The 28 percent tax rate used above is the corporate tax rate payable by New Zealand corporate entities on taxable profit under New Zealand tax law.

Income tax expense
Tax returns for Manawa Energy and the detailed calculations that are required for filing tax returns are not prepared until after the financial statements are prepared. Estimates of these calculations are made for the purpose of calculating income tax expense, current tax and deferred tax balances. Any difference between the final tax outcomes and the estimations made in previous years will affect current year balances.

NOTE 20: DEFERRED INCOME TAX

Deferred income tax	Note	2023 $000	2022 $000
Balance at beginning of year		221,551	234,647
Current year changes in temporary differences recognised in profit or loss	19	(2,366)	5,837
Current year changes in temporary differences recognised in other comprehensive income		3,623	(19,157)
Reclassification of prior year temporary differences	19	75	973
Transferred to held-for-sale liability	2	(13,292)	(749)
Total deferred tax liabilities		**209,591**	**221,551**

The tables below show the break down of the temporary differences that make up the deferred tax liabilities and their movement for the year.

Temporary differences in deferred tax liabilities For the year ended 31 March 2023	Opening Balance	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Transferred to held for sale liability	Closing Balance
Revaluations of property, plant and equipment	140,859	–	3,488	–	144,347
Property, plant and equipment excluding revaluations	66,756	(4,406)	–	(1,379)	60,971
Employee benefits	(2,441)	(245)	–	1,102	(1,584)
Provision for impairment of accounts receivable	–	(87)	–	–	(87)
Customer base assets	–	(29)	–	29	–
Financial instruments	(35)	4,319	135	–	4,419
Other	16,412	(1,843)	–	(13,044)	1,525
	221,551	**(2,291)**	**3,623**	**(13,292)**	**205,118**

Temporary differences in deferred tax liabilities For the year ended 31 March 2022	Opening Balance	Recognised in Profit or Loss	Recognised in Other Comprehensive Income	Transferred to held for sale liability	Closing Balance
Revaluations of property, plant and equipment	140,859	–	–	–	140,859
Property, plant and equipment excluding revaluations	66,044	712	–	–	66,756
Employee benefits	(3,006)	565	–	–	(2,441)
Provision for impairment of accounts receivable	(1,074)	112	–	962	–
Customer base assets	2,081	(370)	–	(1,711)	–
Financial instruments	14,866	4,256	(19,157)	–	(35)
Other	14,877	1,535	–	–	16,412
	234,647	**6,810**	**(19,157)**	**(749)**	**221,551**

NOTE 21: IMPUTATION CREDIT ACCOUNT

Imputation credit account	2023 $000	2022 $000
Imputation credits available for use in subsequent reporting periods	8,467	2,810

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of the amount of taxation payable. The consolidated amounts include imputation credits that would be available to the parent if subsidiaries paid dividends.

NOTE 22: ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts receivable and prepayments	2023 $000	2022 $000
Current Portion:		
Trade receivables including unbilled sales	24,481	26,166
Provision for expected credit losses	(312)	(81)
Electricity market receivables	18,511	21,840
Other receivables	13,091	9,273
GST receivable	–	3
Prepayments	4,313	3,221
	60,084	**60,422**

Trade Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for expected credit losses.

Collectability of trade receivables is reviewed on an ongoing basis, including debts past due, but not considered impaired. Debts which are known to be uncollectible are written off. A provision for expected credit losses is established when the assessment under NZ IFRS 9 deems a provision is required.

Credit Risk

Manawa Energy has no significant concentrations of credit risk (2022: none). It has policies in place to ensure that sales are only made to customers with an appropriate credit history. Where a potential customer does not have a suitable credit history a bond is required before the customer is accepted. Manawa Energy's Credit Policy ensures that all counterparties with which Manawa Energy has electricity price hedging in place are assigned a credit limit and that potential exposure does not exceed that limit. All electricity hedges that result in significant concentrations of credit risk are with counterparties with Standard and Poor's credit ratings of BBB or higher.

