



Statement of Corporate Intent 2024-2026



Contents

Introduction	3
Purpose	3
Vision	3
Values	4
Nature and Scope of Activities	4
Corporate Structure.....	5
Strategic Initiatives	6
People	6
Safety	7
Public Safety	8
Electricity Pricing Policy	9
Special Discount to Consumers.....	10
Performance Measurement.....	11
Safety	11
Electricity Distribution	12
Electricity Consultancy/Contracting/Technology	12
Electricity Generation	12
Financial Performance Management	13
Related Party Transactions	14
Interface with Shareholders	15
Dividends	16
Accounting Policies	17
Prospective Financial Information	28
Forecast Statement of Financial Position	31
Forecast Statement of Cash Flows.....	31

Introduction

Welcome to the Westpower Statement of Corporate Intent for 2024 - 2026

This Statement of Corporate Intent sets out the overall objectives for Westpower and the ElectroNet Group of Companies (the "Group") and incorporates forecasts for the three years to 31 March 2026.

Westpower's Directors have established a strategic direction which includes growing the wider business, while ensuring that the core business of electricity distribution is sustained.

This strategy of growth and stability will deliver sustainable businesses and returns for West Coast electricity consumers, who are Westpower's ultimate owners and beneficiaries. This recent work has resulted in our purpose and vision being redefined to allow these objectives to be met over the coming 10 years.

Purpose

Our purpose is to provide sustainable electrical solutions which enhance communities

Vision

Leaders in electrical energy and technology



*Westpower's Board of Directors (from left to right),
Insert Hugh Little, Michael Newcombe, Hamish Croft, Suzanne Merriman (Chair),
Ross Pickworth and Anthony Williams.*

Values

The current Group's values were developed in late 2021, and were developed alongside behaviors which everyone in the Group at the time was invited to contribute to. Our values are:

- We look after each other.
- We work smarter.
- We do the right thing.
- We achieve great things.



Nature and Scope of Activities

The Group's business is focused on the electricity energy sector.

The key to its continued success and business growth is its people and their wide-ranging expertise in the electricity energy industry. We employ approximately 300 people at 10 locations across New Zealand.

The Group consists of Westpower, which owns and operates the West Coast electricity infrastructure, along with its subsidiaries collectively known as the ElectroNet Group, is an award-winning electro technology group, comprising of the construction and maintenance of electrical transmission and services, engineering consultant and design professional services, along with a team which develops innovative technology for the benefit of the industry. These specialised business units within the group work together to allow for greater agility and efficiency in the delivery of electricity energy industry projects across New Zealand.

We are community owned and at the heart of what we do is maintain the health and safety of our people and the communities we service.

