2023 Annual Report to WESCT Customers

Waitomo Energy Services Customer Trust

Contents

Trustee Review

E ngā mana, e ngā reo, e ngā karangatanga maha, tēnā koutou katoa.

Greetings to all authorities, members, and affiliations.

As Chair of the Waitomo Energy Services Customer Trust (WESCT), I am privileged to present this report on behalf of WESCT for the year ending the 31st of March 2023 (FY23).

Waitomo Energy Services Customer Trust

The core purpose of WESCT is to hold 11,846,808- shares in the Lines Company Limited (TLC) on behalf of WESCT customers. As a result of the work of previous Trustees, this represents 100% of TLC.

Because of this ownership, WESCT customers received a discount from TLC of $4.2m during FY23. For those, not GST registered and treating the lines cost as a business expense, you would also have received the GST on top of that sum.

Trustee Update

The Trustees at the end of FY23 were:

- William Oliver / Chair, “A” Trustee
- Cathy Prendergast / Deputy Chair, “B” Trustee
- Guy Whitaker / “B” Trustee
- Erin Gray / “A” Trustee
- Carolyn Christian / “Appointed” Trustee
- Janette Osborne / “A” Trustee

Erin Gray, Janette Osborne, Cathy Prendergast, Guy Whitaker, William Oliver, Carolyn Christian

WESCT Trustees 31 March 2023

In FY23, the Trust had 17 core meetings which included 11 monthly Trustee meetings, strategy meetings, annual meetings, Director reviews and SCI meetings. Individual Trustees each attended between 12 and 17 of these core meetings.

Trust functions

In FY23, the Trust continued to perform the key functions on behalf of its beneficiary customers, which cover:

1. Appointment of TLC directors;
2. Director review meetings;
3. Discussion and acceptance of the 2023/24 Statement of Corporate Intent; and
4. Publically reporting on both TLC and WESCT performance for the financial year.

In addition to the above, the Trustees continued work: creating standard operating procedures; reviewing the Trust Deed; communicating with beneficiaries and key stakeholders; developing a long-term strategy; and working alongside TLC to complete an application for a private ruling with IRD to utilise tax imputation credits.

TLC Director Update

The majority of FY23 saw the TLC Board operate with six Directors, Bella Takiari-Brame, Andrew Johnson, Craig Richardson, Mike Underhill, Todd Spencer and Fraser Jonker.

Director Todd Spencer was appointed 1 May 2022 and Director Fraser Jonker 1 June 2022.

Financial Performance of the Trust

The Trust's income was $382k, which was $4k higher than the previous year due to higher interest income from BNZ.

The operational expenditure was $452k, which was $125k higher than FY22. The overall level of expenditure in FY23 was within the budgeted amount set by the Trust, as expenditure can vary significantly from year to year.

The key areas of increased expenditure were:

1. Audit Fee (+$32k)
2. Consultancy Fees (+$57k)
3. General Office Expenses (+$5k)
4. Secretarial Fees (+$6k)
5. Conference Expenses (+$7k)
6. Subscriptions and Licences (+$15k)
7. Trust Deed Review (+$45k)

The key areas of decreased expenditure were:

1. Recruitment Costs (-$39k)
2. Election/Poll Expenses (-$5k)

WESCT records an FY23 net operating result of a $70k deficit before tax (compared to a $51k surplus in FY22). However, after considering tax, WESCT had a net profit of $13k.

The Trust aims to operate as close to a breakeven position as possible and hold enough monies in reserve as contingency funds.

Financial performance of TLC

Cyclone Gabrielle caused great devastation at the end of FY23. This weather event caused major destruction on the network, but we were more fortunate than other areas of New Zealand. The TLC team went above and beyond to serve their communities and restore power in trying circumstances.

A return on average equity before customer discount was 5.7% compared to a target of 6.5%. Several weather events, including Cyclones Hale and Gabrielle, increased costs throughout the year. In FY23, the interest rate increased due to inflationary pressures impacting the overall return.

TLC had four months impacted by significant adverse weather events, with outage durations being double what is typical.

This year has been both challenging and rewarding where TLC achieved the following:

- The line mechanic team won three coveted awards at the Connexis Annual connection
- Finalist in the New Zealand Energy Excellence Awards – Community Initiative of the Year
- $7.2m profit
- $4.2m (excluding GST) paid to WESCT customers
- An investment of $357k in local sponsorships, scholarships, food banks and the Maru Energy Trust
- An investment of $12m in network improvements
- 160 staff employed by the Group
- An 80% reduction in critical risk incidents
- A 35% increase in positive near-miss reporting

- Retaining 24,000 connection points on the network.
- Influx had 5,800 new AMI connections

Statement of Corporate Intent (SCI)

Each year the SCI is agreed with the Directors of TLC. The summary below is TLC's performance against the SCI targets extracted from the TLC annual report.

Key performance Indicator	Achieved	Actual	Target	Comments
Custodianship				
Return on average assets before customer discount	×	3.9%	4.1%	A number of weather events, including Cyclones Hale and Gabrielle and increases in interest costs impacted return.
Return on average equity before customer discount	×	5.7%	6.5%	
Equity ratio	✓	55.5%	No less than 40%	
TLC discount policy	✓	$4.2m	$4.2m	
TLC dividend policy	✓	$300k	$300k	
Group debt (including subordinated debentures)	✓	$77.5m	$77.7m	
Average cost of debt	×	3.82%	3.00%	The OCR rate has increased by 3.75% over the last year. The full impact of this increase in rates has been reduced by the lower swap rates.
Community				
Local initiatives investment	×	$357k	$400k	This reflects ongoing discussions with local organisations, where formal partnership programmes have not yet been agreed. We expect those agreements to be in place during FY24.
Customer satisfaction	×	53%	65%	Customer satisfaction was impacted due to unplanned outages, restoration timeframes, communication about unplanned and planned outages, and receiving information about outages in a timely manner.
Maru Energy Trust support homes across network	×	105 Insulation installations 115 heat pump installations	200 insulation installations 250 heat pump installations	Investment into the MBIE-funded energy efficiency bulb project reduced cashflow for the trust and contributed to a reduced number of installations.
Performance				
Reliability – Unplanned SAIDI	×	238.9 minutes	152 minutes (Regulatory limit 181.5 minutes)	Our year-end performance reflects a year of significant storm activity, including Cyclone Gabrielle resulting in performance targets not being met. In addition, the regulatory limit for unplanned SAIDI and SAIFI was also exceeded.
Reliability – Unplanned SAIFI	×	3.44 interruptions	2.60 interruptions (Regulatory limit 3.27 minutes)	
People				
No serious harm injuries	✓	Nil	Nil	
Reduce the percentage of Critical Risk incidents	✓	80% Reduction	10% Reduction	We will measure and report incidents against each critical risk as a basis for future trend reporting.

The future

In June 2023, TLC sold its subsidiary company Influx to Intellihub. The sale unlocks substantial value for TLC as it heads into the future.

The strategic focus of both TLC and WESCT remain consistent with recent years, and we continue to see that the future of our lines network business is summarised well within two keywords – 'Change and Challenge'. The change in relation to public perception, climate change, new regulations and compliance from the central Government, coupled with the challenge of TLC providing a resilient network balanced against affordability.

As always for our Company, running a great network business responsive to the needs of the communities and its customers should always be the core focus.

Acknowledgements

Most importantly, we need to acknowledge the WESCT beneficiary customers. If you have read this report or are at the annual meeting, we thank you for taking an interest in our community's future and the part that WESCT and TLC play.

I want to thank all of the TLC staff. We acknowledge the team who worked during this period and through the extreme weather events, including Cyclones Hale and Gabrielle. Whether you were out working on the network or providing customer-facing help, working in operations, finance, regulatory, IT or one of the other numerous roles that contribute to keeping our communities connected, we appreciate what you do, including getting the power back on during a storm when we are all tucked up in our warm homes. Thank you to the Senior Leadership Team and the Board. Your time and efforts during this period were phenomenal, and despite all the odds thrown at you, you provided a positive financial result for our WESCT customers.

Thank you also, my fellow Trustees and Celina Yapp, who provides the Trust's secretarial services. The team completes a lot of work behind the scenes for something we are all very passionate about - the prosperity of our community and the part that affordable energy plays.

Tēnei te mihi ki a koutou katoa.