Debtors that are unlikely to pay the money they owe Manawa Energy are not included as an asset in the statement of financial position. This provision for expected credit losses, established following the guidance on NZ IFRS 9, is $312,000 (2022: $81,000).

Manawa Energy applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on days past due. The expected loss rates are based on the payment profiles of sales over a 12 month period before 31 March 2023 and the corresponding historical credit losses during this period, adjusted for any significant known amounts that are not receivable.

NOTE 23: EMISSION UNITS HELD FOR TRADING

Manawa Energy trades emission units for profit. Fair value movements in its trading inventory of emission units are recognised within other operating income in the Income Statementand fair value losses are recognised in other operating expenses. Manawa Energy meets the definition of a broker-trader, with regards to emission units, as defined in NZ IAS 2 *Inventories* because the units it has purchased were purchased with the intent to sell for a profit. Emissions units held for trading are measured at fair value.

Manawa Energy's emission unit trading inventory of $8,199,000 (2022: $15,364,000) comprises 150,000 units (2022: 202,000) valued at a closing market price of $54.50 per unit (2022: $75.90 per unit). The fair value is calculated based on the number of emission units held for trading multiplied by the spot rate as at 31 March 2023. The units are classified as level 1 in the fair value hierarchy as emission units are traded in an active market and are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by Manawa Energy is the current fair value.

NOTE 24: ACCOUNTS PAYABLE AND ACCRUALS

Accounts payable and accruals	2023 $000	2022 $000
Customer bond deposits	–	148
Electricity market payables	–	29,545
Employee entitlements	7,902	8,464
Interest accruals	3,210	2,148
GST payable	3,394	6,073
Other accounts payable and accruals	26,097	30,782
Trade accounts payable	19,689	32,697
	60,292	**109,857**

Accounts Payable and Accruals
Accounts payable and accruals are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 25: RELATED PARTY TRANSACTIONS

Key management personnel

The key management personnel compensation (including Directors' fees) is as follows.

Key management personal compensation	2023 $000	2022 $000
Salaries and other employee benefits paid during the year	4,679	8,987
Fair value movements in cash settled, share based incentives	(451)	(2,429)
	4,228	**6,558**

$1,411,000 of this amount was unpaid at 31 March 2023 (2022: $2,541,000).

Certain key managers participate in a cash-settled, share-based incentive scheme(refer to **Note 26**).

Entities under common control

One NZ New Zealand Limited (formerly known as Vodafone New Zealand Limited)
49.9 percent of One NZ is owned by Infratil Limited. Transactions with One NZ for the year consisted of general mobile and telephone services (2023: $885,000, 2022: $597,000). In the prior year Manawa Energy had entered into a number of contracts with One NZ for the provision of telecommunication services some of which were considered leases under NZ IFRS 16 with a right of use asset of $902,000 and a lease liability of $915,000 and were sold as part of the discontinued operations described in **Note 2**.

Tilt Renewables Limited
Tilt Renewables was controlled by Infratil Limited until 3 August 2021. Transactions with Tilt Renewables for the 2022 financial year consisted of electricity purchases totaling $12,475,000.

Shareholders

Manawa Energy is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0 percent (2022: 51.0 percent) of Manawa Energy Limited's voting shares.

TECT Holdings Limited owns 26.8 percent (2022: 26.8 percent) and the residual balance of 22.2 percent (2022: 22.2 percent) is widely held.

Other

Manawa Energy Limited owns 15.0 percent of the ordinary shares of Rangitata Diversion Race Management Limited (RDR) which owns and operates an irrigation canal in Canterbury. RDR's operating and capital expenditure is funded by advances from its shareholders. There are now no outstanding advances between Manawa Energy and RDR.

Deion Campbell is a director of Manawa Energy. Manawa Energy purchased ANZ Renewables Limited from its former shareholders, including Mr Campbell, for $780,000. ANZ Renewables Limited is involved in the development of a number of renewable energy projects in New Zealand.

NOTE 26: EMPLOYEE SHARE-BASED COMPENSATION

Certain members of Manawa Energy's executive management team and other employees are eligible to receive payment under a cash-settled share-based payment scheme.