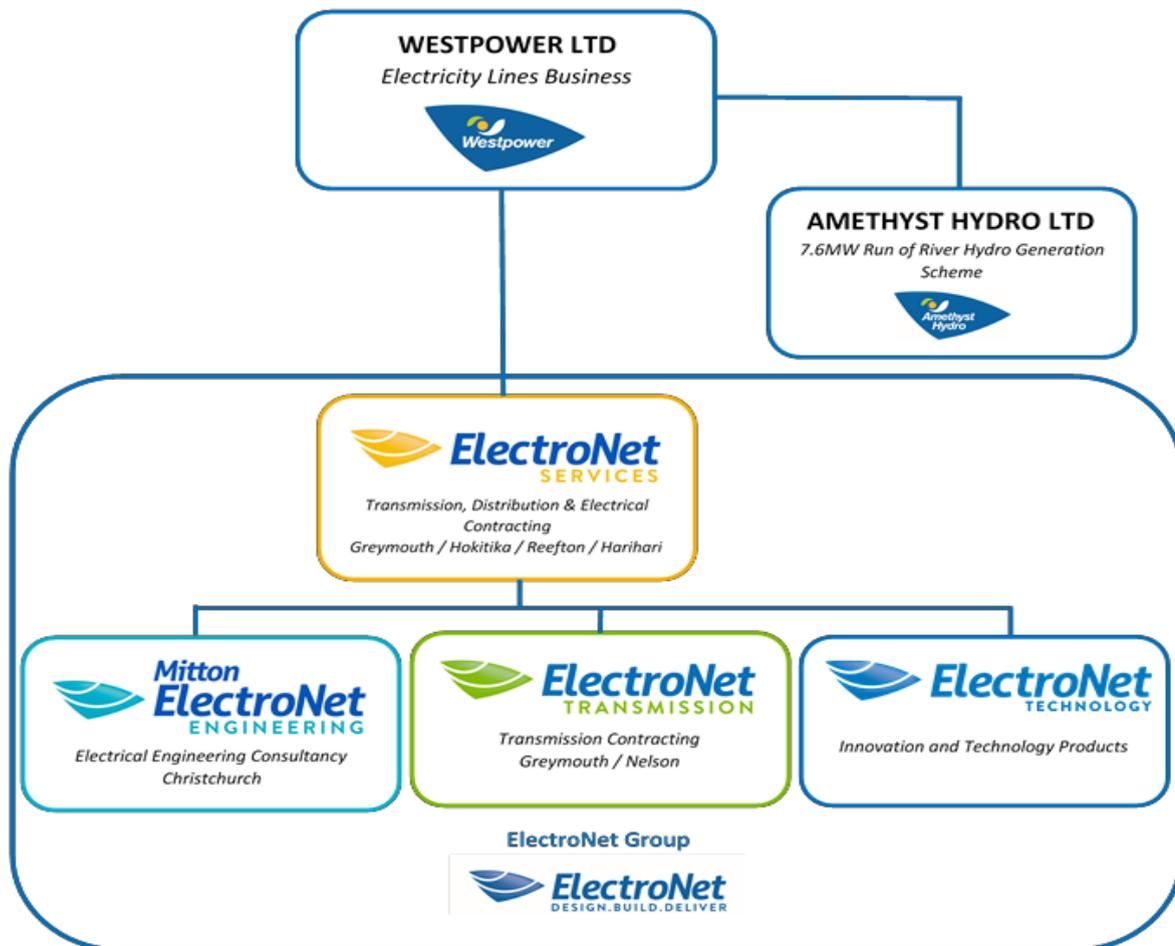
Corporate Structure

Our ability to provide the wide range of services throughout the electricity value chain comes from the businesses that we operate within the group.

For the last several years our geographic footprint has been focused on New Zealand and Australia, with limited consulting work performed in the Pacific Islands and occasionally internationally.

In addition to its core network business on the West Coast, the Group continues to focus on electrical contracting and consulting opportunities throughout New Zealand, with depots and offices spread across the Country. The consulting business continues to pursue niche opportunities in the Australian market.

The current corporate structure of the Group remains unchanged and is represented in the following graphic:



Strategic Initiatives

The Group is focusing on strategic initiatives which are related to the following key areas:



A key part of the Group's strategy is to leverage opportunities created by the electrification of vehicle and industry energy requirements and the renewable generation required to meet this growth. To this end, the Group is positioning itself to design, build and deliver new generation (hydro, solar, wind and other network infrastructure) and electrification opportunities. Where these opportunities provide strategic investment opportunities the Group will look to grow its balance sheet and returns for the benefit of the Westpower consumers.

These growth aspirations are reflected in the financial forecasts and show a forecast growth in revenue to \$118m by FY26 and an increase in equity from \$162m in FY24 to \$177m in FY26. These forecasts demonstrate strong projected growth and rely on a number of assumptions around known projects and the Group's ability to recruit and resource them.

People



Our people are the driving force behind these strategic initiatives, and it is their dedication and commitment that will help us to achieve.

We recognise that investment in our people is an investment in the future of our organisation. Maintaining good employee relations will be achieved by continuing to be a fair employer and pursuing initiatives which result in a strong and positive culture.

Safety of our People

The Board and Executive Team are highly committed to ensuring every person returns home safely at the end of each day. Keeping our community safe is also at the heart of everything we do. The Board and Executive Team refreshed their Officer Due Diligence training in 2021, and a further review of safety culture is planned for mid 2023.

A commitment from the Board of Directors underpins all company policies, procedures, systems and reporting. The Board have complete visibility of progress against safety specific strategic challenges. These are:

- Building and maintaining a safety culture with **100% Engagement**
- Creating and maintaining a **Safe Work Environment**
- Having a **Fit and Well Workforce**
- Consistently strong **Contractor Management**
- Assessing and addressing **Human Behaviour** factors

The Board of Directors reviews progress of action plans for each of these challenges on a quarterly basis.

Health and Safety leadership and participation are also key focuses for the Board, with consistency monitored across all businesses.

The Westpower/ElectroNet Group Safety System is certified to ISO45001. The most recent audit of the system took place in November 2022, and certification was renewed.



Public Safety

The Board and Executive Team operate a Public Safety Management System (SMS) in respect of infrastructure assets and potential harm to members of the public in line with ISO 7901:2104 (New Zealand Standard Electricity and Gas Industries – Safety Management Systems for Public Safety) requirements. This includes a demonstration of continuous improvement which is verified monthly via reporting to the Board, and annually via an independent external audit. The integrity of Westpower’s SMS is evidenced by the re-certification of ISO 7901:2014 in November 2022.