William Oliver

WESCT Chair

Trustees Report

The Trustees present the consolidated annual report of the Waitomo Energy Services Customer Trust for the year ended 31 March 2023, which are signed on behalf of the Trust by:

21 September 2023

William Oliver Date
WESCT Chairperson

21 September 2023

Janette Osborne Date
Trustee

Statements of Comprehensive Income

for the year ended 31 March 2023

		Group		Trust	
		2023	2022	2023	2022
	Note	$'000	$'000	$'000	$'000
Continuing operations					
Revenue from contracts with customers	1	47,176	42,148	-	-
Dividend income	25	-	-	300	300
Operating expenses	2	(29,869)	(25,724)	(452)	(327)
Depreciation and amortisation	9 & 10	(11,677)	(10,585)	-	-
Interest (costs)/income (net)	3	(2,740)	(2,198)	82	78
Total expenses		(44,286)	(38,507)	(370)	(249)
Profit/(loss) before tax		2,890	3,641	(70)	51
Income tax (expense)/income	4	(1,623)	(986)	83	64
Profit from continuing operations		1,267	2,655	13	115
Profit from discontinuing operations	11.2	5,611	4,638	-	-
Profit after tax		**6,878**	**7,293**	**13**	**115**
Profit for the year is attributable to:					
Equity holders of the company		6,885	7,267	13	115
- Profit for the year from continuing operations		1,274	2,629	13	115
- Profit for the year from discontinuing operations		5,611	4,638	-	-
Non-controlling interest from discontinuing operations (losses)/profit	15	(7)	26	-	-
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of network assets		4,000	18,006	-	-
Deferred tax relating to revalued assets		(1,120)	(5,042)	-	-
Other comprehensive income for the year, net of tax		2,880	12,964	-	-
Items that may be reclassified to profit or loss					
Cash flow hedge reserves	14.2	972	4,171	-	-
Deferred tax relating to cashflow hedges	14.2	(272)	(1,168)	-	-
Other comprehensive income for the year, net of tax		700	3,003	-	-
Total comprehensive income for the year		10,458	23,260	13	115
Total comprehensive profit is attributable to:					
Equity holders of the company		10,465	23,234	13	115
Total comprehensive income from continuing operations		4,854	18,596	13	115
Total comprehensive income from discontinuing operations		5,611	4,638	-	-
Non-controlling interest from discontinuing operations (losses)/income		(7)	26	-	-

The Statements of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statements of Financial Position

as at 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Current assets					
Cash and cash equivalents	6	2,863	6,865	354	413
Trade and other receivables	7	5,352	6,737	17	12
Contract assets	1	-	86	-	-
Inventories	8	1,529	1,119	-	-
Current tax asset	16	-	-	47	46
Assets held for sale	11.1	34,445	200	-	-
		44,189	15,007	418	471
Non-current assets					
Property, plant and equipment	9	271,230	293,340	-	-
Intangible assets	10	3,030	11,016	-	-
Investment in shares	13.1	-	-	58,664	58,664
Investment in subordinated debentures	13.2	-	-	1,000	1,000
Deferred tax asset	17	-	-	364	281
Other financial assets	24	3,178	2,206	-	-
		277,438	306,562	60,028	59,945
Total assets		**321,627**	**321,569**	**60,446**	**60,416**
Current liabilities					
Trade and other payables	19	7,012	6,557	49	32
Contract liabilities	1	209	325	-	-
Bank borrowings	18	-	76,077	-	-
Lease liabilities	21	30	196	-	-
Current tax liability	16	1,171	4,533	-	-
Provision for staff entitlements	20	1,543	2,154	-	-
		9,965	89,842	49	32
Non-current liabilities					
Bank borrowings	18	74,500	3,056	-	-
Lease liabilities	21	74	1,090	-	-
Subordinated debentures	18	2,000	2,000	-	-
Deferred tax liability	17	53,219	53,412	-	-
		129,793	59,558	-	-
Total liabilities		**139,758**	**149,400**	**49**	**32**
Net assets		**181,869**	**172,169**	**60,397**	**60,384**
Equity					
Trust share capital		11,930	11,930	11,930	11,930
Retained earnings		84,191	76,364	9,415	9,402
Cash flow hedge reserves	14.2	2,288	1,588	-	
Revaluation reserves	14.3	83,460	81,522	39,052	39,052
Equity attributable to equity holders of the company		**181,869**	**171,404**	**60,397**	**60,384**
Non-controlling interest	15	-	765	-	-
Total equity		**181,869**	**172,169**	**60,397**	**60,384**

The Statements in Financial Position should be read in conjunction with the Notes to the Financial Statements

Statements of Changes in Equity

for the year ended 31 March 2023

Group	Note	Share Capital $'000	Retained Earnings $'000	Cashflow Hedge Reserves $'000	Revaluation Reserves $'000	Total Attributable to Equity Holders $000	Non-controlling Interest $'000	Total Equity $'000
Balance as at 31 March 2021		**11,930**	**68,443**	**(1,415)**	**69,212**	**148,170**	**739**	**148,909**
Profit for the year		-	7,267	-	-	7,267	26	7,293
Other comprehensive profit								
Interest rate swaps		-	-	3,003	-	3,003	-	3,003
Revaluation network assets		-	-	-	12,964	12,964	-	12,964
Total other comprehensive profit		-		3,003	12,964	15,967	-	15,967
Transfer from retained earnings	14.3	-	654	-	(654)	-	-	-
Balance as at 31 March 2022		**11,930**	**76,364**	**1,588**	**81,522**	**171,404**	**765**	**172,169**
Profit for the year		-	6,885	-	-	6,885	(7)	6,878
Other comprehensive profit								
Interest rate swaps		-	-	700	-	700	-	700
Revaluation network assets		-	-	-	2,880	2,880	-	2,880
Total other comprehensive profit		-	-	700	2,880	3,580	-	3,580
Transfer from retained earnings	14.3	-	942	-	(942)	-	-	-
Dividends paid to non-controlling interest	15	-	-	-	-	-	(758)	(758)
Balance as at 31 March 2023		**11,930**	**84,191**	**2,288**	**83,460**	**181,869**	**-**	**181,869**
Attributable to Equity Holders of the Company		**11,930**	**84,191**	**2,288**	**83,460**	**181,869**	**-**	**181,869**

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

for the year ended 31 March 2023

Trust	Note	Share Capital $'000	Retained Earnings $'000	Revaluation Reserves $'000	Total Equity $'000
Balance as at 31 March 2021		**11,930**	**9,287**	**39,052**	**60,269**
Profit for the year		-	115	-	115
Balance as at 31 March 2022		**11,930**	**9,402**	**39,052**	**60,384**
Profit for the year		-	13	-	13
Balance as at 31 March 2023		**11,930**	**9,415**	**39,052**	**60,397**
Attributable to Equity Holders of the Company		**11,930**	**9,415**	**39,052**	**60,397**

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

for the year ended 31 March 2023

	Note	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Operating activities					
Cash generated/(utilised) from operations	22	18,258	15,870	(140)	(52)
Interest (paid)/received	3	(2,949)	(2,495)	82	78
Income taxes paid	16	(6,067)	(3,183)	(1)	(2)
Net cash inflow/(outflow) from operating activities		**9,242**	**10,192**	**(59)**	**24**
Investing activities					
Purchase of property plant and equipment		(13,250)	(16,869)	-	-
Purchase of intangible assets		(915)	(1,644)	-	-
Proceeds on disposal of property, plant and equipment		124	85	-	-
Net cash outflow from investing activities		**(14,041)**	**(18,428)**	**-**	**-**
Financing activities					
Dividends paid to non-controlling interest	15	(758)	-	-	-
Lease liability paid	21	(200)	(35)	-	-
Bank borrowings repaid		(62,867)	(8,238)	-	-
Bank borrowings advanced	18	74,500	-	-	-
Net cash inflow/(outflow) from financing activities		**10,675**	**(8,273)**	**-**	**-**
Net cash (outflow)/inflow from discontinuing operations	11.3	**(9,878)**	**21,968**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents		(4,002)	5,459	(59)	24
Cash and cash equivalents at the beginning of the year	6	6,865	1,406	413	389
Cash and cash equivalents at the end of the year	6	**2,863**	**6,865**	**354**	**413**

The Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

General Information

The Waitomo Energy Services Customer Trust (the Trust)) is an Energy Power Trust established under the Energy Companies Act 1992. The Trust's principal activity is investment in the electricity industry. It owns 100% of the shares in The Lines Company Ltd. The Group consists of the Trust, The Lines Company (the Company) and its subsidiaries Influx Energy Data Ltd and Speedys Road Hydro Ltd (the Group).

