Northpower

2020
Annual report

Investment in our people,
communities and essential
networks for the future.

Northpower

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Chair & Chief Executive report

The global impact of COVID-19 has reminded us all of the need for essential services to perform in times of crisis.

As a provider of electricity and high speed fibre services to the Whangārei and Kaipara districts, and as a contractor to the power industry. Serving communities 24 hours a day, 7 days a week is at the heart of what we do.

This year we continued to invest in our core operations to ensure safe and reliable service. It's part of staying focused, and ensuring our infrastructure performs consistently for the benefit of Northpower consumers.

Our electricity business connected 909 new customers and invested $20.1 million to ensure our electricity networks continue to serve our community reliably into the future. It's part of a $243 million planned ten year investment programme to renew older equipment, and cater for growing capacity as our region continues to grow and diversify.

We continued to evolve our electricity network to enable increasing integration of technologies such as electric vehicles and solar power. Key milestones this year included substantial progress on upgrading our core control systems as a step in supporting more complex energy flows, including implementing common industry standards and frameworks, and modernisation of the way we communicate and work with customers.

Our fibre division (with the support of Crown Infrastructure Partners Limited) accelerated the roll-out of fibre optic networks to 12 towns in our region, connecting 3,180 new customers and investing $13.2 million. Demand for connection to these new networks has been strong, with 17,786 customers in our region now connected to fibre.

We enhanced our fibre network management systems, to ensure network reliability, utilising world-class communications solutions from our technology partner Calix.

Associated deployment of tools and increased automation improved the efficiency of our field teams and network design, delivering flexibility and cost-savings.

We supported eight distribution companies with a collective footprint of more than 25,000 kilometres of lines and cables who have over 500,000 consumers, along with maintaining several Transpower asset fleets.

Our Contracting division continued to see strong demand for its services as distribution and transmission companies across the North Island continued to lift investment.

Safety, effective programme delivery, and investing in local workforces remained critically important to Northpower and our clients, and we made material investments in each of these areas this year. We opened new depots in Tauranga and Hamilton to support growth in these regions and balance our capability to regional needs.

Financially, we achieved a group NPAT of $16.6 million, supporting effective balance of pricing discounts, reinvestment, and total debt. As part of this balanced approach we returned $10.1 million of posted discount to our consumer owners, an increase of $0.7 million on the prior year dividend paid.

Making the right investment decisions has been underpinned by a focus on partnerships and trusted relationships with our communities and clients. It's the way we ensure our services provide maximum value.

The early stages of the COVID-19 outbreak reminded us all why our essential service to our communities matters. Our networks and staff performed well in keeping power and communications available over the lockdown period, a critical contribution to the families and businesses who rely on our services when it mattered most.

The body of this report includes other examples of our commitment to effective relationships, such as collaboration with our clients to improve outcomes on their networks, facilitation of business and community networks, cadet mentoring, wellbeing initiatives and local sponsorships.

Overall, we have been pleased how the 1,200 strong Northpower team has focused on the things that matter this year. Their performance embodies our four behaviours:

- be mindful, be present, be safe;
- act as one;
- earn the trust;
- own the outcome.

They demonstrate our focus on performing for clients and communities.

We look forward to doing our part to continue to support New Zealand's recovery from the COVID-19 pandemic and its associated impacts.

Nikki Davies-Colley
BBS, MBA, CFInstD
Chair

Andrew McLeod
BEng (Mech), PGDip FA
Chief Executive

Financial overview

The Northpower group delivered a solid financial performance in FY20 underpinned by growth in our contracting division as well as solid performance from both our electricity and fibre networks.

Northpower Group's net profit after tax for the year was $16.6 million after applying the $10.1 million posted discount paid to consumers. This was paid via a credit on electricity bills reducing energy costs for connected consumers. At an operating earnings level, this is a pleasing result, which builds on the consistent financial performance achieved over the last number of years.

Northpower continued to focus on core business and process improvements throughout the year. New works management systems were livened across our contracting group, providing a fully integrated quotation, construction management, and billing platform. The livening of this system, and associated process enhancement has been a key enabler in supporting growth and enabling efficiency gains realised across the group.

The outbreak of COVID-19 towards the end of the financial year impacted our operations in the latter part of March 2020 and into the first quarter of FY21 particularly in our contracting division. Pleasingly as COVID-19 restrictions have been lifted work flows have rebounded strongly.

Balance sheet

Northpower continued to invest in all divisions over the period, making material investments in both the electricity and fibre networks while also investing in new depots in Tauranga and Hamilton to support growth in the contracting division.

From a financial perspective we have focused on achieving balance across discounts for our for consumer owners, investment into our core networks and services, and the total level of debt. Appropriate financial performance in recent years has helped support a targeted lift in both discounts and investment, while managing debt within a tightly controlled range.

Northpower retains a strong balance sheet and actively manages gearing to provide capacity for group businesses to traverse market and operating shocks should these occur. This position provides necessary flexibility as we move to adapt to the uncertainties and challenges associated with COVID-19.

$16.6m
Net Profit After Tax

$37.1m
in new assets

$10.1m
discount to customers in 2019

Financial overview

Electricity network

Electricity division earnings were in-line with the previous year. Distribution revenue increased in-line with connection growth; offset by lower generation revenue due to historically low water levels, with reduced generation at our Wairua hydro plant. Capital investment was in-line with projections for the year reflecting an increase from the previous year.

New Zealand contracting

Northpower's contracting division performed appropriately on the back of increased volumes from core clients as well as the continued strength in the housing and development markets. 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 2020, Northpower owned 69.5% of this business. It has continued to perform well and provide a dividend stream to Northpower, while delivering world-class speed and reliability outcomes to families and businesses in our region.

With the help of debt funding from the Crown, Northpower continues to extend the ultra-fast broadband network to smaller towns in the region. This project is progressing well and is forecast to finish in December 2020.

300+
poles replaced

909
new electricity connections

50km
high voltage lines replaced

64%
in our region connected to fibre

69.5%
fibre ownership

Our Directors

Nikki Davies-Colley
BBS, MBA, CFInstD
Audit and Risk Committee (ex-officio)
People and Capability Committee
Chair

Nikki has been a director of Northpower since 1995 and was elected Chair in 2014. She is a Chartered Fellow of the NZ Institute of Directors and a Kellogg Scholar.

Nikki chairs Tiaki Plantations Company Ltd, and brings a wealth of experience from other directorships including Farmlands Co-operative Trading Society Ltd, WorkSafe NZ and Kitchen Studio Distribution Ltd.

Nikki will retire from Northpower's Board on 31 July 2020.

Mark Trigg
B Eng Chemical and Materials
People and Capability Committee Chair
Director

Mark brings extensive industry experience with a career in the electricity generation and retailing sectors focused on operations, strategy, 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.

Mark will take over as Northpower's Chair from 1 August 2020.

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.

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

Phil's early background in commercial management in the mining sector and at partner level in corporate finance has since seen him move into consulting to technology and energy companies at CEO or General Manager level.

Phil brings experience in growth and funding strategies to the Northpower board, along with a background in renewable energy in Australia and Europe, a great asset given the future challenges and opportunities facing our industry.

Lisbeth Jacobs
PhD (Eng), PGDip Bus,
GMP CEDEP-INSEAD, MInstD
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 General Manager Innovation at Fletcher Building 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.

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
Director

Michelle brings extensive experience in infrastructure industries to the Northpower board, with experience in strategy, corporate finance and pricing, business intelligence and new business development across the telecommunications, media, building products and airport sectors. Michelle is passionate about ensuring companies have the right focus, culture and capability to build digitally fit strategies for a changing world.

Michelle is currently a Future Director at Auckland Airport and was previously an Independent Director at Snakk Media.

Laurie Kubiak
People and Capability Committee
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.

Evolving leadership and governance

Growing our leadership capability

A number of our long standing members of our executive team have guided Northpower over the years as we have grown and evolved. Lloyd Richards has been with Northpower for over 40 years, Darren Mason over 20 years, and Andrea O'Brien and Josie Boyd 10 years each.

Assignments on our executive team are dynamic, with the team shifting focus as needs and opportunities arise. This flexibility enables us to utilise critical experience and skills to key focus areas.

Darren moved from a marketing role, to leading our fibre business as CE, Josie from a role as General Counsel to General Manager Network, and Lloyd from a long-term focus running our contracting teams, to head up the critical role of health, safety, quality and environmental.

Complementing this internal leadership growth is a mix of specific external appointments.

Northpower believes in blending deep operational and organisational insight, with diversity of experience across functions and across sectors. Newer members of the Executive Team, Andrew McLeod, Ollie O'Neill, and Andrew Wilshire bring extensive functional and sector experience from other companies and industries both in New Zealand and offshore.

New ideas and new perspectives

Over the past few years our Director mix has flexed to ensure appropriate experience from the construction, energy and telecommunications sectors in New Zealand and internationally. They are well placed to help Northpower transition through changes in these markets.

Likewise, newer members of the executive team Andrew, Ollie and Andrew bring extensive functional expertise, coupled with experience from other companies and industries within New Zealand and offshore. It's part of ensuring our leadership and governance capabilities reflect the evolving nature of the sectors in which we operate.

Enhancing the role of our committees

Our People and Capability, and Audit and Risk Committees have developed over the past couple of years and enabled a deeper and more dynamic discussion on the development of capability across the business, as well as the effective management of risk. This has freed up time at full board sessions to focus on matters of health and safety, strategy, and business performance.

Structured governance transitions

The retirement of Nikki Davies-Colley, and the appointment of Mark Trigg as Chair Elect is part of a multi-year plan of governance transition. Nikki has overseen the retirement and re-appointment of a CE and new directors, and worked closely with the Northpower Electric Power Trust to transition to new governance structures and board composition.

Reflections from the outgoing Chair, Nikki Davies-Colley

"It has been a privilege to be involved for nearly 25 of Northpower's 90 years, with the last six as Chair of the board.

We have grown and changed over this time - when I joined the Board in 1995, we had around 250 employees and operated only in the Kaipara and Whangārei districts. Northpower is now a Top 200 New Zealand company by revenue, with over 1,200 employees serving customers across the North Island.

Key highlights include the development of our successful contracting business and building a world-class ultra-fast broadband network for the Kaipara and Whangārei region. Occasionally, some decisions didn't go well – our foray into Western Australia proved a disappointment.

I have relished the challenge of leading the Board and the Company through internal change in recent years. Alongside our new CE and senior management, we refocused on our region and continue building our internal capability to meet a changing world.

Customer relationships remain key, coupled with providing quality networks whose reliability is the envy of many others. It has been pleasing to return stable distributions to our shareholder owners, while continuing to lift investment in our networks.

Northpower has a unique culture that has not changed – where people are respected and valued, and where we all strive to get the best outcome for each other, our customers and owners. This has been demonstrated very clearly throughout the COVID-19 pandemic.

I have enjoyed my time as a director and Chair of Northpower. I have appreciated the support of the Trust and the Board in these roles, and the commitment of our Executive Leadership Team in working together with the Board to achieve our common purpose.

There is a strong team, who are well positioned to take the company successfully into its next phase under Mark Trigg's leadership and I look forward to watching from the sidelines."

Nikki Davies-Colley
June 2020

"I would like to thank Nikki for her tremendous contribution to Northpower over the past 25 years, in her roles both as Director and Chair of the Board. Many of Northpower's achievements over the years have been thanks to her astute stewardship and governance. Nikki leaves us well placed to continue delivering our essential services to our communities."

Mark Trigg, Chair Elect

"It's been a privilege working with Nikki in her role as Chair over the past 3 years. She has provided a clear 'True North' as a governor, very personal commitment to Northpower and our people, and a calm hand in supporting change when this has been required. Her approach has provided invaluable support to me over the past few years."

Andrew McLeod, Chief Executive

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 / Crown Infrastructure Partners fibre holdings as Chief Executive of these businesses, reporting to a joint board.

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 December 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.

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.