Each tranche of the scheme covers a three-year period. Key management personnel still employed by Manawa Energy at the end of each relevant period of the scheme are eligible to receive a bonus payment. For the tranche issued in 2020, the sum of the payment is determined by the total shareholder return (TSR) of Manawa Energy compared to the companies that comprise the NZX 50 index on a notional number of allocated shares. Payment is only made if the TSR is greater than that of 50 percent of NZX50 companies and if TSR is greater than 0 percent. Additionally the scheme has a set maximum return above which no increase in the bonus is received by the participants.

For tranches issued in 2021 and 2022, 50 percent of the potential payment is determined by Manawa Energy's relative TSR in the same manner as the older tranches and 50 percent of the potential payment is determined by Manawa Energy's absolute TSR. The minimum TSR hurdles, below which no payment is made, are the same as the older tranches.

The fair value of the liability at 31 March 2023 has been determined by reference to Manawa Energy's and all other NZX 50 companies' current share price expected dividends and share price movements with comparison to the share price at the start of the relevant period and adjusted to reflect the present value of these future expected cash flows.

For the year ended 31 March 2023 the total credit recognised in the income statement was $107,000 (2022: $191,000 expense) and the liability recognised in the statement of financial position as at 31 March 2023 was $363,000 (2022: $1,017,000).

NOTE 27: REMUNERATION OF AUDITORS

During the year the following fees were payable to the current auditors of Manawa Energy. The 2022 fees relate to those paid to the predecessor auditor PriceWaterhouseCoopers.

	2023 $000	2022 $000
Audit and other assurance services		
Audit of financial statements	220	487
Other assurance services		
Audit of regulatory returns[1]	30	23
Review of half year financial statements	44	103
Agreed-upon procedures over the financial information for King Country Energy Limited	21	21
	315	**634**
Taxation services		
Tax compliance services[2]	44	51
Tax compliance advice[3]	12	44
	56	**95**
Other services		
Advisory services in relation to Māori Culture capability assessment	59	–
	59	**–**
Total remuneration to auditors	**430**	**729**

1 Regulatory returns include assurance services surrounding the Manawa Energy Insurance Limited solvency return and telecommunications development levy.
2 Tax compliance services relate to the review of income tax returns and tax related correspondence.
3 Tax consulting relates to general tax advisory services.

NOTE 28: INVESTMENTS IN SUBSIDIARIES

Significant subsidiaries (31 March balance dates)	Country of incorporation and place of business	% by Manawa Energy 2023	% by Manawa Energy 2022	Nature of business
King Country Energy Holdings Limited	New Zealand	100	100	Asset holding
King Country Energy Limited	New Zealand	75	75	Electricity generation
Manawa Energy Insurance Limited	New Zealand	100	100	Captive insurance

NOTE 29: RECONCILATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX

Reconciliation of net cash from operational activities with profit after tax	2023 $000	2022 $000
Profit from continuing activities	**101,503**	**108,066**
Items classified as investing/financing		
Interest paid	23,896	27,741
Interest received	(731)	(330)
	23,165	**27,411**
Non-cash items		
Amortisation of debt issue costs	657	753
Amortisation of intangible assets	1,798	2,776
Depreciation	19,728	17,748
Net gain on sale of property, plant and equipment	(322)	274
Other fixed and investment asset charges/(credits)	12,827	–
Movement in derivative financial instruments taken to the income statement	(62,895)	(43,442)
Decrease in deferred tax liability excluding transfers to reserves	(2,859)	6,810
	(31,066)	**(15,081)**
Decrease/(increase) in working capital		
Accounts receivable and prepayments	7,301	(6,395)
Taxation payable/receivable	13,640	11,986
Accounts payable and accruals excluding capital expenditure accruals	(10,632)	3,362
	10,309	**8,953**
Operating cash flows generated from discontinued operations	(39,392)	32,633
Net cash from operating activities	**64,254**	**161,982**

NOTE 30: CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The Group is not aware of any material contingent liabilities at balance date that have not been disclosed elsewhere in these financial statements (2022: nil).