The company's principal activities are the conveyance of electricity through its distribution network, supply of electrical meter services, electrical contracting and electricity generation. Those principal activities are substantially carried out in the greater King Country region of New Zealand.

The consolidated financial statements were authorised for issue by the Trustees on 21 September 2023.

Summary of significant accounting policies

Basis of preparation

The consolidated financial statements (financial statements) of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group represents the Trust consolidating TLC and its subsidiaries, and the Trust figures presented represent WESCT standalone.

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

They are prepared on the historical cost basis except for the revaluation of certain non-current assets, assets of a disposal group classified as held for sale and financial instruments measured at fair value.

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

Significant accounting policies, estimates and judgements

The Board and management are required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods.

During the year the estimated useful life of Influx customer contracts was extended by six years due to the meters not being displaced as per original expected rate of decline. This does not impact the current depreciation but will impact future years' depreciation.

Unbilled network revenue included in contract assets in the prior year has been reclassified to trade and other receivables.

Judgements and estimates which are material to the financial statements are found in the following notes:

Note 1	Revenue recognition	Page 17
Note 9	Valuation of network distribution system	Page 24
Note 11	Assets of a disposal group classified as held for sale	Page 28
Note 17	Deferred tax asset recognition	Page 33
Note 20	Provisions	Page 37
Note 24.3	Financial instruments	Page 43

Accounting standards not yet adopted

There are no new accounting standards issued but not yet effective that materially impact the Group.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Revenue from contracts with customers

		Group		Trust	
		2023	2022	2023	2022
		$'000	$'000	$'000	$'000
Revenue recognised over time					
Network revenue before discounts		46,606	43,579	-	-
Less network discount	12	(4,158)	(4,066)	-	-
Network revenue		**42,448**	**39,513**	**-**	**-**
Revenue from electrical contracts which were unsatisfied and included in contract assets and liabilities		109	215	-	-
Revenue from completed electrical contracts		4,619	2,420	-	-
Electrical contracting revenue		**4,728**	**2,635**	**-**	**-**
				-	-
Revenue		**47,176**	**42,148**	**-**	**-**

Contract assets and liabilities

The following table reflects the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Electrical contracts assets due to percentage of completion	-	86	-	-
Contract assets	**-**	**86**	**-**	**-**
Electrical contracts liabilities due to percentage of completion	(24)	-	-	-
Network customer credit balances	(185)	(325)	-	-
Contract liabilities	**(209)**	**(325)**	**-**	**-**

Management expects that 100% (2022: 100%) of the transaction price will be allocated to the unsatisfied contracts to revenue in the next reporting period.

Policies

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and GST. All revenue is earned within New Zealand.

The Group has two streams of revenue:

- Network revenue
- Electrical contracting revenue

Network revenue results from the conveyance of electricity through its distribution network. The Company invoiced its customers (predominantly the end user) for electricity delivered across the region's line network until 30 September 2021. Customers do not have extended terms of payment and can terminate on short notice. On 1 October 2021 the Company transitioned over to retailer billing. The Company bills retailers directly for the electricity delivered across the region's line network. Retailers do not have extended terms of payment.

The Company's obligation is to provide a single performance obligation of continuous service to which the end customer benefits over time. Revenue is recognised at the price per kilowatt-hour (kWh) delivered to the customer in that period, incorporating variable pricing and reflects demand and deduction for losses and discounts. Payment terms are within 30 days.

A network discount is approved annually and paid in September and May. The network discount was paid in December and May in the prior year. This is accrued on a monthly basis.

Electrical contracting revenue relates to the installation of streetlights, lines and network connection for customers. Revenue is recognised based on the stage of completion of the contract applying the cost-to-cost method, i.e., based on the proportion of contract costs incurred to work performed to date relative to the estimated total contract cost. The Directors consider this input method as an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15, i.e., recognised over time.

General payment terms are that a 50% deposit is paid before work commences and final payment is made on completion of the contract. This may result in a contract asset or liability on the statement of financial position when comparing the payment received and the percentage of completion revenue. Where a contract liability is recognised, it is not considered to be a significant financing component as the period between milestone payments and revenue under the cost-to-cost method is less than a year.

Key judgements

Management must apply judgement where:

• The time of use pricing methodology. Revenue is calculated based on kWh used. Customers/retailers are billed according to the meter data provided to the end of the month. If no data is available, estimates are used. An accrual is raised for unbilled revenue. Unbilled revenue is recognised on actual consumption and there is no longer a significant judgement required. This is applied to the price plan set for that installation control point (ICP).

• Electrical contracting projects percentage of completion is assessed based on cost-to-cost basis. Judgement is used for the estimated final cost. Variations to contracts are assessed in the estimated final cost but these are minimal.

2. Operating expenses

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Transmission charges	5,684	5,745	-	-
Total staff cost recognised as expense (1)	13,228	10,957	-	-
Other network related expenditure	3,495	2,431	-	-
Cost of inventories recognised as expense	1,908	1,247	-	-
Low value or short term leases not included in leases (Note 21)	44	20	-	-
Donations and sponsorships	357	400	-	-
Professional fees	2,625	3,032	159	48
Property expenses	626	554	6	1
Secretarial fees	81	75	81	75
Trustee fees	119	114	119	114
Directors' fees and expenses	301	288	-	-
Gain on disposal of property, plant and equipment and software intangibles	(118)	(34)	-	-
Other expenses	1,519	895	87	89
Total	**29,869**	**25,724**	**452**	**327**

(1) The Lines Company applied for and received a wage subsidy of $32k (2022: $9k) from the Ministry of Social Development due to staff not being able to work as they had contracted COVID-19. The wage subsidy has been netted off against the total staff cost recognised as expense, in line with the Group's Government Grant accounting policy.

Policies

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

	Group		Trust	
	2023	2022	2023	2022
Fees and expenses paid to auditors	$'000	$'000	$'000	$'000
Financial statements audit fee [(2)]	327	264	38	7
Regulatory audit fees	117	106	-	-
OAG fees	31	22	2	-
Total	**475**	**392**	**40**	**7**

(2) The FY22 Group audit fee includes $30k relating to FY21. These were additional fees agreed to after the annual report was approved.

3. Interest (costs)/income (net)

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Interest on bank borrowings	(2,873)	(2,393)	-	-
Capitalised interest	214	304	-	-
Interest on lease liabilities	(5)	(7)	-	-
Interest paid/(received) on subordinated debentures	(100)	(100)	74	74
Interest income	24	4	8	4
Other interest expense, principally IRD Use of Money	-	(6)	-	-
Total	**(2,740)**	**(2,198)**	**82**	**78**

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 3.82% (2022: 3.13%).

Interest (paid)/received per the statement of cash flows

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Interest (costs)/income (net)	(2,740)	(2,198)	82	78
Less lease liability interest	5	7	-	-
Add capitalised interest	(214)	(304)	-	-
Net interest paid per the statement of cash flow	**(2,949)**	**(2,495)**	**82**	**78**

Policies

Interest income/expense is recognised as it accrues, using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Borrowing costs not directly attributable to qualifying assets is recognised as interest expense.

4. Income tax expense/(income)

Reconciliation of income tax expense		Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Profit/(loss) before income tax from continuing operations		2,890	3,641	(70)	51
Profit before income tax from discontinuing operations	11.2	7,061	6,509	-	-
Profit/(loss) before tax		9,951	10,150	(70)	51
Expenses that are non-deductible		210	264	(226)	(280)
Taxable profit/(loss)		10,161	10,414	(296)	(229)
Income tax expense at statutory tax rates		2,845	2,916	(83)	(64)
Effect of prior period tax adjustment		228	(59)	-	-
Income tax expense/(income)		**3,073**	**2,857**	**(83)**	**(64)**
Effective tax rate (being total tax expense divided by profit/(loss) before tax)		31%	28%	119%	125%
Current tax expense		5,020	5,916	-	-
Deferred tax expense		(1,947)	(3,059)	(83)	(64)
Income tax expense/(income)		3,073	2,857	(83)	(64)
Attributable to:					
Continuing activities		1,623	986	(83)	(64)
Discontinuing activities		1,450	1,871	-	-

Amounts recognised directly in other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit and loss component of the statements of comprehensive income but directly debited and credited to other comprehensive income.