Murray Taylor
MBA, FCA, CMInstD
General Manager Contracting

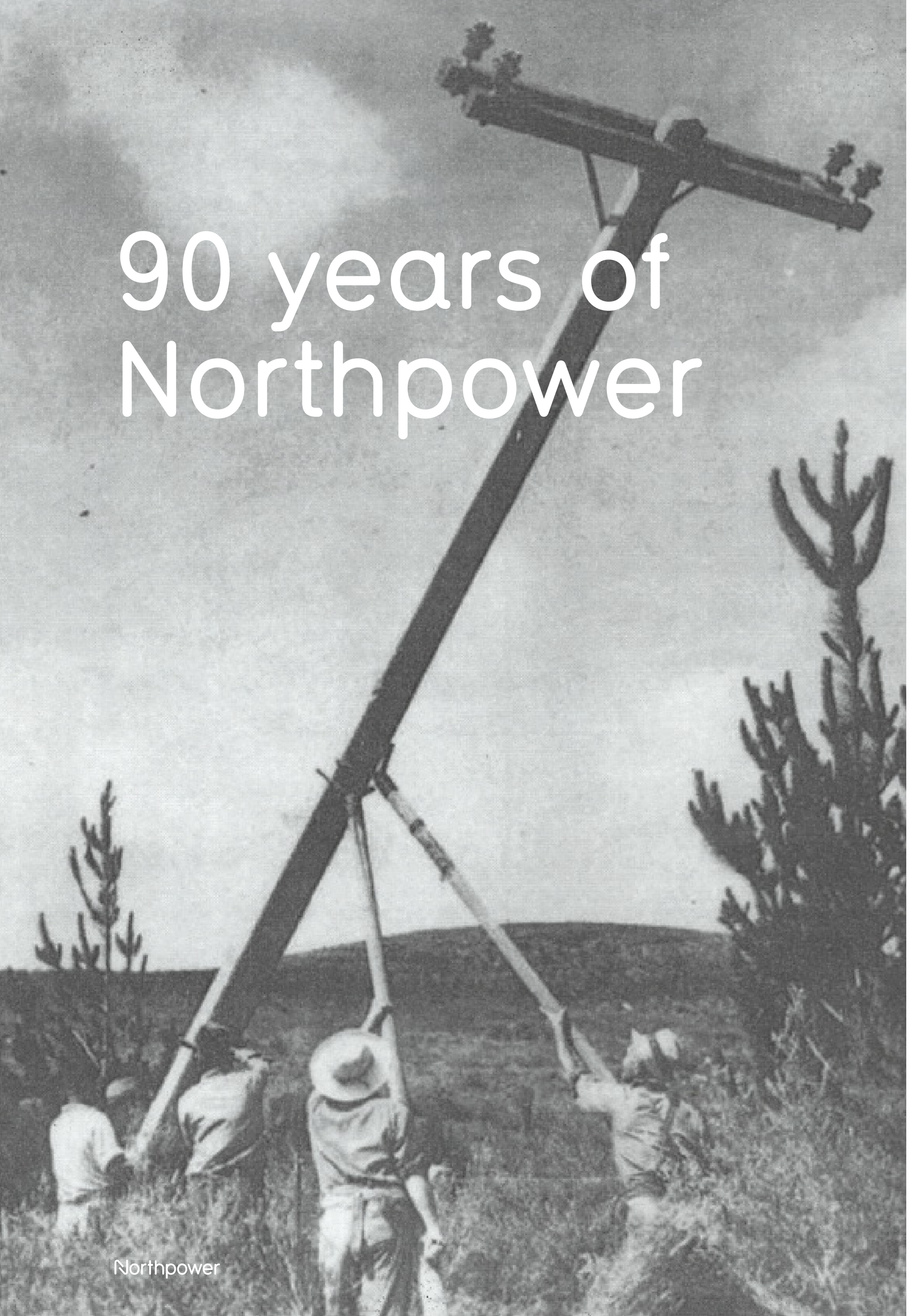
Murray joined Northpower in 2017 as Senior Commercial Manager, and brings strong commercial and financial acumen combined with a customer-centric approach. He has over 20 years' commercial management experience in the contracting and manufacturing sectors.

Murray is responsible for leading Northpower's contracting group and regional operations including safety, client relationships, operational and commercial functions.

Andrew Wilshire
MBA, MInstD
General Manager Business Performance

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 Co-operative 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.



90 years of Northpower

2020 marks 90 years since the foresight and vision of a few enterprising Dargaville individuals led to the establishment of the North Auckland Electric Power Board in 1930.

Here are some of the key milestones and achievements over the years.

1930's

The North Auckland Electric Power Board (NAEPB) was formed in July 1930 to construct the electricity network for our region. After initially renting office space in Dargaville, a permanent building was constructed in 1938 to house administrative and engineering staff.

The first power lines were constructed from Mareretu – Paparoa to Dargaville, then further extended to Maungaturoto to power the dairy factory. In 1937 the Kamo Town Electricity Board merged with NAEPB.

1940's

The outbreak of World War II caused a materials and labour shortage impacting growth. Many materials were diverted to the war effort, and the Government impounded NAEPB supplies, releasing only those essential to production.

It was difficult to find workers during this time, and the NAEPB was largely operated by a small number of skilled staff and farmers who needed the power supply. Despite these challenges, the network grew and by 1945 there were over 5,000 consumers connected for a maximum demand of 4881kW.

1950's

The mid-1950's saw NAEPB connect its 10,000th consumer – a milestone which was celebrated by presenting a silver tea service to the lucky Onerahi customer.

This decade also saw further expansion to the Dargaville Head Office through the construction of a new Engineering Division facility, a power pole manufacturing plant and an in-house boardroom.

1960's

Marsden Point was chosen as the location for New Zealand's oil refinery, and NAEPB were responsible for the electricity supply, powering the plant when it opened in 1964.

The first modern computer was purchased to replace aging book keeping machines.

1970's

In 1974 the head office was moved from Dargaville to our current Otaika location in Whangārei. NAEPB began administering a government loans initiative to insulate homes to conserve energy. The first company computer system was installed.

1980's

The NAEPB turned 50, and the early eighties saw increased economic growth in the region. A new 33kV line was constructed to supply Northland Dairy Company's new $100m milk processing site at Kauri.

Technology advanced even further and the latest appliances showing the advantages of electricity were showcased at a new electricity centre in Whangārei. Staff were upgraded to the latest tech when afterhours duty staff were provided with telepagers.

1990's

Northpower is born after the NAEPB purchase the Whangārei District Council Electricity Division for $13 million. Northpower then purchases Wairua Hydro Power Station from Golden Bay Cement and the plant becomes fully automated.

The electricity industry undertakes major reform ending electricity retailing at Northpower in favour of network ownership. A second Transpower owned 50kV line is built to improve security of supply to Dargaville.

2000's

Wairua Hydro Power Station undergoes a $5.7 million refurbishment, and we launch a tree felling and maintenance programme to keep trees clear of powerlines.

Mangawhai substation is destroyed by fire – however power is restored in 80 minutes and a temporary substation commissioned in just 12 days.

We continue utilising technical innovations through new thermal imaging that allows us to examine our network with helicopters improving safety and operational efficiency. Work begins on establishing the broadband fibre network for our region.

A trainee programme to develop frontline staff is launched to help mitigate critical labour shortages in the industry.

2010's

We celebrated the 100th birthday of Wairua Power Station in 2016 and connected our 60,000th electricity customer in 2018.

We built NZ's first ultra-fast broadband fibre network utilising our electricity network, and improved the reliability of electricity supply and improved the reliability of electricity supply across our network.

Northpower helps to care for our local environment by installing NZ's first electric vehicle fast charging station, and establishing an elver (baby eel) transfer programme at our Wairua Station – with over 30 million elvers transferred to date.

2020+

The new decade sees Northpower continuing to service the growing demand for electricity in our region and future-proofing our networks via planned capital programmes of $243 million for electricity over the next 10 years and $21.4 million for fibre over the next five years.

Interest in Northland continues to grow and we are committed to doing our part to support growth and economic diversity.

Our consumers have now received over $217m in rebates since 1993.

Safety and wellbeing

Protecting the life of our people and the public is of utmost importance to Northpower.

We have a collective commitment to make our workplaces and practices safer, and improve the health and wellbeing of our teams.

We are continuing to come together to create a truly safety-led culture, while supporting one another to become stronger both physically and mentally.

Refining our safety strategy

This year has seen us refine our safety strategy, sharpening our focus on the risks that have the potential to cause death or serious harm - we call these critical risks - and ensuring this focus through effective process, assurance and systems.

We have achieved this by working with our staff to enable them to define the processes and activities needed to ensure safe outcomes in areas of critical risk 100% of the time, bringing specialist teams with the right technical and operational experience together. This includes our customers and sub-contractors.

We see health and safety not as a task or an add-on. It is simply the way that we work whether it be in the field, in our offices, and at executive and board level.

Safety forum reset

Our "safety forum reset" has seen us regroup and restructure how we come together as an organisation to improve safety. We have placed emphasis on encouraging safety participation and leadership to come from the ground up – with teams and crews coming together to identify and problem solve any safety issues at local and regional levels.

Issues that are more critical and those that will affect others are escalated to our National Safety Forum that meets quarterly. This year the forum has championed and led our efforts on critical risk management for electricity. The forums are resourced to champion, engage, test, and promote real-time ideas, ideas discussed at toolbox meeting, or project specific safety plans prior to being operationalised.

Matt Iorangi has been elected as our new Safety Forum Chair, and facilitates communication flows between the local forums and the National Safety Forum. Matt comes directly from an operational and field based background, and is well placed to understand the health and safety issues and challenges faced every day in the field.

The consensus amongst teams is the safety forum reset has brought safety leadership responsibilities back to each one of us and our teams, collaboratively working together and taking ownership of issues predominantly at a local and regional level.

"Northpower is one of the most thoughtful businesses we see when it comes to health and safety, particularly when it comes to their Safety Forum," says Ben Wilson, Managing Director of international consulting firm HSE Global. "It's one of the few examples I have seen of an effective forum that is led from within the business itself."

Critical risk framework

Teams from within the business have been assigned to develop, test and implement critical risk controls for each of the critical risks – taking the time to train our people (including sub-contractors) on the mitigations, implementing them in the field and embedding them into our work practices.

The leading focus for this work is establishing the critical control frameworks to apply for live electricity. This is the area of highest high potential incidents for us over the past twelve months, and an area where targeted action is appropriate to lift our approach well beyond base industry requirements.

Our people have responded enthusiastically to the challenge. It is helping enable our frontline staff to become true safety leaders, giving them the opportunity to further instil a safety leadership culture into their teams and take collective ownership.

Learning, assessing and coaching

A structured coaching framework comprising a mix of online learning and in-field coaching is being rolled out to our in-field teams.

The online coaching programme consists of a series of modules appropriate to the role the participant performs in the field, delivered through our digital learning management system. Along with instructional learning, it provides an opportunity to reflect on safety outside of the normal work site environment. As each module is completed, the participants receive verification before they can continue to the next stage.

This is coupled with in-field one on one coaching, including assessments at different stages as outlined in the framework.

Quality management and reporting

Underpinning our approach to safety is ensuring we have robust quality and controlled documentation management system, and appropriate data reporting is critical for benchmarking and monitoring progress improvements.

A project to improve our quality management system is underway, implementing new document structures and a simplified user interface that allows our teams to access documentation both on and off-site. We are achieving better document controls through reviewing and archiving unnecessary content.

Creating a central repository for all health and safety performance related data has been an important step, allowing us to accurately record and track over time.

Our new HSQE dashboard allows us to see at a glance our key HSQE metrics, including tracking against our identified critical risks and high potential events, total recordable injury frequency rate (TRIFR). It is an important aid in assisting to mitigate risk and safety related incidents within our business.

"This new system is helping to improve our services to our customers by making relevant and useful content available to our teams anywhere, at any time",

Debashish Biswas,
Northpower's Quality Manager.