*ElectroNet’s Executive Management Team (from left to right)
Rodger Griffiths General Manager Generation and Technology, Robyn Scott General Manager People, Safety and Corporate Affairs, Simon Harvey General Manager Contracting, Peter Armstrong Chief Executive Officer, Christine Dormaar Chief Information Officer, Mark Blandford General Manager Network, Stu McKay Chief Financial Officer, Insert Brad Rooney General Manager Mitton ElectroNet.*

Electricity Pricing Policy

The Line Charge Pricing Methodology uses an economic pricing model designed to give clear signals to generators and retailers operating in the electricity market. This results in a tariff comprising a combination of fixed, demand and energy-based charges based on measurements of electricity demand at each customer's premises.

Supporting this approach, transmission charges will be treated transparently and passed through to customers without mark-up. Customers are able to avoid some of these charges through efficient demand side management will thus receive the full benefit from doing so.

Separate distribution charges have been developed for each group of customers that reflect the costs of operating the distribution system.

In general, averaging over the whole of the group's distribution area has been applied, and rural and urban customers will be charged equally.

A major review of our pricing methodology has previously been undertaken with advice provided by PwC, following ongoing pressure from the Electricity Authority (EA) about the speed at which we are moving to a more cost reflective tariff as required by the regulator, (an issue which was linked to the now-resolved uncertainty about the timing of removal of LUFC rules).

Fixed rate tariffs have been increased in the FY2024 Tariff Pricing structure, with most variable tariffs remaining at FY2023 pricing levels. The exception to this is an increase to Night rates. The EA's feedback was that as the Westpower Network is not currently constrained then Night rates should be removed. This feedback is acknowledged by Westpower, however we also note that this limits consumer choice and potentially penalises West Coast Consumers relative to consumers located in other electricity networks that are constrained. On this basis, Night rates have been increased in order to reduce the differential between Day rates using a similar ratio that most Retailers provide to consumers located in most of the New Zealand electricity networks.

Feedback from the EA also identified that there were too many Tariff pricing categories. Westpower's response to address this feedback has been to discontinue the C4F Tariff, as there was a single customer in this category. The other feedback received from the EA was to ensure that each consumer segment pays their fair share of the total cost of operating and maintaining the network. We are therefore progressively addressing this to reduce any shock impact on vulnerable consumer groups.

The approach of allocating costs to feeders is generally designed to provide a signal of the cost of supply so that alternative approaches can be considered by consumers. There are a number of reasons why we believe this approach is not optimal, particularly in areas such as South Westland which are at the end of long sub transmission lines. Examples are:

- The further the consumers are from the urban area's the longer fault restoration times can be.
- This means that the costs do not necessarily reflect the quality-of-service consumers may receive.
- In some areas signaling the cost of supply may result in consumers adopting inefficient alternative investments. For example, large business demands are unlikely to be able to be met by solar panel, wind, or diesel generation as cost effectively as a line that already exists in the area.
- We are of the view that signaling the cost of supply for new loads on the network may have some benefit, however Westpower's lines in general have excess capacity available for new loads, and the cost of those lines is already sunk.

In addition to the matters outlined above it is important to note the results of our consumer survey on pricing which was undertaken in early 2021. The results of the survey showed a clear preference from most mass market consumers to pay the same amount as they do now for the same quality of supply.

As always, the Directors are very careful to balance the needs of the network against those of the community when setting prices.

Special Discount to Consumers

The distribution of operating surpluses to customers through a discount online charge is considered by the Board of Directors on an annual basis. The Directors have regard to future results and the circumstances prevailing, with the objective of ensuring that an appropriate level of earnings for profitable investment in the Group's business is retained and that capital commitments can be met in a manner which does not impact the debt leveraging of Westpower.

The Directors have determined in advance of the commencement of the financial year that the discount to be shared amongst consumers in December 2023 will be \$3m. In accordance with established practice, the Directors recommend an appropriate allocation of the special discount between customer classes, considering the contribution that various groups of customers make to the Group's overall revenue.

The methodology recommended in this SCI for allocation of the discount between consumer groups is shown below. This methodology is consistent with that applied in previous years:

- The consumers are split into two groups, one of category 1 and 2 consumers (domestic and small to medium businesses), and the other of category 3, 4, and 5 consumers (large businesses and bulk consumers).
- The total discount is allocated to each group based on the proportionate share of total income received from each group.
- Categories 3, 4 and 5 will receive a share of their entitlement based on total consumption for the 12 months ending 30 September 2023.
- Category 1 and 2 consumers receive a fixed amount of \$15 per consumer, with the remainder allocated based on consumption for the 12 months ending 30 September 2023

The financial forecasts included in this SCI include the impact of special discounts to be applied.