	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Deferred tax – debited directly to other comprehensive income	1,392	6,210	-	-
Total tax expense for the year recognised in other comprehensive income	1,392	6,210	-	-

Policies

Income tax expense comprises current and deferred tax and is calculated using tax rates enacted or substantively enacted at balance sheet date.

Current and deferred tax is recognised in profit and loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Imputation credits

The value of imputation credits for the Group available for subsequent reporting periods as at 31 March 2023 is $21.0m (2022: $17.0m).

The Parent entity is a Trust and therefore not required to maintain an imputation credit account. Any tax paid by the trust is a final tax on income received.

5. Operational profit from continuing operations

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Earnings/(loss) before interest, tax, depreciation and amortisation (EBITDA)				
Network	24,140	22,684	-	-
Network services	617	613	-	-
Corporate services	(7,450)	(6,873)	(152)	(27)
EBITDA (3)	**17,307**	**16,424**	**(152)**	**(27)**
Depreciation and amortisation	(11,677)	(10,585)	-	-
Earnings/(loss) before interest and tax (EBIT)	**5,630**	**5,839**	**(152)**	**(27)**
Interest (costs)/income (net)	(2,740)	(2,198)	82	78
Profit/(loss) before tax	**2,890**	**3,641**	**(70)**	**51**

(3) EBITDA is a non-GAAP measure however due to significant capital expenditure in the group, it is deemed a relevant measure of the financial performance of the group for financial users.

6. Cash and cash equivalents

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Cash at bank on hand	2,863	6,865	354	413
Total	**2,863**	**6,865**	**354**	**413**

Policies

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

7. Trade and other receivables

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade receivables				
Trade receivables	1,840	3,310	-	-
Less loss allowance (note 24.2)	(225)	(88)	-	-
Balance at 31 March	1,615	3,222	-	-
Other receivables				
Unbilled network revenue	2,960	2,889	-	-
Interest accrued	5	2	5	2
Prepayments	772	624	12	10
Balance at 31 March	3,737	3,515	17	12
Total trade and other receivables balance at 31 March	**5,352**	**6,737**	**17**	**12**
Ageing of trade receivables				
Current to 90 days	1,543	3,153	-	-
Greater than 90 days	297	157	-	-
Total	**1,840**	**3,310**	**-**	**-**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally settled within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional.

A loss allowance is assessed in note 24.2.

Policies

Trade and sundry receivables are non-interest bearing and are generally settled within a 30-day term. Therefore, the carrying value of trade receivables approximates their fair value.

The simplified approach to measuring expected credit losses is applied which uses a lifetime expected loss allowance for all trade receivables.

8. Inventories

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Network stock	1,529	1,119	-	-
Total	**1,529**	**1,119**	**-**	**-**

Policies

Inventories are stated at average cost. Inventory is valued at the lower of net realisable value or cost.

Cost includes the cost of direct materials and other charges, e.g. freight incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

9. Property, plant and equipment

Group	Land $'000	Buildings $'000	Network Distribution System $'000	Meters & Relays $'000	Plant & Vehicles $'000	Generation $'000	Right of use asset $'000	Total $'000
Gross carrying value								
At 31 March 2021	**1,503**	**3,083**	**304,981**	**55,008**	**10,780**	**217**	**793**	**376,365**
Additions	-	509	18,173	4,029	1,431	-	944	25,086
Disposals	-	-	-	(9,174)	(399)	-	(244)	(9,817)
Reclassifications	-	-	819	-	217	(217)	-	819
Network revaluation	-	-	18,006	-	-	-	-	18,006
Capital works in progress movement	-	-	(3,488)	-	-	-	-	(3,488)
At 31 March 2022	**1,503**	**3,592**	**338,491**	**49,863**	**12,029**	**-**	**1,493**	**406,971**
Assets reclassified to held for sale	-	-	-	(56,273)	(892)	-	(1,304)	(58,469)
Additions	-	61	6,516	6,590	1,239	-	-	14,406
Disposals	-	-	-	-	(361)	-	-	(361)
Reclassifications	-	-	-	(180)	180	-	-	-
Network revaluation	-	-	4,000	-	-	-	-	4,000
Capital works in progress movement	-	-	5,773	-	-	-	-	5,773
At 31 March 2023	**1,503**	**3,653**	**354,780**	**-**	**12,195**	**-**	**189**	**372,320**
Accumulated amortisation and impairment								
At 31 March 2021	**-**	**145**	**74,100**	**25,424**	**6,980**	**135**	**333**	**107,117**
Depreciation charge	-	73	8,581	6,164	1,233	-	205	16,256
Reclassifications	-	-	-	-	135	(135)	-	-
Disposals	-	-	-	(9,123)	(351)	-	(268)	(9,742)
At 31 March 2022	**-**	**218**	**82,681**	**22,465**	**7,997**	**-**	**270**	**113,631**
Depreciation charge	-	92	9,421	5,116	1,298	-	250	16,177
Assets reclassified to held for sale	-	-	-	(27,553)	(381)	-	(429)	(28,363)
Reclassifications	-	-	-	(28)	28	-	-	-
Disposals	-	-	-	-	(355)	-	-	(355)
At 31 March 2023	**-**	**310**	**92,102**	**-**	**8,587**	**-**	**91**	**101,090**
Carrying amount (Net book value)								
At 31 March 2021	1,503	2,938	230,881	29,584	3,800	82	460	269,248
At 31 March 2022	**1,503**	**3,374**	**255,810**	**27,398**	**4,032**	**-**	**1,223**	**293,340**
At 31 March 2023	**1,503**	**3,343**	**262,678**	**-**	**3,608**	**-**	**98**	**271,230**
Carrying amount (Cost model)								
At 31 March 2022	**159**	**760**	**182,385**	**27,398**	**4,032**	**-**	**1,223**	**215,957**
At 31 March 2023	**159**	**718**	**182,557**	**-**	**3,608**	**-**	**98**	**187,140**

The carrying amount (cost model) table represents the carrying amounts that would have arisen had all property, plant and equipment been carried under the cost model.

Work in progress at the end of the year was $8.9m (2022: $3.4m) included in network distribution assets.

Policies

Property, plant and equipment other than land and buildings and network distribution system are initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses.

Land and buildings and network distribution assets are held at their fair value. Fair values are determined based on valuations adjusted for subsequent purchase costs, disposals, depreciation and impairment. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group. Management had reviewed and market conditions and do not believe the carrying value of land and buildings materially differs to the book value.

Expenditure is capitalised if the asset is technically and commercially feasible, future economic benefits are probable, and the Company intends to use or sell the asset.

Capitalisation occurs immediately once an asset is acquired or installed.

Depreciation begins once an asset is ready for use.

Depreciation of property, plant and equipment, other than land, is calculated on a straight line basis and expensed over the life of the asset.

Estimated useful asset lives are as follows:

- Buildings 40 – 100 years
- Network distribution system 5 – 60 years
- Meters & relays 3 – 15 years
- Plant & vehicles 1 – 13 years
- Generation 10 – 75 years
- Right of use assets associated with lease assets are depreciated over the lease term.

Gain or loss on disposal is recognised in profit and loss. When revalued assets are sold the amounts included in the revaluation reserves are transferred to retained earnings.

Judgements

Land and buildings

The land and buildings of the Group, comprising the vacant land at Te Peka Street, Taumarunui; Old Station Road, Ohakune; depots at Waitete Road, Te Kūiti and Te Peka Street, Taumarunui; the residential dwellings at Te Peka Street, Taumarunui and head office at King Street East, Te Kūiti were revalued to $4.2 million at 31 March 2021. Revaluations are performed every three years. Management have assessed current market trends and do not believe there is a material change in the valuation used at 31 March 2021.

These valuations were prepared by Doyle Valuations Ltd (A.N.Z.I.V, S.N.Z.P.I), an independent valuer with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. Cost summation, market rate and income approaches were used for the valuation.

The fair value measurements above are considered to be Level 2 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the assets that are based on observable market data.

Network distribution system

The Group estimates the fair value of the distribution network through independent valuers using the discounted cash flow method every three years or more frequently if there is evidence of a material change in value.

Network distribution system assets, excluding meters and relays, were revalued to $262.7m at 31 March 2023.