Building our health and safety team

Creating a centralised health and safety team embedded within our business, providing strong safety leadership, has been a focus.

Our team comprises people with a wealth of diverse experience in the HSE area within Northpower, the electricity industry, and other related industries both in New Zealand and internationally. They bring a wide depth of knowledge and skills to our business.

Here is a closer look at the people making up our HSE team:

Ross Wilson,
Group Manager HSE

Ross has extensive contracting and operational knowledge of the electricity industry, from his time working in New Zealand, Australia and the UK. Ross has over 20 years' service with Northpower, and has had a diverse portfolio of responsibilities, gaining extensive knowledge of our business operations.

Hawea George,
HSE Manager (Contracting), Northland

Hawea has moved into this role from the Northern contracting team, bringing a wealth of operational experience. He has great knowledge of the electricity industry both in New Zealand, and internationally in Australia and the UK.

Grant Brown,
HSE Manager (Network), Northland

Grant has over 20 years' experience with Northpower, working his way from the field into training roles and into the HSQE Manager role for our Whangārei and Kaipara electricity and fibre networks.

Julie Muxworthy,
HSE Programme Delivery Manager

Julie has a broad range of experience from previous roles at Downer Construction and Turners and Growers. Her broad skill set includes change management through to operational HSQE. Julie was most recently our HSQE Manager for our Northland contracting business.

Rachel Sill,
HSE Manager, Auckland

Rachel is originally from the USA and brings a background from the oil and gas industry. Recently promoted to the HSQE Manager for Auckland, Rachel brings extensive knowledge and experience from other more process focussed industries.

Janine Wagstaff,
HSE Manager, Transmission (acting)

Janine has been with Northpower for 6 years and is currently our acting HSE Manager for our transmission contracting business. Prior to joining us, Janine was HSE Manager for UGL & Energex.

Andy Bunyan,
HSQE Manager, Central

Andy has recently joined Northpower from INFRAMAX as our HSQE Manager for our central North Island contracting business. His prior roles include time in New Zealand and internationally at Worksafe, Siemens and British Rail.

Alan Clifford,
HSQE Manager, Wellington (acting)

Alan has extensive experience in the electricity industry and is our acting HSQE Manager for our Wellington based team. He has previously worked with Vector and Northpower on a prior occasion, along with roles at GNS Science, Morecroft Contractors, Fletcher Building and Electrix.

Improving our people and community one event at a time

A continued focus on wellbeing is paying huge dividends for our people and local communities. We were delighted to acquire the naming rights for the annual Northpower Wild Kiwi Run/Walk/Multi Sport event at Whangārei Heads.

Over 150 of our workforce, whānau and friends participated alongside hundreds of local and international participants in the event across Northland's beautiful beaches, tracks and trails. We provided free entry for our people to participate and a discounted rate to family members and friends who took part.

The Northpower Wild Kiwi event also helps our local environment, with proceeds from the event going towards the Bream Head Conservation Trust to help protect and conserve native Kiwi in the area. As part of our commitment to thriving communities, we partnered with Activ8 Northland and awarded eight scholarships to local people looking to make a significant change in their health and wellness.

The "couch to 8km in 8 weeks" programme provides the recipients with free event entry, clothing and assistance; a training programme including coaching, weekly bootcamp sessions, practice sessions and yoga classes; nutritional and lifestyle advice and other support. Whangārei teacher and mum of three Emily Malone was one of the scholarship winners, wanting to improve her wellbeing both professionally and personally.

"Teaching is a service role, however in these type of roles we can forget to serve ourselves. I wanted more energy and exercise makes me happy and energetic to give. I've also gained by meeting some lovely, self-motivated people, which provides a platform of motivation for myself" says Emily.

"Our partnership with Northpower has really helped provide the event with an identity and extend its reach. They have helped create a healthier lifestyle shift in our community by providing this platform that encourages regular exercise and more time spent enjoying the stunning natural landscapes on our doorstep - like the Whangārei Heads. Initiatives like the Northpower Wild Kiwi Scholarship Program have further supported those in our community who really need it."

Mark Fordham
(Event and Course Manager - Total Sport)

Ultra achievements at Taupō

In October, over 400 Northpower staff, whānau and friends converged on Taupō to compete in the various run/walk events for the Taupō Ultra Marathon. We were extremely proud to have 3 runners (2 male and 1 female) complete the full 100km course. Our runners and walkers completed a whopping 4,970km in total, with the shortest leg being 24km for individuals. We were delighted to better the success of our debut Taupō Ultra Marathon where we were the largest corporate team entrant to the event.

Participating in these events has been incredibly life changing for many of our people. Some of the incredible achievements include Iain Urquhart, our Proposition and Experience Lead losing 10kg in weight, 15cm from his waistline and kick a 20-year smoking habit. "I'm definitely now the strongest I've ever been," says Iain, and credits his achievements "100% to Northpower's wellness programme".

Kathi Jeeves, our Learning Frameworks Manager has gone from doing no regular exercise to having completed over 20,000 metres of elevation gain in running while training for these events – that's almost 2.5 climbs of Mt Everest!

"I'm still not the fastest, but that's not what running is about for me. Running makes me feel good – I feel accomplished and a stronger, healthier, better version of me," says Kathi.

Our Design Estimator Georgin Raju describes himself as now "hooked on running" after participating in the Northpower Wild Kiwi event. "Participating in these events have improved by confidence and mental health. I'm breaking the limitations I put on myself and finding out what I'm truly capable of," says Georgin.

Financial sustainability

Our Net Profit after Tax of $16.6 million was as a result of growth in our contracting division, as well as solid returns from both our electricity and fibre networks.

We continued to focus on core business and process improvements throughout the year.

Investing in our electricity network

The past year has seen us make great progress with planned upgrades to our electricity network. We have invested $20.1 million on new assets to make our networks secure and resilient, including planning and beginning work on our new Maunu substation.

The $1.3 million investment in upgrading our 33kV Kioreroa substation was completed in May. This builds additional capacity and security of supply in our network in this area, servicing over 1000 mostly commercial and industrial customers in Port Road, and Rewa Rewa Road. We have also successfully completed upgrade projects at Onerahi, Maungatapere and Whangārei South substations.

These projects all contribute towards providing a reliable electricity supply to our customers across Whangārei and Kaipara, along with additional safety and environmental compliance improvements.

Investing in facilities

Updating and ensuring our facilities remain fit for purpose has seen construction of two new depot facilities in Hamilton and Tauranga.

Our new Tauranga depot at Tauriko opened in August with a dawn blessing conducted by Kāumatua Tamati Tata from Ngai Tamarawaho, and an afternoon celebration with our Tauranga and Matamata based staff and customers. The depot is Northpower's first new build facility and includes a large warehouse with open plan office and meeting space.

The Hamilton depot, based in Horotiu is now home to the Hamilton Distribution and Transmission teams. The official opening and blessing of the building took place in February, attended by staff both present and past, along with many of our customers in this area.

Thanks to precision planning, our teams moved seamlessly into these new buildings and are enjoying their more modern and productivity-enhanced surroundings.

$10 million+ returned to our consumers

Most of our electricity consumers were provided with a $221 (including GST) credit to their power accounts in November and December.

The discount paid to consumers – who own Northpower through the Northpower Electric Power Trust – is part of the over $217 million returned to Kaipara and Whangārei consumers since 1993.

"Our community will benefit strongly from this discount. It's a very positive development and backed by real strength in Northpower's business operations", says the Northpower Electric Power Trust.

It's satisfying to see our consumers continuing to benefit from the consumer ownership model and highlights the power of a community ownership model.

Growing our fibre network

We continue to connect Northland to the world via our Ultra-Fast broadband network. Over 33,000 households are now able to access our network, and 67% of local businesses are currently connected.

Northpower Fibre has an average download of 340GB per month, enabling our communities to do more digitally, and creating value for our region.

We continue to see strong demand by customers and our retailer channels for our products with uptake in Whangārei nearing 58% and forecasted to grow to 74% by 2024.

Our new UFB areas are performing strongly with accelerated uptake of 36% and as high as 57% in Waipu, nearly matching our uptake forecast of 59% by 2024 across our UFB2 areas.

Enabling networks

Providing reliable and resilient networks for our communities and customers is vital. We are continuing to work hard, ensuring the lights stay on and our fibre broadband performs seamlessly 24/7.

We understand our essential role in powering up our homes and businesses, along with connecting people to the world – increasingly through utilising new technologies. We are endeavouring to ensure our networks remain adaptable for change and ready for future opportunities.

Building network resilience with Maunu

Construction of a new Maunu substation is part of a project to build additional resilience into our network, and providing critical infrastructure in our community and giving surety around electricity supply.

The $6.6 million dollar investment will support the ongoing residential and commercial growth in the area, while providing an alternate electricity supply route to Whangārei CBD and Hospital.

It is our first new substation to be built since 2007, reflecting growth since this time in our region. The substation will be visually unobtrusive, and the building, landscaping and fencing has been designed to blend in seamlessly with the surrounding residential area. Construction is expected to be completed in December 2020, with commissioning in early 2021.

This project is part of an ongoing investment programme to renew and modernise our network across Kaipara and Whangārei. It will create additional capacity on our network to cater for a growing population and additional business demand – enabling more people to live, work and play in our region.

(L to R:) Vern Rosieur (Northpower kaumātua), Te Ihi Tito (Te Parawhau kaumātua), Josie Boyd (Northpower General Manager - Network), Madison Macmillan (St Francis Xavier Catholic School), Robert Ferris (Electrix Managing Director), Fr Chris Martin, Andrew McLeod (Northpower Chief Executive), Sheryl Mai (Whangārei District Council Mayor), David Sinclair (Northland Regiona Council Deputy Chairman), Aroha Tito (kaikaranga) and Andre Watts (Northpower Field Services Coach).

Vehicle to grid trial

A successful bid for co-funding from the Energy Efficiency and Conservation Authority (EECA) Low Emission Vehicles Contestable Fund will see us trialling vehicle to grid (V2G) technology on our network.

This trial involves providing selected local residents with a Nissan Leaf EV with two-way charging capability, and installing a V2G system in their homes – effectively turning the vehicle into an alternate energy source.

An added bonus is the ability of the vehicle to act as a backup power source in an outage.We will be monitoring this system over 12-months to determine energy use and net impacts on our network, and are collaborating with Nichicon (the equipment manufacturer) and the University of Canterbury.

This is a great opportunity for our consumers to gain first-hand experience with new technologies, while helping us to gain better understandings of the impact EVs will have on our network. Additionally, it will give insights on how customer technologies can ultimately help reduce costs for all network users.

Enabling Northland

Supporting regional growth is a high priority, and we were privileged to facilitate discussion around local business' role in lifting prosperity and wellbeing in the region at the inaugural 'Enable Northland' event.

Over 50 local businesses attended this event promoting open conversation on topics such as the biggest areas of need and impact in Northland, what we are doing to address these today, and how we can collaborate now and in the future to improve and "shift the dial" on wellbeing and prosperity of the region.

The Living Standards Framework and He Tangata, He Whenua, He Ora were used as the foundation for exploring. The event was facilitated in an innovative way by experts CreativeHQ, co-opting artists to capture the thoughts and sentiments of the day visually.

It was fantastic to have Minister of Finance and Sport and Recreation Rt Hon Grant Robertson, Rangimarie Price, CEO of Amokura Iwi Consortium and MP for Te Tai Tokerau Kelvin Davis in attendance and contributing to the discussions.

A further session took place in March, where the ideas and discussions were further refined and focused.

In bringing our business community together, sharing stories and experiences of what is working and what is not, we hope to continue collaboration in working towards improving growth, social wellbeing and education in our region.