The Group is not aware of any significant events that have occurred subsequent to balance date but prior to the signing of these financial statements that have not been disclosed elsewhere in these financial statements, apart from dividends declared in **Note 12**.

Independent auditor's report

To the shareholders of Manawa Energy Limited

Report on the audit of the consolidated financial statements

OPINION

In our opinion, the consolidated financial statements of Manawa Energy Limited (the 'Company') and its subsidiaries (the 'Group') on pages 63 to 91 present fairly, in all material respects the Group's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the Group in relation to advisory services in relation to a Māori culture capability assessment and taxation compliance services to the subsidiary company King Country Energy Limited. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Emphasis of matter

We draw attention to **Note 1** of the consolidated financial statements, which describes the effects of a prior period error. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
Generation assets fair value	
As described in **Note 7** of the financial statements, generation assets are recorded at fair value and revalued every three years, or more frequently if there is evidence of a significant change in value, to ensure that at each reporting date the carrying value is within a reasonable range of estimated fair values. Fair value is determined using a discounted cash flow methodology. The valuation of generation assets involves a number of significant assumptions including forward electricity prices, the weighted average cost of capital used to discount future cash flows, the inflation rate, and operational inputs such as future generation volumes, operating costs and capital expenditure. All these assumptions involve judgements about the future. This is therefore considered to be a key audit matter.	Utilising our energy sector valuation specialists we have challenged the key assumptions used to independently determine an estimated valuation range. Our procedures included: › Assessing the methodology used in determining the fair value; › Comparing the forward electricity price path to current externally derived market forecast data; › Comparing the weighted average cost of capital against our independently calculated rate reflecting current market conditions; and › Comparing the inflation rate used to the Reserve Bank of New Zealand forecast. We assessed the appropriateness of the operational inputs and assumptions for generation volumes and costs by: › Comparing forecast generation volumes to actual realised volumes over time; and › Assessing forecasted operating and capital expenditure by understanding and evaluating the reasons for any significant changes between the costs in the current forecast and historical actual costs, and agreeing forecasts to supporting documentation including the Asset Management Plan and any approval documentation. Additionally we: › Assessed the competence, independence and objectivity of the Group's valuation specialists; › Made enquiries of the independent valuer for further information in respect of the assumptions and judgements used to determine their valuation range estimate; › Tested the veracity of Managements valuation model to ensure it calculated correctly; › Assessed the overall appropriateness of the valuation range; and › Considered the adequacy of the related financial statement disclosures. We had no matters to report as a result of our procedures.

KPMG

The key audit matter	How the matter was addressed in our audit
Fair value of electricity derivatives	
As described in **Note 16** of the financial statements, the Group is exposed to electricity wholesale price risks which are managed using complex derivative financial instruments. The Group enters into a number of industry specific electricity derivative transactions to hedge future capacity, price risk and other business risks. These instruments are carried at fair value. There is complexity and judgement involved in determining the appropriate valuation and accounting treatment, particularly in respect of the Mercury Contract for Difference. This is therefore considered to be a key audit matter.	In conjunction with our specialists our procedures included: › Assessing the Mercury Contract For Difference ("CFD") agreement and Management's proposed accounting and valuation methodology and considered any future consequences of the proposed approach; › Challenging the key assumptions applied by Management and agreed underlying data to contract terms; › Evaluating the hedge effectiveness of the Mercury CFD hedged electricity derivative. Our financial instrument specialists assessed the effectiveness of these hedges, following *NZ IFRS 9 Financial Instrument* requirements, by independently modelling the future changes in the value of these instruments to assess whether the underlying derivatives were effective; › Assessing the valuation calculation for the Mercury CFD contract; and › Assessing the valuations for all remaining electricity derivative contracts. Additionally we: › Confirmed electricity derivative contract details with the counterparties. We had no matters to report as a result of our procedures.

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Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Integrated Report. The other information comprises of the information included on pages 1 to 62 and page 95, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

Other matter

The consolidated financial statements of the Group for the year ended 31 March 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 16 May 2022 before amendment.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG

KPMG
Tauranga
16 May 2023