This value was within the valuation range ($262.6m – $285.3m), independently prepared by Deloitte and the key assumptions used are shown in the following table. In all cases an element of professional judgement is required. The valuation is based on revenue and cost assumptions applied against a combination of discount rates and distribution revenues. The valuation was set at the lower end of the range due to the ongoing liquidation risk of Ruapehu Alpine Lifts Limited (RAL), a major customer of TLC.

Assumptions	Valuation midpoint assumptions	Low	High	Valuation impact $'000's
				-$14,169
Network revenue	-	-5%	5%	+$14,169
				+$11,630
Discount rate	6.4%	-0.5%	0.5%	-$11,094

Consistent with prior years, the valuer has assumed the terminal value equal to forecast Regulatory Asset Base (RAB) based on information disclosures, as it is believed that the terminal value would approximate the RAB value in a steady state regulatory environment. We have considered the impact of climate change in the preparation of the network valuation. A greater level of capital spend has been forecast in the latest AMP due to the expected load increase arising from decarbonisation and to ensure ongoing reliability of the network. The AMP forms the basis of the capex and opex spend incorporated in the valuation.

The fair valuation measurements above are considered to be Level 3 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

10. Intangible assets

Group	Software $'000	Land Easements $'000	Customer Contracts $'000	Total $'000
Cost				
At 31 March 2021	**6,327**	**267**	**10,661**	**17,255**
Additions	2,381	-	-	2,381
At 31 March 2022	**8,708**	**267**	**10,661**	**19,636**
Assets reclassified to held for sale	(4,061)	-	(10,661)	(14,722)
Additions	1,991	-	-	1,991
At 31 March 2023	**6,638**	**267**	**-**	**6,905**
Accumulated amortisation and impairment				
At 31 March 2021	**2,777**	**-**	**3,140**	**5,917**
Amortisation charge for the year	1,162	-	1,541	2,703
At 31 March 2022	**3,939**	**-**	**4,681**	**8,620**
Assets reclassified to held for sale	(1,487)	-	(5,977)	(7,464)
Amortisation charge for the year	1,423	-	1,296	2,719
At 31 March 2023	**3,875**	**-**	**-**	**3,875**
Carrying amount (net book value)				
At March 2021	3,550	267	7,521	11,338
At March 2022	**4,769**	**267**	**5,980**	**11,016**
At March 2023	**2,763**	**267**	**-**	**3,030**

Policies

Software is amortised on a straight line basis over their estimated useful life of 1 – 8 years. These include acquired computer software licence agreement which the Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets on the basis of the costs incurred to acquired and bring to use the specific software. All other acquired cloud-based computer software licence agreements are treated as service contracts and expensed.

Intellectual property has an indefinite life and is assessed annually for impairment.

Customer contract assets are contractual income streams assessed with the legacy metering business acquisition in previous years. These are depreciated over thirteen years in line with the expected rate of decline in revenue.

11. Discontinued operations

11.1 Assets held for sale

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Property, plant and equipment (Note 9)	30,106	-	-	-
Intangible assets (Note 10)	7,258	-	-	-
Trade and other receivables	2,099	200	-	-
Deferred tax asset (Note 17)	362	-	-	-
Total assets	**39,825**	**200**	**-**	**-**
Trade and other payables	1,095	-	-	-
Current tax liability (Note 16)	2,315	-	-	-
Provision for staff entitlements (Note 20)	983	-	-	-
Lease liabilities (Note 21)	987	-	-	-
Total liabilities	**5,380**	**-**	**-**	**-**
Assets held for sale	**34,445**	**200**	**-**	**-**

At 31 March 2023 Influx has been treated as assets held for sale. A non-binding indicative offer was signed in March 2023 for the sale of Influx, with the view of completing the sale by 30 June 2023. The final share sale was executed on the 2 June 2023 with completion on the 30 June 2023. The fair value in the sale agreement less costs to sell are expected to exceed the carrying value.

Discontinued operations in the prior year relate to the Group's hydro stations.

Policies

Assets held for sale have been valued at the lower of fair value less cost to sell and it's carrying value.

11.2 Profit for the year from discontinuing operations

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Revenue	20,570	21,050	-	-
Operating expenses	(6,023)	(5,822)	-	-
EBITDA	**14,547**	**15,228**	**-**	**-**
Depreciation	(7,219)	(8,374)	-	-
EBIT	**7,328**	**6,854**	**-**	**-**
Interest costs	(267)	(345)	-	-
Profit before tax	**7,061**	**6,509**	**-**	**-**
Income tax	(1,450)	(1,871)	-	-
Profit for the year from discontinuing operations	**5,611**	**4,638**	**-**	**-**
Non-controlling interest from discontinuing operations	**(7)**	**26**	**-**	**-**
Total comprehensive profit from discontinuing operations	**5,604**	**4,664**	**-**	**-**

11.3 Net cash inflow from discontinuing operations

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Net cash inflow from operating activities	14,179	14,587	-	-
Net cash (outflow)/inflow from investing activities	(7,791)	10,158	-	-
Net cash outflow from financing activities	(16,266)	(2,777)	-	-
Net cash (outflow)/inflow from discontinuing operations	**(9,878)**	**21,968**	**-**	**-**

12. Investments in subsidiaries

Group			
Name	Principal activity	Ownership Interest	
		2023	2022
		%	%
The Lines Company Limited	Electricity Distribution Business	100	100
Influx Energy Data Limited	Meter and relay assets	100	100
Speedys Road Hydro Limited	Dormant	75	75

Policies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions are eliminated on consolidation.

Balance dates

All subsidiaries have a financial year end of 31 March.

Geography

All subsidiaries are incorporated in New Zealand.

13. Investments

13.1 Investment in shares

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Investment in 11,846,808 shares in The Lines Company Limited	-	-	58,664	58,664
Investment in shares	**-**	**-**	**58,664**	**58,664**

Policies

Investment in shares are accounted for at deemed cost at date of transition to IFRS.

13.2 Investment in subordinated debentures

	Group		Trust	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Subordinated debentures with The Lines Company Limited	-	-	1,000	1,000
Investment in debentures	**-**	**-**	**1,000**	**1,000**

The TLC debenture has a principal value of $1,000,000 and has fixed interest of 7.42% per annum (2022: 7.42%).

The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of the Company, or until the Company is wound up.

The interest rate payable on the WESCT debenture is reset yearly, by negotiation, having regard to interest paid by other entities who have issued similar debt securities. The fair value of the WESCT debenture is not considered to be materially different from its principal value as the applicable interest rate approximates that of similar debt securities.

There are no specified repayment terms in relation to subordinated debentures.

Policies

The subordinated debentures are stated at their fair values.

14. Reserves

14.1 Trust share capital

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trust share capital	11,930	11,930	11,930	11,930
Closing net asset	**11,930**	**11,930**	**11,930**	**11,930**

14.2 Hedge reserves

Hedge reserves comprise the cash flow hedge reserve associated within interest rate swaps. These derivative instruments are only used for hedging purposes and not as speculative investments.

Policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The accounting for the changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group currently hedges a particular risk associated with the cash flows of recognised assets and liabilities that have highly probable transactions (cash flow hedges). At inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and hedged item including whether changes in cash flows of the hedging instruments are expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy undertaking its hedged transactions.

The fair values of derivative financial instruments designated in hedging relationships are disclosed in note 24.1. The effective portion in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised on the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Upon meeting all the relevant criteria, hedge accounting is applied to mitigate the risk that the hedging instrument materially differs from the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Interest rate swaps

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening net asset/(liability)	1,588	(1,415)	-	-
Changes in fair value of hedging instrument recognised in other comprehensive income (OCI)	972	4,171	-	-
Deferred tax	(272)	(1,168)	-	-
Closing net asset	**2,288**	**1,588**	**-**	**-**

14.3. Revaluation reserve

Group	Network Distribution System $'000	Land & buildings $'000	Total $'000
Total at 31 March 2021	**67,834**	**1,378**	**69,212**
Transfer from retained earnings	(654)	-	(654)
Revaluation increases	18,006	-	18,006
Deferred tax on revaluation	(5,042)	-	(5,042)
Total at 31 March 2022	**80,144**	**1,378**	**81,522**
Transfer from retained earnings	(942)	-	(942)
Revaluation increases	4,000	-	4,000
Deferred tax on revaluation	(1,120)	-	(1,120)
Total at 31 March 2023	**82,082**	**1,378**	**83,460**

Trust	Investment in Subsidiary	Total $'000
Total at 31 March 2023 and 2022	**39,052**	**39,052**

15. Non-controlling interest

The following table summarises the financial information of Speedys Road Hydro Limited.