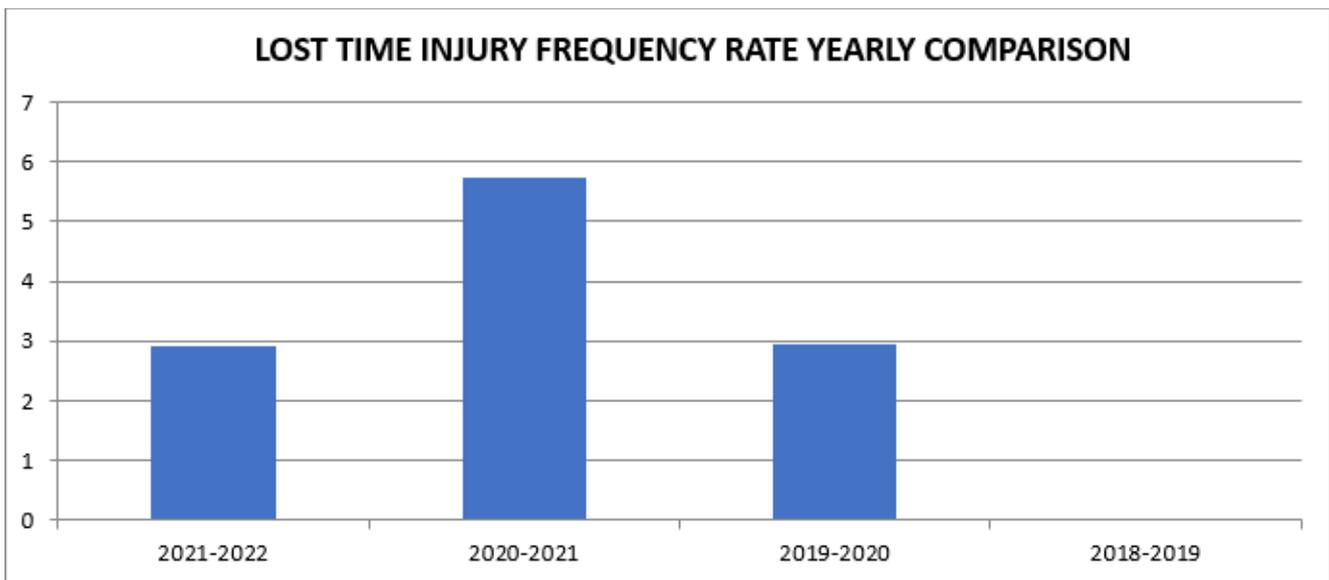
Performance Measurement

The following performance targets have been set for the three years ended 31 March 2026.

Safety

The Group's target is 100% safe from Lost Time Injury. In addition, we are focused on reducing the likelihood, severity and impact of any first aid injuries.

The graph below details the Lost Time Injury Frequency Rate (LTIFR) since 2018:



The Lost Time Injury Frequency Rate (LTIRF) was:

- 2.91 for 2021-2022 (as of 31 March 2022).
- 9.71 for 2022-2023 (year to date as of 31 January 2023).

In May 2021, the company initiated an independent audit following the Worksafe NZ SafePlus model. The Safeplus Assessment took a deep dive into critical risk and measure the safety culture across the team.

The Executive Summary from the SafePlus report noted the following:

Health and safety at ElectroNet was portrayed positively in many of the conversations we had with workers. Some said “you can tell that safety is an important part of the business,” others talked about it being “better than the last company they had come from.” The overarching statements suggested that over the last 18 months or so there had been a positive shift in the way safety was led, managed and promoted.”

Electricity Distribution

Measurement of Westpower's performance in managing its assets is achieved through a combination of reliability targets and financial ratios, as set out below:

	Actual Performance			Target Performance			
	2020	2021	2022	2023	2024	2025	2026
SAIDI	229.97	180.11	227.6	177	177	177	177
Industry Average	328.84	328.84	328.84	328.84	328.84	328.84	328.84
SAIFI	1.92	1.61	1.98	2.1	2.1	2.1	2.1
Industry Average	2.23	2.23	2.23	2.23	2.23	2.23	2.23

	Actual Performance			Target Performance			
	2020	2021	2022	2023	2024	2025	2026
Renewal Ratio	41.0%	37.6%	44.5%	50.6%	66.4%	28.3%	42.4%

	Actual Performance			Target Performance			
	2020	2021	2022	2023	2024	2025	2026
OPEX Ratio	9.8%	10.3%	12.0%	6.1%	6.0%	5.9%	6.0%