OVERALL NZ HAS HIGH WELLBEING
BUT SIGNIFICANT CHALLENGES
• MENTAL HEALTH
• CHILD POVERTY
• ENVIRONMENT
Wellbeing SHOULD BE AT THE Centre OF ALL THAT we DO
1ST EVER BUDGET REPORT ON CHILD POVERTY
GRANT ROBERTSON
MINISTER of FINANCE
INVESTING IN THE FUTURE OF RAIL
ENABLE NORTHLAND
RANGIMARIE PRICE
WE CAN'T STOP INVESTING IN OUR INFRASTRUCTURE
I'M A GOVT SILO
ME TOO
WE HAVE TO BREAK DOWN GOVT. SILOS
WE NEED TO FOCUS ON INTER-GENERATIONAL Outcomes NOT JUST THE PRESENT
LETS GET MĀORI IN THE DRIVERS SEAT
SYSTEMS THINKING
ACTIVATING MĀORI INTELLIGENCE
RE-GENERATIVE PROCESSES
VALUES TIKANGA LED
GOVT SHOULD CO-INVEST BUT NOT LEAD
Lets DRIVE THIS FROM THE GROUND UP
INDIVIDUAL Wellbeing IS MORE THAN JUST A NUMBER
NORTHLAND IS THE BIRTHPLACE OF THE NATION
TIKANGA MATTERS
THIS APPROACH TO WELLBEING IS OLDER THAN AOTEAROA ITSELF
He Tangata He Whenua He Oranga
TAKING MENTAL HEALTH Seriously
PĀKEHĀ E MĀORI THERE IS A BRIDGE BETWEEN 2 WORLDS
How many of us have crossed into both
We HAVE A LOT TO Learn FROM OUR MĀORI E PASIFIKA COMMUNITIES
BRIDGING THE CAPITAL GAP FOR START UPS
BOOST TRADES
SKILLS FOR THE Future
$200mill SET ASIDE FOR VOCATIONAL EDUCATION Reforms
Te Taitokerau MĀORI ECONOMY A DEVELOPING ECONOMY WITHIN A DEVELOPED ECONOMY
We need to fix the fundamentals
We Have a Sacred Obligation To CARE FOR OTHERS E PAPATŪĀNUKU
LETS LOOK AT EVERYTHING WE HAVE E EVERYTHING We are
ENHANCE the MANA of our PEOPLE AND PLANET

Connecting Cadenshae to the world

Northpower Fibre has connected rapidly growing e-commerce maternity activewear company Cadenshae to its customers in New Zealand and the rest of the world.

Cadenshae operate from their One Tree Point premises, employing 15 staff and processing hundreds of online orders daily. Along with New Zealand they have websites for the Australian, UK, Canadian and US audiences and a social media following of over 50,000 – and that relies on having reliable and ready access to the internet.

Founder Nikki Clarke says one of the benefits of being an online business is being able to operate from anywhere. “We’ve never had an issue with our fibre connection, which on any given day can have up to 30 devices connected” she says. “It’s one of those things that when it’s working you don’t notice. It just works, which is the best possible outcome.”

“Fibre allows us the team to work at speed which makes us more efficient, it’s great” says Nikki. We’re proud to the providing the connection for Cadenshae both locally and globally - proving that regional living is no barrier to success.

Making it easier to do business with us

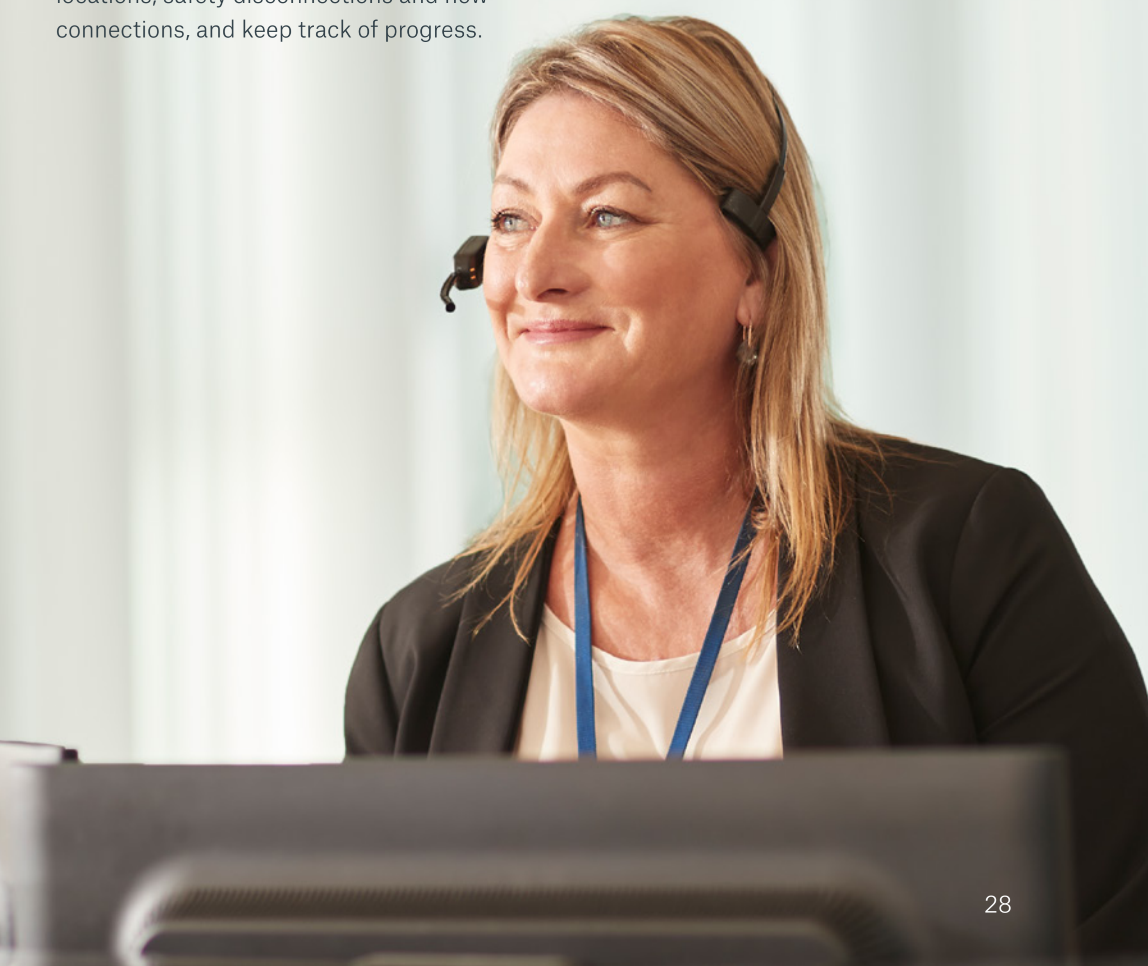
In 2018, following feedback from a range of stakeholders we began the journey to improve our Northland network customer experience and put our customers at the heart of everything we do. We are pleased to report on a number of successful initiatives that that have made a meaningful difference.

Where customers were once unsure about who to speak with regarding a particular issue - and were often dissatisfied at being transferred to numerous people - their first point of contact is now our Customer Excellence Team. A team member either assists directly, or champions the request or issue to ensure swift resolution.

All new, and changes to existing connections now come through our Customer Excellence Team and approved before being passed to our design team or one of the many contractors who can now work on our network inspecting and livening new connections.

The result of this improved process is a more timely service and response for our customers. We are also utilising digital technology to make requesting services easier. Our new customer transaction portal enables customers to request services from us online like cable locations, safety disconnections and new connections, and keep track of progress.

Customers can now also view planned as well as unplanned electricity outages in their area via our website, including status updates in real-time.



Powering up Matakohe - Limestone Island

Replacing the off-grid power system at the ranger's house on Matakohe - Limestone Island in upper Whangārei Harbour with a modern solar and battery solution has given us a great opportunity to learn more about how these solutions can support our customers.

The system – which supports conservation efforts on the island – is performing well with the combination of the solar power and battery providing enough power for the ranger's day-to-day living during summer, without the need for diesel generator backup.

We are continuing to capture data and monitor the system to assist with usage trends and ongoing learnings.

Contributing to our communities

Northpower is proud to have continued our support to our local community through the provision of sponsorships, internships and cadetships, and other contributions during the past year.

EPro8 school science and engineering challenge

Encouraging a passion for engineering and science in both current and next generations is another cause we were thrilled to be involved in.

During February we sponsored the Northland leg of the nationwide EPro8 Challenge, where 70 teams of year 5 to 8 students competed in an inter-school science and engineering competition.

Ngunguru School was the winner of the Year 7 and 8 title, with Hurupaki School taking out the Year 5 & 6 competition.

"This is the largest event we've ever held in Northland and that's thanks to Northpower's sponsorship and support, along with Northpower's connectedness to the community," says Andrew Thiele from EPro8.

Healthy Homes Tai Tokerau

Our long association with Healthy Homes Tai Tokerau continued, reaching a milestone of retrofitting the 10,000th Northland home with insulation. This incredible programme helps improve the lives of local residents - in particular children - by providing a warm, dry home that shows measurable health outcomes.

Northland Rescue Helicopter

The Northland Rescue Helicopter is one of our long-standing sponsorships, and we were delighted to continue leading the way with fundraising efforts.

Over $230,000 was raised during the annual appeal. Alongside our partner Top Energy we matched donations dollar for dollar up to $150,000 – contributing a significant fund towards paying for two new helicopters.

Empowering Northland women in STEM

We were delighted to sponsor the annual Refactor North event, which highlights women in STEM (Science, Technology, Engineering and Maths). Tammy Auranen, our Group Manager Digital joined a panel of talented women leaders, aimed at inspiring or continuing careers in this field.

We're also delighted that Josie Boyd, our General Manager Network has been appointed Chair for the Northland chapter of the national Women's Infrastructure Network New Zealand (WIN). The organisation aims to increase the number of women in leadership roles, grow the visibility of women and provide networking and support for women in the infrastructure sector.

30 years of service

This year marks the 30th anniversary at Northpower for Jan Thomsen, our much-loved Customer Advisor. Over this time Jan has been responsible for running our schools' and community education programmes, and has worked in a variety of customer facing roles - including the electricity centre in Whangārei showcasing new appliances.

For over 30 years Jan has also organised our stand at Field Days, and locals look forward to sampling her tasty treats made from local produce over the years. Demand is so great we produced a cookbook with all her recipes, which has been a huge hit!

Jan retires in mid-2020, we would like to thank her for all her work over the years – her knowledge, energy, and can-do attitude will be missed.

Keeping local kids safe

Keeping our communities safe around electricity is vital, and running effective education campaigns with our youngest citizens is a great way to get across these important messages.

Many people attending school during the past 16 years in Whangārei and Kaipara will have had a school visit from Jan Thomsen and her trusty sidekick 'the possum'.

This year we have refreshed and redesigned the workbook distributed to students, which includes many of our key safety messages alongside educational activities and games.

The new booklet was launched at Whau Valley School and has been well received by children who work through it after the visit. We have recently put it online for during the COVID-19 Level 4 lockdown for parents and teachers to download to help with learning over this time.

Uplifting performance

We are constantly striving to lift our game and provide safer and better service for our consumers and customers.

Along with upskilling our people, we are excited to be providing career opportunities for those in our communities.

We are enabling pathways into our industry while helping to address skills shortages at the same time.

Building pathways to a great career

Fourteen aspiring electrical engineers have been given a helping hand with their career through our scholarship programme in partnership with Manukau Institute of Technology (MIT).

We have provided the worthy recipients – chosen from over 100 applications – with a three-year cadetship. They are attending 12 weekly block courses at MIT and learning about our industry through working in various departments at Northpower the remainder of the time.

The cadets who are from Whangārei, Auckland, Wellington and the central North Island will gain a NZ Diploma in Engineering and potentially a permanent employment opportunity with Northpower.

Benaiah Mascarina from Auckland is one of our scholarship recipients. "Being awarded the scholarship felt like a big jump in life and in my career but I don't see it ending there", he says. "It's just the beginning of success and I know there is so much more I can learn at Northpower than just electrical stuff."