Summarised financial information of subsidiary with non-controlling interest	Group 2023 $'000	Group 2022 $'000	Trust 2023 $'000	Trust 2022 $'000
Summarised statement of financial position				
Total current assets	-	3,953	-	-
Total non-current assets	-	-	-	-
Total assets	**-**	**3,953**	**-**	**-**
Total current liabilities	-	892	-	-
Total non-current liabilities	-	-	-	-
Total liabilities	**-**	**892**	**-**	**-**
Net assets	**-**	**3,061**	**-**	**-**
				-
Accumulated non-controlling interest	**-**	**765**	**-**	**-**
Summarised statement of comprehensive income				
Revenue	-	385	-	-
Total comprehensive loss/(profit)	(28)	104	-	-
(Loss)/profit allocated to non-controlling interest	**(7)**	**26**	**-**	**-**
Dividends paid to non-controlling interest	**758**	**-**	**-**	**-**
Summarised statement of cash flows				
Cash flows from operating activities	(920)	706	-	-
Cash flows from investing activities	-	7,043	-	-
Cash flows from financing activities	(3,033)	(3,800)	-	-
Net increase in cash and cash equivalents	**(3,953)**	**3,949**	**-**	**-**

16. Current tax liability/(asset)

	Consolidated		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance	4,533	1,800	(46)	(44)
Tax payments and tax credits received	(6,067)	(3,183)	(1)	(2)
Liability transferred to held for sale	(2,315)	-		
Current tax expense for the year	5,020	5,916		
Closing balance	**1,171**	**4,533**	**(47)**	**(46)**

Policies

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

17. Deferred tax liability/(asset)

Group	Property, plant and equipment and intangible assets $'000	Cash flow hedges $'000	Provisions $'000	Assessed loss $'000	Total $'000
At 31 March 2021	**51,373**	**(550)**	**(345)**	**(217)**	**50,261**
Charged to income	(3,289)	-	294	(64)	(3,059)
Charged to other comprehensive income	5,042	1,168	-	-	6,210
At 31 March 2022	**53,126**	**618**	**(51)**	**(281)**	**53,412**
Charged to income	(1,636)	-	(228)	(83)	(1,947)
Current liability transferred to held for sale	110	-	252	-	362
Charged to other comprehensive income	1,120	272	-	-	1,392
At 31 March 2023	**52,720**	**890**	**(27)**	**(364)**	**53,219**

Trust	Assessed loss $'000	Total $'000
At 31 March 2021	(217)	(217)
Charged to income	(64)	(64)
At 31 March 2022	**(281)**	**(281)**
Charged to income	(83)	(83)
At 31 March 2023	**(364)**	**(364)**

pwc

Policies

Deferred tax is:

• Recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

• Determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

• Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The deferred tax asset for the Trust arises from historic tax losses. An IRD private binding ruling has been agreed to with regards to interest bearing debt being funded through dividends. This will enable the Trust to utilise the tax losses going forward, and as such justifies the recognition of the asset.

18. Bank borrowings and subordinated debentures

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Bank Borrowings	74,500	79,133	-	-
Subordinated debentures:				
North King Country Development Trust	2,000	2,000	-	-
	76,500	81,133	-	-
Disclosed in the financial statements as:				
Current borrowings	-	76,077	-	-
Non-current borrowings	76,500	5,056	-	-
Total	**76,500**	**81,133**	**-**	**-**

Reconciliation of net debt

Group	Due within 1 year $'000	Due after 1 year $'000	Total $'000
Balance at 1 April 2021	**4,627**	**87,335**	**91,962**
Repayment of convertible note	(950)	-	(950)
Movement between current and non-current debt	76,077	(76,077)	-
Facility drawdown	-	359	359
Repayment of loans	(3,677)	(6,561)	(10,238)
Net debt at 31 March 2022	**76,077**	**5,056**	**81,133**
Facility drawdown	-	74,500	74,500
Repayment of loans	(76,077)	(3,056)	(79,133)
Net debt as at 31 March 2023	**-**	**76,500**	**76,500**

Policies

Borrowings are initially measured at fair value, less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

The subordinated debentures are stated at their fair values.

Bank borrowings

The Group has term lending facilities:

	2023 $'000	2022 $'000
Westpac Corporation Limited	-	-
Facilities expiring 1 February 2023	-	77,400
Facilities expiring 31 December 2022	-	8,000
Facilities expiring 31 August 2025	25,000	-
Facilities expiring 31 August 2027	25,000	-
China Construction Bank Limited		
Facilities expiring 31 August 2025	17,500	-
Facilities expiring 31 August 2027	17,500	-
Facilities expiring 31 August 2029	15,000	-
	100,000	85,400

On the 31 August 2022, the Group renewed its facilities. These facilities are now split equally between Westpac Corporation Limited (Westpac) and China Construction Bank Limited (CCB) and are on similar terms as the prior year.

Westpac and CCB hold a negative pledge deed between TLC and its subsidiaries. The negative pledge includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The following bank covenants have been agreed to in the negative pledge:

- Leverage ratio (Total indebtedness/EBITDA for the 12 month period ending on that date)
- Coverage ratio – assets
- Coverage rate – EBITDA

These are reported six monthly to the banks. There have been no breaches of the covenants in the financial year (2022: 0).

Due to the sale of Influx, the Group's facility has been renegotiated. The facility limits will be reduced to $75m split equally between Westpac and CCB. Westpac and CCB have agreed to release Influx as a guaranteeing subsidiary. No other terms in the agreements will change. The Group forecasts to still meet the covenants into the foreseeable future.

The Directors estimate the fair value of the Group's bank loans approximate their book value, because they are floating rate loans.

Subordinated debentures

The North King Country Development Trust (NKCDT) debenture has a principal value of $2,000,000 and has fixed interest of 5.00% per annum (2022: 5.00%).

The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of the Company, or until the Company is wound up.

The fair value of the NKCDT debenture is not considered to be materially different from its principal value as the terms of the debenture are such that comparable instruments would not differ materially in value.

There are no specified repayment terms in relation to subordinated debentures.

19. Trade and other payables

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Trade creditors	3,064	3,302	49	32
Interest accruals	308	266	-	-
TLC discount accrual	2,016	2,340	-	-
Other payables and accruals	1,624	649	-	-
Total	**7,012**	**6,557**	**49**	**32**

Policies

Trade and other payables:

• Are recognised at fair value when the Group becomes obligated to make future payments resulting from the purchases of goods and services and are subsequently measured at amortised cost using the effective interest rate method.

• Comprise amounts outstanding for trade purchases and ongoing costs.

• Carrying amount approximates to their fair value because the amounts due will be settled within one year's time for their carrying value.

20. Provision for staff entitlements

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Opening balance	2,154	2,095	-	-
Accrued	803	1,533	-	-
Liability transferred to held for sale	(983)	-	-	-
Utilised	(431)	(1,474)	-	-
Total	**1,543**	**2,154**	**-**	**-**

Policies

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, trainee bonds and gratuities when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made that are expected to be settled within 12 months are measured at their amounts expected to be paid using the remuneration rate expected at the time of settlement.

Provisions made that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to balance date.

The carrying amount of the provision for staff entitlements approximates to their fair value as most of the entitlement is due to be settled within one year.

21. Lease liabilities

	Group		Trust	
	2023 $'000	2022 $,000	2023 $'000	2022 $'000
Lease liabilities				
Current	30	196	-	-
Non-current	74	1,090	-	-
Total lease liabilities	**104**	**1,286**	**-**	**-**
Opening balance	1,286	481	-	-
New lease entered into during the year	-	833	-	-
Liability transferred to held for sale	(987)	-	-	-
Interest on lease liabilities (note 3)	5	7	-	-
Cash outflow for leases	(200)	(35)	-	-
Total lease liabilities	**104**	**1,286**	**-**	**-**

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 3 years to 6 years but may have extension options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable

• Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right of use assets are disclosed in note 9.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. This is disclosed in note 2.

22. Cash generated from operations

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Profit/(loss) before tax	2,890	3,641	(70)	51
Interest costs/(income) (net)	2,740	2,198	(82)	(78)
Net profit/(loss) before interest	5,630	5,839	(152)	(27)
Adjustments for non-cash items				
Depreciation and amortisation	11,677	10,585	-	-
Gain on disposal of property, plant and equipment and intangible assets	(118)	(34)	-	-
Movement in provision for doubtful debt	137	105	-	-
	17,326	16,495	(152)	(27)
Changes in net assets and liabilities				
Trade and other receivables	1,114	514	(5)	(2)
Contract assets and liabilities	(101)	(1,382)	-	-
Inventories	(410)	676	-	-
Trade and other payables	455	(458)	17	(23)
Provision for staff entitlements	(126)	25	-	-
Cash generated from operations	**18,258**	**15,870**	**(140)**	**(52)**

23. Capital Commitments, contingent assets and liabilities

Capital Commitments

The Group has capital commitments of $3.4m (2022: $5.9m) relating to metering and network assets.

The Trust has no capital committements (2022: $0 million).

Contingent assets

The Group and Trust has no contingent assets (2022: $0 million).

Contingent liabilities

Due to historical breaches of SAIDI quality targets, the Commerce Commission are currently conducting an investigation for the reasons for those exceedances. The Commerce Commission is finalising its decision around this investigation, and we have included expected costs into our operational budgets. No further financial impact is expected (2022: $0 million).

The Trust has no contingent liabilities (2022: $0 million).

24. Financial risk management

Objectives

The Trust's management of financial risks focuses to maintain sufficient liquidty and cash to allow its continued operations for the foreseeable future.

The Group manages financial risks by complying with the policies set by the Board. The risks outlined in the policy include:

- Interest rate risk
- Credit risk
- Capital risk
- Liquidity risk.

Any new risks are referred to the Board for consideration as they become known. Each risk is monitored and reported to the board on a quarterly basis.

24.1 Interest rate risk

The Group's main interest rate risk is through its borrowing activities with variable rates, which expose the Group to cash flow interest rate risk.

The Group's policy with regards to fixing its floating rate is depicted below:

Period	Minimum	Maximum
0-1 year	40%	100%
1-3 years	30%	80%
3-5 years	15%	60%

Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings are only in New Zealand dollars.

The Group's borrowings and receivables are carried at amortised cost. The current borrowings are repriced every three months and as such exposed to the risk of future changes in interest rates.

Swaps currently in place cover 62% (2022: 58%) of the variable loan outstanding. The fixed interest rate of the swaps range between 0.75% and 5.12% (2022: 0.75% and 5.12%) and the variable rates of the loans between 4.87% and 5.43% (2022: 1.60% and 1.04%) above the 90-day bank bill rate which at the end of the reporting period was between 1.02% and 0.66% (2022: 0.35%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates do coincide with the dates on which interest is payable on the underlying debt and are thus effective.

Effect of hedge accounting on the financial position and performance:

	2023 $'000	2022 $'000
Interest rate swaps		
Net non-current other financial asset	3,178	2,206
Mark to market fair value of interest rate swaps at 31 March	**3,178**	**2,206**
Notional amount	46,000	46,000
Maturity date	Jun 23 to Aug 27	Aug 22 to Aug 27
Hedge Ratio	1:1	1:1
Net non-current other financial asset/(liability) attributable to:		
Financial assets	3,178	2,455
Financial liabilities	-	(249)
	3,178	**2,206**
Change in fair value of outstanding hedging instruments	972	(4,171)
Change in value of hedge item used to determine hedge effectiveness	(972)	4,171
Weighted average hedged rate for the year	2.00%	2.78%

Sensitivity

Sensitivity analysis is determined based on the exposure to interest rates for both derivatives and non-derivative instruments at balance sheet date.

A 100 basis point increase or decrease is used to assess interest rate and this represents management's assessment of the reasonably possible change in interest rates.

	2023 $'000	2022 $'000
Impact on statement of comprehensive income		
- 1% change in interest rates	(205)	(239)
+ 1% change in interest rates	205	239
Impact on statement of financial position		
- 1% change in interest rates	(331)	(403)
+ 1% change in interest rates	331	403

Hedge ineffectiveness is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedged instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedged ineffectiveness may occur due to:

• Difference in critical terms between the interest rate swaps and loans; and

• The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan.

There was no ineffectiveness during 2023 or 2022 in relation to interest rate swaps. The hedges are expected to be effective into the foreseeable future, based on forecasted debt levels.

24.2 Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, contract assets and related party loans, which represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. Thus, the impact on cash and cash equivalents is deemed immaterial.

Impairment of financial assets

The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same contract types. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from 31 March 2023 and 31 March 2022 respectively and the corresponding historical credit losses experienced within this period. The Group's customer base was mainly focused in the King Country and as such macroeconomic factors are considered within this particular environment and the credit loss adjusted accordingly when the group billed its customers directly.

On that basis, the loss allowance as at 31 March 2023 and 31 March 2022 was determined as follows for both trade receivables and contracts assets:

Group 31 March 2023	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	76%	
Gross carrying amount - trade receivables	1,543	297	**1,840**
Gross carrying amount – contract assets	-	-	-
Loss allowance	**-**	**225**	**225**

Group 31 March 2022	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	56%	
Gross carrying amount - trade receivables	3,153	157	**3,310**
Gross carrying amount – contract assets	86	-	**86**
Loss allowance	**-**	**88**	**88**

The closing loss allowance for trade receivables as at 31 March 2023 reconciles to the opening loss allowances as follows:

Group	2023 $'000	2022 $'000
Opening balance	88	193
Increase in loss allowance recognised in profit and loss	148	128
Receivables written off during the year as uncollectible	(11)	(233)
Loss allowance closing balance	**225**	**88**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 120 days past due.

24.3 Fair value of financial instruments

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices

- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve derived from quoted interest rates for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group 2023				
Derivative financial assets	-	3,178	-	3,178
Group 2022				
Derivative financial liabilities	-	(249)	-	(249)
Derivative financial assets	-	2,455	-	2,455

There were no transfers between Level 1, 2 and 3 during the year.

Financial instruments by category

Group	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Financial asset/liability at fair value through profit and loss $'000	Total $'000
2023				
Cash and bank balances	2,863	-	-	2,863
Trade and other receivables	4,580	-	-	4,580
Other financial assets	-	-	3,178	3,178
Total financial assets	**7,443**	**-**	**3,178**	**10,621**
Trade and other payables	-	7,012	-	7,012
Contract liabilities	-	209	-	209
Lease liabilities	-	104	-	104
Borrowings	-	74,500	-	74,500
Total financial liabilities	**-**	**81,825**	**-**	**81,825**
2022				
Cash and bank balances	6,865	-	-	6,865
Trade and other receivables	6,113	-	-	6,113
Contract assets	86	-	-	86
Other financial assets	-	-	2,206	2,206
Total financial assets	**13,064**	**-**	**2,206**	**15,270**
Trade and other payables		6,557		6,557
Contract liabilities	-	325	-	325
Lease liabilities	-	1,286	-	1,286
Borrowings	-	79,133	-	79,133
Total financial liabilities	**-**	**87,301**	**-**	**87,301**

Trust	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Total $'000
2023			
Cash and bank balances	354	-	354
Trade and other receivables	5	-	5
Total financial assets	**359**	**-**	**359**
Trade and other payables	-	49	49
Total financial liabilities	**-**	**49**	**49**
2022			
Cash and bank balances	413	-	413
Trade and other receivables	2	-	2
Total financial assets	**415**	**-**	**415**
Trade and other payables		32	32
Total financial liabilities	**-**	**32**	**32**

Policies

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group's credit risk is primarily attributable to its trade receivables and contract assets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with AA credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with the largest individual receivable being less than 10% of trade receivables and the remaining exposure being spread over a large number of counterparties and customers.

24.4 Capital risk

During 2023, the Group's strategy, which was unchanged from 2022, was to maintain an equity/assets ratio of not less than 40%.

The ratio at March 2023 and 2022 were as follows:	2023 $'000	2022 $'000
Average equity (including subordinated debentures)	179,019	163,246
Total assets at year end	321,627	321,569
Equity to Assets Ratio	**55.7%**	**50.8%**

Policies

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2022 and is based on risk management strategies and treasury management policies set and monitored by the Board.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, and equity attributable to equity holders of the trust, comprising issued capital, retained earnings and reserves as disclosed in note 14 and statement of changes in equity respectively.

Debt covenants have been complied with during the year and are expected to be complied with in the future. These are disclosed in note 18.