We have also recently partnered with training provider People Potential, offering an electricity supply industry cadet programme pilot in Northland and a pre-apprenticeship training programme in Hamilton. Both of these are locations with skills shortages.

The pre-apprenticeship programme consists of a 20-week foundation course, 14-week industry course and a six-month work experience placement with Northpower.

Funding for the course has been provided by the Ministry of Social Development, and it offers a true pathway for youth with potential that has yet to be realised – not only giving them a taste of the electricity industry, but help and advice with other life skills such as healthy living and budgeting skills.

The successful cadets can then look to go on to achieve Level 4 NZ Trade Certificate in certain roles in the electricity industry including line mechanic, cable jointer, vegetation control and electrical engineering.

We are thrilled to be helping to create pathways to a career and opportunity for our communities, while showing leadership in addressing the skills shortage across our industry.

It is a great example of our commitment to investing in people and our communities for the future.

> "These are the sort of initiatives we love, they're the perfect scenario and it complements what we're doing as a Government. When we took over there were huge gaps in the region. Northland needs these strong, locally led programmes."

Hon. Willie Jackson,
Minister of Employment

Summer interns gaining invaluable experience

Supporting and developing local talent is something we pride ourselves on, and we are passionate about giving opportunities to our young people in particular. This year our annual summer intern scheme gave students from a number of disciplines the chance to come to work alongside us and gain valuable experience towards their chosen careers.

Antonia McDermid, a final year marketing and communications student at Auckland University of Technology joined our Customer Experience team in Whangārei.

Antonia got to put her studies into practical experience through working on our new customer transaction portal and assisting with our presence at Dargaville Fieldays.

Canterbury University electrical engineering student Joseph Hill put his studies to good use, working with our Engineering team and getting involved with various projects like installing the new off grid power station on Matakohe-Limestone Island.

"I've really enjoyed the problem-solving aspect and getting first-hand experience in the electricity sector," says Joseph. "It's given me a renewed drive as I head back to university."


Northpower

Enabling careers with paid scholarships

Whangārei-based Alyssa Paki was looking to do "something a bit different" after five years of working in retail with limited future prospects. She was a recipient of an electrical training cadetship with our partners People Potential and simply excelled during the course.

Part of the cadetship included six weeks of in-house training working alongside people in our network team in Whangārei.

Alyssa's potential shone through, and encouraged, she applied for a Northpower engineering scholarship and was one of fourteen recipients from over 100 applicants across the North Island.

The three-year scholarships offer a fully paid NZ Diploma in Engineering in partnership with Manukau Institute of Technology (MIT), and provides paid on-the-job experience with us during the duration of their studies.

Alyssa is relishing the opportunity to work alongside our team. "I get to help out with projects, work alongside the engineers and go on site visits to see what they do on a daily basis", says Alyssa.

Alyssa's achievements are a fantastic example of what can happen when opportunities are provided to under-utilised talent, giving pathways to a bright future in the electricity supply industry.

"It's been a real highlight working with the engineers and I can definitely see this as my future career,"

Thriving communities

Delivering great results for our consumers and customers has a direct impact on creating thriving communities.

We relish the opportunity to provide innovative solutions and deliver services that make a tangible difference to people's lives.

All at sea for Waiheke

When one of the main 33kV power cables that runs under the sea from mainland Auckland to Waiheke Island developed a fault, Northpower were on the job alongside New Zealand Diving and Salvage (NZDS) to get it sorted.
The fault was located 200 metres off-shore from Waiheke Island by an NZDS diver using an underwater camera.

An adjacent reef had caused damage to the cable and the challenge was on to undertake the repair.

We established a worksite on top of a barge, using marker buoys to identify other cables in the area and anchors to stabilise to ensure minimal movement while jointing was underway. Our team then removed the damaged cable from the seabed, replaced it with new marine cable and commenced the cable jointing work. The feeder was commissioned and livened within 6 days of starting the repairs.

This unique repair offered many challenges including working highly changeable wind and sea conditions; and co-ordinating and communicating with many partners including our customer Vector, NZDS, the Auckland Harbourmaster to protect the worksite and private property owners to gain access to the site from Waiheke.


MOORINGS & MARINE

BESS secures supply at Whangamatā

The Whangamatā community have a more secure power supply due to the BESS project – a new battery energy storage system installed on behalf of our customer Powerco in the past year.

A single 33kV line from Waihi had previously serviced Whangamatā, resulting in outages during storm events that were unable to be restored until a fault was located and repaired.

The 10-month project involved onsite enabling, civil and construction works, along with installation of the battery equipment. Significant technician input was required during the commissioning phase to overcome challenges in integrating the BESS with the existing 33/11kV substation. The new BESS system provides Whangamatā CBD with an energy source for several hours, supplemented by an onsite 2MW diesel generator.

Despite logistical and technical challenges of this project, we are happy to report the BESS was completed and commissioned in time for the holiday period where the local population swells from 6,000 to over 40,000.

We are proud to be working alongside our customer to provide new solutions, and helping to build resilience in energy supply across our communities.

Local contractors come on board

The drive to improve customer experience and provide opportunities for local qualified contractors has seen the introduction of the Northpower Network Approved Contractors programme.

Historically, we have solely performed all residential work on our network, but to provide more options for our customers we have enabled suitably qualified contractors to complete an approval process, allowing them to complete certain works.

We now have six contracting companies completing jobs such as hanging meters; work on residential connections; constructing and repairing customer service lines; and subdivision reticulation. Network-approved contractors now perform the inspection and livening of all new residential connections.

Along with offering our customers more choice, it has been a fantastic business opportunity for local contracting businesses who have grown their businesses and taken on more staff – a real win for our region.

"Changes to the connection and livening process has seen increased and improved communication from Northpower. A standout example of this was on a project where I contacted Northpower to action the connection and livening - that same afternoon communication by Northpower had myself, my customer, their retailer and the livening agent all on the same page as to where the job was at."

Brad Costello,
Director, Electric Fox Ltd.

Adding value with Northpower Fibre

A boutique New Zealand-made jewellery store was the first business in Whangārei's town basin to connect to our ultra-fast broadband (UFB) network.

Steve Haywood Master Jeweller handcrafts his own unique pieces as well as showcasing other New Zealand artists in the store.

Steve's business operations are powered by the Northpower Fibre network – including his EFPOS terminal, cloud-based accounting software and email to communicate with suppliers and customers.

Since moving from the old copper lines to Northpower Fibre Steve has noticed a huge increase in internet reliability and speed.

"The most notable improvements are in speed and stability. The router is being reset nowhere near as often as it used to be," he says.

A reduced internet bill was an added bonus. "I moved to a local internet provider and made quite a saving moving to fibre," says Steve.

It is another great example of Northpower Fibre adding real value to our local business community, and providing them with a seamless and reliable connection to their customers.

"Everything is online, and I depend on a strong and fast internet connection"

Undergrounding at Flat Bush

Undergrounding the power to make way for 3,000 new homes in Flat Bush, Auckland was a challenge we have relished in the past year. Our contracting services teams worked over 100,000 hours collectively to underground two 220kV transmission lines, making way for the housing development to take place.

This project involved the installation of over 14.4km of 220kV cables, along with supplying and installing six 220kV cable termination structures and six joint bays.

The multi-discipline team working on the project comprised a mix including civil, electro-fusion and horizontal directional drilling contractors, PE pipe installers, mechanical fitters, cable layers, team leaders, supervisors and project managers.

A purpose-built onsite site office housed our team and civil contractors, alongside our customer Taihan and Transpower.

The project was completed in February and is another great example of our teams coming together to deliver great customer outcomes in a safe way - making a tangible difference in developing the future communities of New Zealand's largest city.

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)
R C Booth
M B D James
M D Trigg
P G Hutchings
L S Kubiak
E M P A Jacobs (appointed 1 February 2020)
M K Kong (appointed 1 February 2020)

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

N P Davies-Colley
P G Hutchings
O M O'Neill

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 Company Limited (NFL). A I McLeod and J M Boyd are directors of NFL.

Results

The group recorded an after tax profit of $16.6m for the period, as set out in the Comprehensive Income Statement.

Dividend

No dividend was declared for the year.

Donations

The group made donations of $153,370 to Northland's Electricity Rescue Helicopter, $10,000 to Young Enterprise Trust, and other sundry donations of $16,276 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 B D James
Trustee – Middlemore Clinical Trials Trust
Trustee – Ocean View Trust
General Manager – Wanaka Medical Centre

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

L S Kubiak
Chair – 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

M D Trigg
Director – Century Drilling and Energy Services
Director – Langman Lane Limited
Director – Ngati Tuwharetoa Holdings Limited
Director – Ngati Tuwharetoa Geothermal Assets Limited
Director – Ngati Tuwharetoa Electricity Limited
Director – Liquigas Limited
Trustee/Beneficiary – Mark Desmond Trigg Trust

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

M K Kong
Future Director - Auckland Airport Limited
Director - Exponential Agency
Director - Lodestar Consulting Limited
Shareholder - Trosk Limited
Shareholder - Golden Super Pig Limited

Remuneration of employees

Bands:	No. of Employees:
$100,000 - $109,999	144
$110,000 - $119,999	116
$120,000 - $129,999	81
$130,000 - $139,999	58
$140,000 - $149,999	54
$150,000 - $159,999	51
$160,000 - $169,999	28
$170,000 - $179,999	18
$180,000 - $189,999	15
$190,000 - $199,999	6
$200,000 - $209,999	12
$210,000 - $219,999	5
$220,000 - $229,999	7
$230,000 - $239,999	3
$260,000 - $269,999	1
$280,000 - $289,999	1
$310,000 - $319,999	1
$320,000 - $329,999	2
$330,000 - $339,999	1
$380,000 - $389,999	1
$390,000 - $399,999	1
$620,000 - $629,999	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:	
N P Davies-Colley	$125,750
M B D James	$67,875
R C Booth	$62,875
M D Trigg	$67,875
P G Hutchings	$62,875
L S Kubiak	$62,875
E M P A Jacobs	$10,542
M K Kong	$10,542
	$471,209
West Coast Energy Pty Ltd:	
P G Hutchings	**$26,667**

Changes in Directors

In 2019 the Chair, Nikki Davies-Colley announced her intention to retire in July 2020. Mark Trigg is Chair Elect. Directors, Michael James and Laurence Kubiak retire by rotation and offer themselves for re-election.

For and behalf of the Board

N P Davies-Colley
Chair

NP Davies Colley

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 six Directors until February 2020 including a non-executive Chair and five non-executive Directors, at which time two new non-executive Directors joined the Board, increasing the total number of Directors to eight. 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 those 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 four 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

	Notes	FY20 Actual	FY20 Target	FY19 Actual
Financial KPIs				
Net profit after tax/shareholder funds	1	**6.3%**	≥ 4.8	9.6%
Capital ratio	2	**55.5%**	55.0%	59.2%
Debt coverage ratio	3	**3.3**	≤4.5 times	1.6
Dividend equivalent (posted discount plus dividend)		**$10.1m**	≥$10.9m	$1.4m
Non- Financial KPIs				
Safety				
Lost time injuries (LTIs)		**14**	0[1]	11
Total recordable injury frequency rate (TRIFR)	4	**17.27**	≤8	15.75
Northpower Electricity Network				
Network reliability (SAIDI)	5			
Planned		**104.9**	<80	71.6
Unplanned		**145.2**	<90	110.6
Average number of faults per 100km of line		**12.2**	<10	9.4
Network interruptions (SAIFI)	6	**3.5**	≤2.5	-[2]
Customer satisfaction (residential)		**92%**	≥85%	96%
Customer satisfaction (commercial)		**91%**	≥85%	88%
Northpower Fibre Network				
Network availability (max downtime)	8			
Layer 1		**8.19**	≤120 min	1.92
Layer 2		**17.26**	≤30 min	9.89
Faults (max downtime)				
Layer 1		**100%**	99% < 48 hours	100%
Layer 2		**100%**	99% < 12 hours	100%
Service level performance	9			
Residential		**96%**	≥95%	97%
Commercial		**92%**	≥95%	98%

[1] The LTI target for FY20 is zero; [2] New KPI in FY20

Group Financial KPIs

Northpower achieved most of its financial SCI targets over FY20 on the back of solid financial performance across all business units over the year. The Group paid a posted discount of $10.1 million in FY20 to consumers. This was slightly lower than the SCI target of $10.9 million due to the impact of the Covid-19 outbreak and subsequent lockdowns resulting in no further dividends being declared or paid for FY20.

Safety

The lost time injury and total injury frequency rate targets have not been achieved during FY20. Northpower has taken steps to restructure its approach to Health and Safety during FY20 with the intent of narrowing its focus to the critical risk controls associated with high potential events that have significant consequences.

Electricity network

The target for planned interruptions of less than 80 minutes was not achieved, due to the high volume of planned asset replacement works on the distribution network, combined with the impact of less live work being undertaken by field staff. The planned SAIDI target has been adjusted upwards to reflect an increase in the scale and volume of planned maintenance in the next 3 years.

The unplanned SAIDI target of less than 90 minutes was also not achieved, largely due to the extent of weather related events causing both vegetation and equipment related outages and resulting in higher than average SAIDI from defective equipment. This included a total of 22 SAIDI minutes on the 33kV line to Mangawhai caused by two vegetation related outages. These factors also contributed to the faults per 100km of line and SAIFI targets not being met.

The customer satisfaction survey for FY20 continues to show high levels of satisfaction for both residential and commercial customers.

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. loss on derivatives, net of tax ($1.0m).
2. Group capital ratio is Group shareholders' funds/(Group total assets less right of use assets). The Group capital ratio at balance date including right of use assets was 48.9%.
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. A successive interruption means a cessation of supply to consumers for a period of more than 1 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 FY20 is consistent with that of FY19.
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 2020. The formula is:
   - The 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 divided by the 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 22.29 minutes for Layer 1 and 22.44 minutes for Layer 2.
9. Service level performance measures the percentage of customers connected within target timeframes.

Consolidated statement of comprehensive income

	Notes	2020 $000s	2019 $000s
Revenue from contracts with customers	2	**368,887**	361,237
Other income		**2,258**	2,245
Materials and supplies		**(165,385)**	(154,078)
Employee benefits	6	**(129,830)**	(120,364)
Transmission costs		**(18,639)**	(20,422)
Depreciation and amortisation		**(28,592)**	(15,125)
Other expenses	3	**(4,451)**	(15,569)
Net finance cost	4	**(5,394)**	(3,244)
Share of profit of associate	21	**1,815**	684
Profit before income tax		**20,669**	35,364
Income tax expense	10	**(4,120)**	(10,694)
Profit for the year attributable to the equity holders of the parent		**16,549**	24,670
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	16	**88**	119
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk	16	**(20)**	161
Net gain on revaluation of property, plant & equipment, net of tax	13, 16	**-**	(18,156)
Other comprehensive income/(loss) for the period, net of tax		**68**	(17,876)
Total comprehensive income for the year attributable to the owners of the parent		**16,617**	6,794

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

Consolidated balance sheet

	Notes	2020 $000s	2019 $000s
Assets			
Current assets			
Cash and cash equivalents		**2,013**	3,141
Trade and other receivables	8	**54,312**	44,543
Contract assets	2	**25,258**	23,671
Tax receivable		**4,622**	-
Derivatives	18	**33**	-
Inventory	5	**9,649**	9,326
Total current assets		**95,887**	80,681
Non-current assets			
Intangible assets	12	**19,810**	21,975
Investment in associate	21	**32,461**	25,456
Right of use assets	14	**67,582**	-
Assets under construction		**16,750**	10,219
Property, plant and equipment	13	**338,278**	319,621
Total non-current assets		**474,881**	377,271
Total assets		**570,768**	457,952

	Notes	2020 $000s	2019 $000s
Liabilities			
Current liabilities			
Trade and other payables	9	**38,692**	28,994
Contract liabilities	2	**12,525**	14,937
Employee entitlements	6	**13,844**	14,602
Provision for dividend	16	**-**	1,410
Provision for tax		**-**	4,960
Derivatives	18	**280**	88
Borrowings	17	**45,000**	40,000
Total current liabilities		**110,341**	104,991
Non-current liabilities			
Employee entitlements	6	**709**	736
Lease liabilities	14	**68,481**	-
Borrowings	17	**41,115**	21,882
Deferred revenue	7	**6,024**	4,342
Derivatives	18	**5,613**	4,384
Deferred tax	11	**50,963**	50,712
Total non-current liabilities		**172,905**	82,056
Total liabilities		**283,246**	187,047
Equity			
Equity attributable to owners of the parent	16	**287,522**	270,905
Total equity		**287,522**	270,905

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

These financial statements are authorised for issue on 30 June 2020, for and on behalf of the Board:

Nikki Davies-Colley
Chair

Michael James
Audit and Risk Committee Chair

Consolidated statement of changes in equity

	Notes	Ordinary Shares $000s	Retained Earnings $000s	Other Reserves $000s	Asset Revaluation Reserve $000s	Foreign Currency Translation Reserve $000s	Total $000s
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**
As at 31 March 2020		**35,989**	**234,727**	**325**	**19,311**	**(2,830)**	**287,522**
As at 1 April 2018		35,989	195,021	184	37,467	(3,037)	265,624
Profit for the year		-	24,670	-	-	-	24,670
Other comprehensive income for the year		-		161	-	119	280
Net gain on revaluation of property, plant & equipment		-	-		(18,156)	-	(18,156)
Total comprehensive income for the year, net of tax		-	24,670	161	(18,156)	119	6,794
Transactions with owners in their capacity as owners:							
Dividends declared/paid	16	-	(1,513)	-	-	-	(1,513)
As at 31 March 2019		35,989	218,178	345	19,311	(2,918)	270,905

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

Consolidated cash flow statement

	Notes	2020 $000s	2019 $000s
Operating activities			
Receipts from customers		**361,158**	350,274
Interest received		**78**	126
Dividends received		**1,322**	2,911
Payments to suppliers		**(185,067)**	(184,522)
Payments to employees		**(130,615)**	(120,713)
Interest paid		**(5,299)**	(3,781)
Income tax paid		**(13,451)**	(8,738)
Net GST paid		**-**	(48)
Net cash inflows from operating activities	15	**28,126**	35,509
Investing activities			
Proceeds from sale of property, plant and equipment		**826**	2,238
Purchase of intangible assets		**(3,189)**	(3,137)
Purchase of property, plant and equipment		**(33,871)**	(28,934)
Proceeds from sale of other financial assets		**-**	34
Investment in joint venture		**(6,512)**	(1,149)
Net cash outflows from investing activities		**(42,746)**	(30,948)
Financing activities			
Drawdown of borrowings		**25,905**	2,825
Repayment of lease liabilities		**(11,091)**	-
Dividends paid to owners of the parent	16	**(1,410)**	(8,103)
Net cash inflows/(outflows) from financing activities		**13,404**	(5,278)
Net increase in cash and cash equivalents		**(1,216)**	(717)
Net foreign exchange differences		**88**	119
Cash and cash equivalents at the beginning of the year		**3,141**	3,739
Cash and cash equivalents at the end of the year		**2,013**	3,141

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 2020. The Northpower Electric Power Trust is the sole shareholder of the Company. The Group consists of Northpower Limited, its subsidiaries and its investment in joint operations. 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, distribution system 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 statement of comprehensive income and changes in equity are stated exclusive of GST. All items in the balance sheet and 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 19)
- Intangible assets (Note 12)
- Property, plant and equipment (Note 13)
- Trade and other payables (Note 9)
- Financial risk management – objectives and policies (Note 19)
- Related parties (Note 21)

Comparatives

Certain comparatives have been restated to ensure consistency with current year presentation as follows:

— Interest income is included in net finance cost in note 4. It was previously included in other income.
— Net gain on revaluation of property, plant and equipment is presented net of tax in other comprehensive income.

New accounting standards and interpretations adopted

On 1 April 2019 a new accounting standard NZ IFRS 16: Leases was adopted. Refer to Note 14 for details of accounting policies and impact from adoption of NZ IFRS 16.

Standards issued but not yet effective

The following new accounting standards are not expected to have a material impact for the Group:

— amendments to NZ IFRS 3 Definition of a Business, effective for reporting periods beginning on or after 1 January 2020: The amendments aim to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.

— amendments to NZ IAS 1 and NZ IAS 8 Definition of Material, effective beginning on or after 1 January 2020: The amendments have been issued to make the definition of 'material' in NZ IAS 1 easier to understand.

— 2019 Omnibus Amendments to NZ IFRS, effective for reporting periods beginning on or after 1 January 2020: amends FRS 44 to require that if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the NZASB, the information specified in paragraphs 30 and 31 of NZ IAS 8 should be disclosed. The amendments make various other editorial corrections to various NZ IFRSs.

— amendments to NZ IAS 1 Classification of Liabilities as Current and Non-current, effective for reporting periods beginning on or after 1 January 2022: The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

— Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (Amendments to NZ IFRS 10 and NZ IAS 28), effective for reporting periods beginning on or after 1 January 2025: Clarifies the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The amendments confirm that the accounting depends on whether the contributed assets constitute a business or an asset.

The following new accounting standards are not expected to have an impact because they are not relevant to the group's current activities or are not required:

— amendments to NZ IFRS 9, NZ IAS 39 and NZ IFRS 7 Interest Rate Benchmark Reform, effective 1 January 2020. The amendments affect entities that apply the hedge accounting requirements of NZ IFRS 9 or NZ IAS 39 to hedging relationships directly affected by the interest rate benchmark reform.

— NZ IFRS 17 Insurance Contracts: - NZ IFRS 17 Insurance Contracts has been issued to replace NZ IFRS 4. This standard is effective 1 January 2021.

2. Revenue from contracts with customers

	2020 $000s	2019 $000s
Revenue recognised over time		
Electricity distribution revenue	**63,880**	74,719
Metering	**885**	637
Electricity generation	**1,767**	2,726
Fibre telecommunication services	**1,691**	585
Contracting revenue - electricity industry	**292,582**	273,059
Contracting revenue - fibre telecommunications industry	**4,119**	5,104
Revenue recognised at a point in time		
Capital contributions	**3,963**	4,407
Total	**368,887**	361,237

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 $10.1 million paid during the year to the consumer owners (2019: nil), refer to Note 16.

ii ***Metering revenue***

The performance obligation is satisfied on reading of end consumer electricity metering equipment and revenue is recognised over time. Payment is generally due within 20 to 45 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 within 20 – 45 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 within 20 to 45 days 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 comprehensive income statement 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:

	2020 $000s	2019 $000s
Fees to Audit New Zealand for:		
- Audit of financial statements	**215**	208
- Special audits required by regulators	**60**	70
Fees to non Audit New Zealand firms for:		
- Audit of financial statements of subsidiary	**27**	22
- Advisory services	**480**	505
Under provision of prior year audit fees	**63**	-
Fair valuation loss on derivative	**1,368**	1,676
Net (gain)/loss on foreign exchange	**(35)**	255
Directors' fees	**498**	484
Rental and lease costs	**1,518**	12,343

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

4. Net finance Cost

	2020 $000s	2019 $000s
Interest income	**78**	126
Interest expense	**(3,813)**	(3,758)
Capitalised interest	**241**	388
Interest on leases	**(1,900)**	-
Net finance cost	**(5,394)**	(3,244)

Interest income and interest expense is recognised using the effective interest method. Eligible borrowing costs were capitalised at an average interest rate of 2.3% (2019: 2.6%).

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 $26.1 million was recognised in the profit or loss during the year (2019: $28.6 million). Inventory written down during the period amounted to nil (2019: nil). No inventory was pledged as securities for liabilities, however some inventory is subject to retention of title clauses.