24.5 Liquidity risk

Financial liability maturity analysis

	Less than 1 month $'000	1 month to 1 year $'000	1 to 5 years $'000	Total $'000
Non-interest bearing	7,012	-	-	7,012
Variable interest rate instruments	-	-	74,500	74,500
At 31 March 2023	**7,012**		**74,500**	**81,512**
Non-interest bearing	6,557	-	-	6,557
Variable interest rate instruments	-	76,077	3,056	79,133
At 31 March 2022	**6,557**	**76,077**	**3,056**	**85,690**

The table includes both interest and principal cash flows.

Variable rate instruments include the impact of derivatives.

There are $2.0 million of subordinated debentures (note 18) with no set maturity date.

Interest payable on these is excluded from this analysis.

The Group had access to the following borrowing facilities at the end of the reporting period:

	2023 $'000	2022 $'000
Total facility	100,000	85,400
Undrawn facility	25,500	22,533

The bank facilities may be drawn at any time and expiry dates are split in three tranches, subject to the continuance of satisfactory credit ratings.

	2023 $'000	2022 $'000
Facilities expiring 1 February 2023	-	77,400
Facilities expiring 31 December 2022	-	8,000
Facilities expiring 31 August 2025	42,500	-
Facilities expiring 31 August 2027	42,500	-
Facilities expiring 31 August 2029	15,000	-
	100,000	85,400

Policies

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

25. Related party transactions

	Group		Trust	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Transactions with The Lines Company Limited				
Dividend income	-	-	300	300
Interest received on subordinated debentures	-	-	74	74
Transaction with Maru Energy Trust				
Donations to Maru Energy Trust	150	212	-	-
Transactions with key management personnel				
Salary and other employee benefits	2,104	1,825	-	-
Short-term employee benefits	1,609	1,700	-	-
Post-employment benefits	47	51	-	-
Long-term employee benefits	447	74	-	-
Directors' fees and expenses	301	288	-	-
Trustee fees	119	114	119	114
Transactions with Speedy's Road Trust				
Interest paid on convertible notes	-	25	-	-
Balances with related parties				
Maru Energy Trust Receivable	146	86	-	-
Shares in The Lines Company Limited	-	-	58,664	58,664
Subordinated debentures with The Lines Company Limited	-	-	1,000	1,000

26. Subsequent events

The Group signed an agreement for the sale of Influx's shares on the 2 June 2023. The sale was finalised on 30 June 2023.

Due to the sale of Influx, the Group's facility has been renegotiated. The facility limits will be reduced to $75m split equally between Westpac and CCB. Westpac and CCB have agreed to release Influx as a guaranteeing subsidiary. No other terms in the agreements will change. The Group forecasts to still meet the covenants into the foreseeable future. Hedges are expected to remain effective based on forecasted debt.

Ruapehu Alpine Lifts Limited (RAL), a major customer of TLC has gone into liquidation after year-end. The financial position has been assessed and no adjustments are required due to the liquidation. Network assets (note 9) have been revalued to the lower end of the range due to the liquidation risk. All outstanding receivables (note 7) were provided for. Future financial impacts on the Group are being assessed but have not been quantified, due to uncertainty around the future of RAL. The government has provided funding to RAL to enable the ski season.

An IRD private binding ruling has been agreed to with WESCT with regards to interest bearing debt being funded through dividends. The ruling was issued on the 28 April 2023 and applies to future periods, 1 April 2023 to 31 March 2028. Please refer to note 17 with regards to deferred tax implications.

There were no other subsequent events requiring recognition or disclosure.

Statutory Information

1. Trustees' fees

Trustees' fees for the Waitomo Energy Services Customer Trust of $118,926 (2022: $114,025) distributed as follows:

	Appointment Date	Retirement Date	2023	2022
Peter Keeling (Chair)	14 March 2018	31 March 2022	-	28,500
William Oliver (Chair)	1 October 2017		30,569	16,625
Cathy Prendergast (Deputy Chair)	12 March 2020		21,026	17,975
Guy Whitaker	1 April 2022		17,456	-
Erin Gray	1 October 2017		15,881	16,800
Carolyn Christian	19 October 2020		16,275	16,750
Janette Osborne	26 October 2017		17,719	17,375
			118,926	**114,025**

The Trust maintains a register of Trustees' interest in other entities. In the event of a conflict of interest, the Trustee concerned is unable to vote on any resolution relating to that conflict or issue and will not remain in the room or take part in any related discussion without the remaining Trustees' approval.

2. Directors' Remuneration

Directors' remuneration for The Lines Company of $296,035 (2022: $274,525) distributed as follows:

	Appointment Date	Retirement Date	2023	2022
Bella Takiari-Brame (Chair)	01 Dec 2019		87,643	60,753
Mark Darrow	01 Sep 2015	19 Oct 2021	-	50,078
Craig Richardson	01 Oct 2018		43,821	42,728
Andrew Johnson	08 Sept 2018		43,821	42,728
Mike Underhill	01 May 2021		43,821	39,120
Todd Spencer	01 May 2022		36,679	-
Fraser Jonker	01 June 2022		36,679	-
Douglas Troon	01 May 2021	30 Apr 2022	3,571	39,118
			296,035	**274,525**

Each company within the Group maintains a register of its directors' interest in other entities. No director has declared a conflict of interest in respect of their interests in other entities.

Independent auditor's report

To the readers of Waitomo Energy Services Customer Trust and Group financial statements for the year ended 31 March 2023

The Auditor-General is the auditor of Waitomo Energy Services Customer Trust (the "Trust") and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Philippa Cameron, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Trust and Group on his behalf.

Our opinion

We have audited the financial statements of the Trust and Group on pages 10 to 48, that comprise the statements of financial position as at 31 March 2023, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust and Group:

- present fairly, in all material respects:
  - their financial position as at 31 March 2023; and
  - their financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 21 September 2023. This is the date at which our opinion is expressed.

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

Basis for opinion

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

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

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

Responsibilities of the Trustees for the financial statements

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

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible on behalf of the Trust and Group for assessing the Trust and Group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless the Trustees intend to wind up the Trust or the Group or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Electricity Industry Act 2010 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on pages 3 to 9 and 49 and 53 to 54, but does not include the financial statements, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit, we have carried out engagements in the areas of Default Price-Quality Path Compliance and Information Disclosure assurance engagements, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Trust or Group.

Philippa Cameron
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand

Glossary of Terms

Average total assets	(Opening total assets plus closing total assets) divided by 2
Average shareholder funds	(Opening shareholder funds plus closing shareholder funds) divided by 2
Debt to asset ratio	(Total liabilities less deferred tax liabilities) divided by total assets
Capital ratio	Average shareholder funds divided by total assets
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
Return on average equity	Profit for the year to equity holders divided by average shareholder funds
Return on average equity before customer discounts	(Profit for the year to equity holders plus customer discounts after tax) divided by average shareholders funds
Return on average assets	(EBIT multiplied by the applicable tax rate) divided by average total assets
Return on average assets before customer discount	(EBIT multiplied by the applicable tax rate) divided average total assets
Net assets	Total assets less total liabilities
Shareholder funds	Total equity plus subordinated debentures
SAIDI	Average interruption duration per connection point served per year measured in minutes
SAIFI	Average outage value per connection point served per year measured in interruptions
LTIFR	Lost Time Frequency Rate measured as lost time hours divided by worked hours

Trust Directory
as at 31 March 2023

Waitomo Energy Services Customer Trust

Nature of Business	Customer Electricity Trust
Trustees	William Oliver (Chair – "A" Trustee) Cathy Prendergast (Deputy Chair – "B" Trustee) Guy Whitaker ("B" Trustee) Erin Gray ("B" Trustee) Carolyn Christian ("Appointed" Trustee) Janette Osborne ("A" Trustee)
Secretariat Services	Celina Yapp
Accountant	Bob Strawbridge McKenzie Strawbridge
Auditor	PricewaterhouseCoopers has been appointed to perform the audit on behalf of the Auditor-General
Postal Address	PO Box 209 Te Kūiti 3941
Telephone	027 PH WESCT (027 74 93728)
Email	info@wesct.org.nz
Website	www.wesct.org.nz

The Lines Company Limited

Directors	B L Takiari-Brame (Chair) C P Richardson A D Johnson D J Troon (Retired 30 April 2022) M C Underhill J T Spencer (Appointed 1 May 2022) J F Jonker (Appointed 1 June 2022)