6. Employee benefits & entitlements

	2020 $000s	2019 $000s
Salaries & wages	**126,398**	117,462
Defined contribution plan employer contributions	**4,217**	3,251
Movement in employee entitlements	**(785)**	(349)
Total employee benefit expenses	**129,830**	120,364

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

	2020 $000s	2019 $000s
Short-term employee benefits	**3,117**	2,952
Termination benefits	**-**	137
Total compensation of key management personnel	**3,117**	3,089

Employee entitlements are represented by:	2020 $000s	2019 $000s
Current		
Accrued salaries & wages	**2,724**	4,496
Annual leave	**10,310**	9,439
Sick leave	**810**	667
Total current portion	**13,844**	14,602
Non-current		
Retirement & long service leave	**709**	736
Total non-current portion	**709**	736
Total	**14,553**	15,338

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

	2020 $000s	2019 $000s
Balance at 1 April	**4,342**	2,250
Received during the year	**1,930**	2,218
Income recognised during the year	**(248)**	(126)
Balance at 31 March	**6,024**	4,342

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 17. 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

	Notes	2020 $000s	2019 $000s
Trade receivables		**44,394**	43,081
Less provision for impairment	19	**(489)**	(169)
Wages subsidy receivable	9	**9,008**	-
Prepayments		**1,399**	1,631
Total		**54,312**	44,543

9. Trade and other payables

	Note	2020 $000s	2019 $000s
Trade payables		**21,213**	20,764
Accrued payables		**9,071**	8,230
Wages subsidy payable	8	**8,408**	-
Total		**38,692**	28,994

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 a 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 income in profit or loss. In March 2020, $0.6 million relating to wages subsidy was recognised as income. The wages subsidy was received in full from the Government in April 2020.

10. Income tax expense

	Notes	2020 $000s	2019 $000s
Profit before income tax		20,669	35,364
At New Zealand's statutory tax rate of 28% (2019: 28%)		5,787	9,902
Plus/(less) tax effect of:			
- Non-deductible expense		222	160
- Non-taxable income		(97)	(35)
- Prior period adjustment		(70)	43
Adjustment for joint venture		(505)	(191)
Deferred tax on buildings due to reinstatement of tax depreciation	11	(1,643)	-
Tax on income not included in accounting profit		426	815
		4,120	10,694
The taxation charge is represented by:			
- Current taxation		4,248	7,748
- Deferred taxation		251	2,903
- Prior period adjustment relating to current tax		(379)	(190)
- Prior period adjustment relating to deferred tax		-	233
		4,120	10,694
Imputation credits available for use in subsequent reporting periods		55,681	49,300

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 against 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 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)**
Balance as at 1 April 2018	(56,175)	3,440	(2,526)	(55,261)
Charged to profit/(loss)	(1,453)	153	(1,836)	(3,136)
Charged to other comprehensive income	7,685	-	-	7,685
Balance as at 31 March 2019	(49,943)	3,593	(4,362)	(50,712)

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.

The New Zealand Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act ('COVID-19 Act') on 25 March 2020. The bill reintroduced tax depreciation of non-residential buildings with an estimated useful of 50 years or more. This change in legislation impacts buildings held for use on which deferred tax is recognised on a recovery through use as defined in NZ IAS 12 Income Taxes. As a result of this change in legislation, a deferred tax asset of $1.6 million was recognised at balance date with a corresponding adjustment made to the tax expense in profit or loss.

12. 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 5 – 10 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 company's internal return on investment hurdle rate.

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.

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
At 1 April 2019	4,122	32,224	453	36,799
Addition	-	1,147	-	1,147
At 31 March 2020	4,122	33,371	453	37,946
Accumulated amortisation				
At 1 April 2019	(1,745)	(13,079)	-	(14,824)
Amortisation for the year	-	(3,312)	-	(3,312)
At 31 March 2020	(1,745)	(16,391)	-	(18,136)
Net carrying amount at 31 March 2020	2,377	16,980	453	19,810

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
At 1 April 2018	4,122	19,997	453	24,572
Transfers		(26)		(26)
Addition	-	12,253	-	12,253
At 31 March 2019	4,122	32,224	453	36,799
Accumulated amortisation				
At 1 April 2018	(1,745)	(11,276)	-	(13,021)
Amortisation for the year	-	(1,803)	-	(1,803)
At 31 March 2019	(1,745)	(13,079)	-	(14,824)
Net carrying amount at 31 March 2019	2,377	19,145	453	21,975

Allocation of goodwill to cash-generating units

	2020 $000s	2019 $000s
Northern contracting	877	877
Central contracting	1,500	1,500
	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. Based on the impairment assessment of the cash generating units, no impairment was required for the year.

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 comprehensive income statement 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.

13. 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											
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)
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											
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
At 31 March 2020	-	(280)	(133)	(948)	(7,574)	(5,333)	(2,588)	(10,309)	(32,380)	(8,744)	(68,289)
Net carrying amount 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
Cost or fair value											
At 1 April 2018	8,027	7,865	2,520	2,118	331,834	5,569	4,333	15,746	41,272	21,477	440,761
Addition	-	-	382	422	15,941	127	10,402	119	4,954	304	32,651
Transfers	-	(110)	(192)	240	318	(244)	-	6	3	4	25
Revaluation adjustment	1,606	835	103	-	(88,334)	-	-	-	-	-	(85,790)
Disposal	-	-	-	(14)	(57)	-	-	-	(2,790)	(7,272)	(10,133)
At 31 March 2019	9,633	8,590	2,813	2,766	259,702	5,452	14,735	15,871	43,439	14,513	377,514
Accumulated depreciation											
At 1 April 2018	-	(410)	(200)	(556)	(51,087)	(5,316)	(1,234)	(9,305)	(28,732)	(15,886)	(112,726)
Depreciation charge for the year	-	(222)	(128)	(164)	(7,760)	(171)	(578)	(502)	(3,022)	(775)	(13,322)
Transfers	-	17	14	(28)	(183)	182	-	-	-	-	2
Revaluation adjustment	-	615	314	-	59,020	-	-	-	-	-	59,949
Disposal	-	-	-	3	10	-	-	-	2,602	5,589	8,204
At 31 March 2019	-	-	-	(745)	-	(5,305)	(1,812)	(9,807)	(29,152)	(11,072)	(57,893)
Net carrying amount at 31 March 2019	9,633	8,590	2,813	2,021	259,702	147	12,923	6,064	14,287	3,441	319,621

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

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**

2019	Freehold land $000s	Freehold buildings $000s	Building infrastructure $000s	Distribution system $000s
Cost	6,223	10,410	3,484	325,337
Accumulated depreciation & impairment	-	(2,788)	(852)	(84,453)
Net carrying amount	6,223	7,622	2,632	240,884

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.

Revalued assets

Distribution system and land, buildings and building infrastructure assets are revalued after initial recognition and are stated in the 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 other reserves 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 valuers 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 since 31 March 2019 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.

Distribution system assets are valued by an independent valuer. The revaluation exercise is performed every three years. The most recent valuation for distribution 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 10 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 FY20 posted discount was also included in the valuation cash flows as it formed part of the contract price.

The valuers estimated a range of values attributable to the Group's distribution system 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.

For the current year a fair value assessment of the distribution 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. Further, a sensitivity analysis to include any potential impact of Covid-19 indicated that a 5% increase/(decrease) in network EBITDA would increase/(decrease) the valuation by $5 million and a 5% decrease/increase in the discount rate i.e. 4.6% or 5.1% would increase/(decrease) the fair value by $7 million. The distribution revenue forecast was based on updated 10 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 distribution system 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 - free hold	10 - 50 years
Buildings - infrastructure	10 - 20 years
Leasehold improvements	2 - 20 years
Distribution system	5 - 70 years
Meters	2 - 4 years
Fibre Assets	10 - 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.

Gain on disposal of PPE

During the year a gain on disposal of PPE of $0.1 million (2019: $0.3 million) was recognised in the profit or loss within other income.

14. Leases

NZ IFRS 16 Leases establishes one sole accounting model for lessees, where the amounts in the 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 of the 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 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.

Impact on adoption of NZ IFRS 16 Leases

The Group applied NZ IFRS 16 using the modified retrospective transition approach. Comparative information and opening equity are therefore not restated and continue to be reported under NZ IAS 17 Leases and IFRIC 4 *Determining whether an arrangement contains a lease*

As at transition date, the Group recognised right of use assets of $56.2 million and a corresponding lease liability of $56.2 million on balance sheet. There was no impact to opening retained earnings.

	$000s
Operating lease commitment as at 31 March 2019	**55,263**
Adjustments on transition:	
Low value leases	**(304)**
Short term leases	**(321)**
Lease management cost	**(296)**
Leases terminated on the date of transition	**(116)**
Leases commenced on the date of transition	**504**
Extension options reasonably certain to be exercised	**8,381**
Adjusted undiscounted operating lease commitment as at 1 April 2019	**63,111**
Discounted using incremental borrowing rate as at 1 April 2019	**56,215**

Right of use assets

	Buildings $000s	Vehicles $000s	Closing balance $000s
Cost			
At 1 April 2019	13,594	42,621	56,215
Additions	10,084	13,238	23,322
Disposals	-	(269)	(269)
Remeasurement	327	(229)	98
At 31 March 2020	24,005	55,361	79,366
Accumulated depreciation			
At 1 April 2019	-	-	-
Additions	(2,913)	(9,077)	(11,990)
Disposals	-	245	245
Other adjustments	(29)	(10)	(39)
At 31 March 2020	(2,942)	(8,842)	(11,784)
At 31 March 2020			
Cost	24,005	55,361	79,366
Accumulated depreciation	(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:

	2020 $000s	2019 $000s
Within one year	49	50
After one year but not more than five years	73	115
More than five years	85	93
Total non-cancellable operating leases	207	258

15. Cash flow statement reconciliation

	2020 $000s	2019 $000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net profit after income tax	16,549	24,670
Adjustments for:		
- Depreciation & amortisation	28,592	15,125
- Gain on sale of property, plant & equipment	(106)	(311)
- Deferred income release	(248)	(126)
- Non cash capital contribution revenue	(3,963)	(4,407)
- Fair valuation loss on derivative financial instruments	1,368	1,676
- Capitalised interest	(241)	(388)
- Non cash interest	258	87
- Equity accounted earnings of joint venture net of dividends received	(493)	2,227
Changes in assets & liabilities		
-Increase/(decrease) in trade & other payables	9,698	(6,608)
- Less related to property, plant and equipment	919	(1,559)
-(Decrease)/increase in contract liabilities	(2,412)	14,937
- Increase in contract assets	(1,587)	(5,306)
- Increase in income tax	(9,582)	(1,180)
- Increase in trade & other receivables	(9,769)	(6,313)
- (Increase)/decrease in inventory	(323)	198
- Increase/(decrease) in deferred tax liabilities	251	(4,549)
- Less movement relating to asset revaluation reserve	-	7,685
- Decrease in employee entitlements	(785)	(349)
Net cash from operating activities	28,126	35,509

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 statement of cash flows.

2020	Cash	Lease liabilities	Borrowings	Total
	$000s	$000s	$000s	$000s
Net debt 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 31 March 2020	**(2,013)**	**68,481**	**92,139**	**158,607**

2019	Cash	Lease liabilities	Borrowings	Total
	$000s	$000s	$000s	$000s
Net debt 1 April 2018	(3,739)	-	63,438	59,699
Cash flows	598	-	2,825	3,423
Non cash movements	-	-	(39)	(39)
Net debt 31 March 2019	(3,141)	-	66,224	63,083

16. Equity

Share capital

The total number of shares authorised and issued is 35,981,848 (2019: 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. A revaluation adjustment net of tax of $nil was recognised during the year (2019: $18.2 million).

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 the 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 dividend of $1.4 million was paid (2019: $8.1 million).

No dividend was declared or paid in relation to the 2020 financial year due to change to a posted discount model. During the year a posted discount of $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 55%.

17. Borrowings

	Maturity	2020 $000s	2019 $000s
Current	Less than 12 months	**45,000**	40,000
Non Current			
Unsecured loans	Within 2 yrs	**-**	17,700
Unsecured loans	Within 2 & 3 yrs	**34,000**	-
Interest free Crown loan	Beyond 5 years	**7,115**	4,182
Total non current		**41,115**	21,882
Total borrowings		**86,115**	61,882

All loans and 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 the loans and 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 $45 million of current and $55 million of non-current lending facilities with an average rate of interest during the year of 2.2% (2019:2.6%). During April 2020, the Group secured an additional lending facility for $25 million with a maturity date in April 2023 and renegotiated a $45 million facility that was due to expire in August 2020, with a new maturity date in April 2025. 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 2020 and 2019.

18. Derivatives

	2020 $000s	2019 $000s
Current		
Forward foreign exchange contracts	**(33)**	-
Interest rate swaps	**280**	88
Non-current		
Interest rate swaps	**5,613**	4,384

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 balance sheet in other receivables or other payables.

19. 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 contracts

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 2020 forward foreign exchange contracts outstanding was $0.5 million (2019: Nil).

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 $1.3 million (2019: $1.6 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 $72 million (2019: $84 million). The fixed interest rates of interest rate swaps vary from 3.22% to 4.65% (2019: 2.67% 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 2020 the ageing analysis is as follows:

	2020			2019		
Trade receivables	Gross $000s	Impairment $000s	Net $000s	Gross $000s	Impairment $000s	Net $000s
Not past due 1-30 days	**49,258**	**-**	**49,258**	41,141	-	41,141
Past due 31 - 60 days	**2,603**	**-**	**2,603**	896	-	896
Past due 61 - 90 days	**316**	**-**	**316**	172	-	172
Past due 91 days plus	**1,225**	**(489)**	**736**	872	(169)	703
Total	**53,402**	**(489)**	**52,913**	43,081	(169)	42,912

	2020		
Contract assets	Gross $000s	Impairment $000s	Net $000s
Not past due 1-30 days	**13,257**	**-**	**13,257**
Past due 31 - 60 days	**4,974**	**-**	**4,974**
Past due 61 - 90 days	**1,682**	**-**	**1,682**
Past due 91 days plus	**5,345**	**-**	**5,345**
Total	**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:

	2020 $000s	2019 $000s
Balance at 1 April	169	138
Additions	482	105
Bad debts written off	(162)	-
Reversal	-	(74)
Balance at 31 March	489	169

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 $100 million (2019: $120 million). There are no restrictions on the use of the facilities. The parent also has in place a credit card facility with a combined credit limit over all cards issued of $1 million (2019: $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

			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

			2019		
$000s	Within 1 year	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	Total
Non-derivative financial liabilities					
Trade payables	26,660	-	-	-	26,660
Lease liabilities	-	-	-	-	-
Interest bearing loans	40,526	13,357	665	-	54,548
Interest free Crown loan	-	-	-	8,467	8,467
Derivative financial liabilities					
Net settled derivatives					
Interest rate swaps	88	477	1,830	2,077	4,472
Total Contractual cash flows	67,274	13,834	2,495	10,544	94,147

20. 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.

	2020 $000s	2019 $000s
Financial assets at fair value through profit and loss		
Forward foreign exchange contracts	**33**	-
Financial assets at amortised cost		
Cash & cash equivalents	**2,013**	3,141
Trade & other receivables	**52,913**	42,912
Total financial assets at amortised cost	**54,959**	46,053
Financial liabilities at fair value through profit and loss		
Interest rate swaps	**5,893**	4,472
Financial liabilities measured at amortised cost		
Borrowings	**86,115**	61,882
Lease liabilities	**68,481**	-
Trade & other payables	**36,584**	26,660
Total financial liabilities measured at amortised cost	**191,180**	88,542

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, 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 as 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 the effective interest rate (EIR) method. 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.

Fair value hierarchy of non-financial assets

The Group obtains independent valuations for its system distribution 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	-	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
Total	10,040	281,313	291,353

21. Related parties

Subsidiaries

Subsidiaries are entities controlled directly or indirectly by Northpower. All subsidiaries have a 31 March balance date and are wholly owned. Northpower 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 the year Northpower Solutions Limited was fully amalgamated with Northpower.

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.

Joint venture – investment in associate

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 the Group's accounting policies.

At 31 March 2020, the Group held 69.5% of the shareholding in NFL with the remaining held by the other shareholder Crown Infrastructure Partnership Limited (CIPL). The investment has been classified as a joint venture because:

- each party shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns.
- during the concession period neither party has the unilateral right to make decisions regarding NFL activities.
- both parties have the right to appoint two of the five directors on the NFL Board and neither is able to control the majority of votes of the Board.

	2020 $000s	2019 $000s
Transactions during the year		
Sales to joint venture	**9,493**	3,953
Purchases from joint venture	**577**	383
Dividend received from joint venture	**1,322**	2,911
Purchase of shares in joint venture	**5,054**	1,149
Outstanding balances as at 31 March		
Payable to joint venture	**175**	-
Receivable from joint venture	**656**	538

Movements in the carrying amount of the Group's investment in associate

	2020 $000s	2019 $000s
Begining balance	**25,456**	26,534
Additional investment made	**6,512**	1,149
Share of profit after income tax	**1,709**	930
Unrealised profit adjustment	**167**	(193)
Realised profit adjustment	**(61)**	(53)
Dividend received	**(1,322)**	(2,911)
Balance at 31 March	**32,461**	25,456

At balance date, the Group's equity accounted investment in NFL was assessed for impairment using a value-in-use discounted cash flow methodology. A key assumption in the valuation is the forecast rate of uptake of customers connecting to the fibre broadband network. The assessment indicated there was no impairment required.

Summarised financial information

Extracts from the joint venture statement of financial position:

	2020 $000s	2019 $000s
Cash and cash equivalents	**4,401**	1,573
Other current assets	**1,614**	2,242
Non-current assets	**45,933**	41,969
Current liabilities	**1,853**	1,789
Non-current liabilities	**1,584**	1,584
Net assets	**48,511**	42,411
Share of joint venture net assets	**33,715**	27,143
Extract from the joint venture statement of comprehensive income:		
Revenue	**10,373**	8,785
Depreciation	**(2,535)**	(2,527)
Interest income	**28**	31
Tax	**(922)**	(583)
Net profit after tax	**2,369**	1,457

Transactions between the company and key management personnel

Certain Directors and key management of Northpower 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	
			2020	2019	2020	2019
Nikki Davies-Colley Chair of the Northpower Board	Farmlands Trading Society Limited	Director	**8**	19	**-**	-
Paul Yovich Trustee of Northpower Electric Trust	Busck Prestressed Concrete Limited	Trustee of a shareholder	**2,415**	2,592	**27**	201
Ercoli Angelo Trustee of Northpower Electric Trust	Strada Eleven Limited	Director/ shareholder	**4**	4	**-**	-
	Ngatiwai Trust Board and DOC	Partnership	**1**	-	**-**	-
Josie Boyd General Manager Network	Electricity Engineers Association	Board member	**75**	39	**-**	-

22. Guarantees and contingencies

	2020 $000s	2019 $000s
Performance bonds in relation to contract work	**31,554**	30,999

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.

A dispute has progressed post balance date towards a likely favourable settlement and is expected to result in an economic inflow to the Group. Due to the uncertainties involved, a provision of $0.9 million for potential counter claims was made at balance date towards this dispute.

Northpower is a participant in the DBP Contributors' Scheme (the scheme) which is a multiemployer defined benefit scheme operated by National Provident Fund. If the other participating employers ceased to participate in the scheme, Northpower could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

23. 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:

Non-cancellable operating leases:	2020 $000s	2019 $000s
Within one year	**127**	126
After one year but not more than five years	**49**	178
Total	**176**	304

Capital commitments contracted at balance date was $5.7m (2019: $2.6m)

Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Infrastructure Partnership Limited. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

24. Events after balance date

There were no significant events after reporting date.

25. Covid-19 impact disclosures

The Directors have considered the current and future potential effects on the business caused either directly or indirectly by Covid-19. The effect on the overall results in FY20 was not material because of the very short period of the lockdown within this financial year.

Level 4 restrictions over April 2020 materially affected Group revenues over that month. Various mitigations were put in place over the first quarter of FY21 to offset reductions in revenue due to Covid-19. Electricity and Fibre divisions were not materially affected and the current forecasts indicate revenue will be on par with the target.

Level 4 lockdown had a material effect on the contracting division with only essential works being able to be completed. However, activity levels have rebounded strongly since restrictions were lifted.

Future potential effects are speculative and unknown. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn, which has been predicted by some economic commentators. In that event, Directors believe the effect on the key elements in the financial statements would be:

- Network revenue: Northpower has a mix of residential, commercial, and very large industrial consumers. The portion of the revenue stream dependent on consumption and capacity usage has less risk from a temporary reduction in variable consumption by these consumers. Directors see the key risk to revenues from Covid-19 to be the risk of large-scale businesses closures because of the economic downturn. Even in this case, the impact on Network revenue is unlikely to be greater than 5%.
- Contracting revenue: In the medium-long term, contracting revenue from existing Electricity Network customers is not expected to be materially affected. Any negative effect on future income is possible but unlikely.
- Capital contributions revenue: The capital contributions revenue is likely to decrease in the event of a sustained economic downturn due to a potential decrease in subdivisions and developments. The impact could be up to a 50% reduction over FY21.
- Operating expenses: These are unlikely to change significantly. Potential effects could be higher bad debt costs however a majority of the income is received from large businesses, who themselves have protections. Bad debts can also arise from non-recovery of damage caused to the network by third parties and any sustained economic downturn would likely increase these non-recoveries. Other significant costs relate to subcontractor costs and employee benefits both of which are unlikely to be materially affected.
- Trade receivables are accounted at net realisable value and Directors believe that they will be fully recovered.

Audit New Zealand
Mana Arotake Aotearoa

Independent auditor's report

To the readers of Northpower Limited's financial statements and performance information for the year ended 31 March 2020

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the company on pages 50 to 71, that comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 48 to 49.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects
    - its financial position as at 31 March 2020; 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 company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 31 March 2020.

Our audit was completed on 30 June 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to the impact of Covid-19. 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.

Emphasis of Matter – Covid-19

Without modifying our opinion, we draw attention to Note 25 to the financial statements, which explains the impact of the Covid-19 pandemic on the company. The effect on the overall results was not material because of the very short period of the lockdown within this financial year. Total network lines revenue was not materially affected, although there may be a risk of large scale business closures because of the economic down turn. The impact on line revenue is expected to be less than 5%. Contract revenue, in the medium to long term is not expected to be materially impacted. Capital contributions revenue is expected to reduce to up to 50% in the next financial year. Operating expenditure is unlikely to change significantly. Note 13 on page 62 also describes the impacts of Covid-19 and the uncertainties (where applicable) related to estimating the fair values of its Network assets.

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 company 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 company 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 company 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 company 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.

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 company'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 company's internal control.
- We evaluate the appropriateness of the reported performance information within the company'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 company'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 company 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 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 47, 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 company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): 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.

Clarence Susan

Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand

Northpower Limited

Board

Chair
N P Davies-Colley

Directors
R C Booth
M B D James
M D Trigg
P G Hutchings
L S Kubiak
E M P A Jacobs (appointed 1 February 2020)
M K Kong (appointed 1 February 2020)

Executive Officers

Chief Executive
A I McLeod

Chief Financial Officer
O M O' Neill

General Manager, Network
J M Boyd

General Manager, Business Performance
A P Wilshire

General Manager, HSQE
L B Richards

General Manager, Contracting
M Taylor

General Manager, People and Capability
A M O'Brien

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, Whangarei

Auditors
Audit New Zealand, Tauranga,
on behalf of the Auditor-General

Registered Office
28 Mount Pleasant Road, Whangarei

Northpower