	Actual Performance			Target Performance			
	2020	2021	2022	2023	2024	2025	2026
CAPEX Ratio	2.7%	2.3%	3.2%	5.6%	6.2%	4.8%	2.9%

Definitions:

SAIDI = System Average Interruption Duration Index

SAIFI = System Average Interruption Frequency Index

OPEX Ratio = Operational Expenditure divided by Systems Assets Depreciated Replacement Cost (DRC)

CAPEX Ratio = Capital Expenditure divided by System Assets DRC

Renewal Ratio = Asset Renewal-Refurbishment OPEX and CAPEX divided by Depreciation

The current state of health of the network in general is very good, meaning there is little need for significant renewal within this planning frame. This coupled with the slowdown in the volume of new projects that will drive capacity increases has resulted in the renewal ratio in recent years being low. The increase in renewal ratio in 2023 reflects an increase in expenditure related to renewal of specific transformers in large rural substations.

Electricity Consultancy/Contracting/Technology

Performance targets for competitive subsidiary businesses are commercially sensitive and are therefore not disclosed publicly.

Financial Performance targets set at a group level incorporate and reflect the performance of subsidiary businesses.

Electricity Generation

Measurement of performance of majority owned Amethyst Hydro Ltd is based on electricity generation availability and capacity targets.

Availability refers to the percentage of the time that generation production is available to be injected into the distribution network. Factors which can affect this statistic include scheduled maintenance outages and unscheduled outages.

Capacity refers to the percentage of the maximum output that is able to be achieved over a twelve month period. As this is a run of the river scheme, i.e. there is no water storage capacity, generation will always be impacted by periods of low rainfall and low river flows.

Target availability is unchanged for the three year forecast period at 95%, while the Target capacity is also unchanged for the three year forecast period at 75%. These numbers are based on the observed long range average of actual availability and capability.

Financial Performance Management

Financial performance targets set at a group level incorporate and reflect the performance of subsidiary businesses.

WESTPOWER GROUP Key Financial Performance Measures

<i>year ended 31 March</i>					
		2024	2025	2026	Target
		Group	Group	Group	Group
Net Profit before tax and after discount		\$8.2m	\$11.1m	\$14.5m	
Net Profit after tax and after discount		\$6.2m	\$8.0m	\$10.5m	
Net Profit before tax to Shareholder Funds (Rate of Return before Tax on Shareholder Funds)	1	5.3%	6.6%	8.2%	
Net Profit after tax to Shareholders Funds (Rate of Return after Tax on Shareholder Funds)	2	3.8%	4.7%	5.9%	
Pre Discount Net Profit before tax to Shareholder Funds	3	6.9%	8.4%	9.9%	
Ratio of Shareholder Funds to Total Assets	4	81%	82%	82%	>50%

1 Net profit before tax divided by Total Group Equity (Shareholder Funds)

2 Net profit after tax divided by Total Group Equity (Shareholder funds)

3 Net Profit before Consumer Discount and Tax divided by Total Group Equity (Shareholder Funds)

4 Shareholder Funds comprise all share capital, retained earnings and reserves (equivalent to Total Group Equity)

Total Assets comprise all current and non-current assets (all tangible and intangible assets at their current book value).

The ratio is calculated by dividing total Group Equity by total Group Assets.

Related Party Transactions

The relationship between group companies is based on the provision of services by subsidiaries to the parent, and by subsidiaries to each other. The nature of the transactions entered into are arms length.

Because of the number of transactions entered into between companies, it is not possible to describe them in detail in this document. It is sufficient to say that the main transactions entered into will be within the nature and scope of activities described in this Statement of Corporate Intent.



Interface with Shareholders

Information to be provided to Shareholders

The Group will provide information which meets the requirements of the Companies Act 1993 and the Energy Companies Act 1992. The following information will be available in respect of the Group:

- **Half yearly reports will be delivered to the shareholders within three months after the end of the first half of each financial year. These reports will comprise:**

A report from the directors covering the operations from the half year period; The following unaudited financial information:

- Statement of Accounting Policies
- Statement of Financial Performance
- Statement of Movements in Equity
- Statement of Financial Position
- Statement of Cash Flows

- **Annual Reports will be delivered to the shareholders within four months of the end of each financial year and will comprise:**

A report from the directors covering the operations for the year;
Audited consolidated financial statements for the financial year in respect of the company and its subsidiaries;

Auditors' report on the financial statements and the performance targets (together with other measures by which performance of the Group has been judged in relation to the Group's objectives).

The Group's audited consolidated financial statements will comprise the following:

Statement of Accounting Policies
Statement of Financial Performance
Statement of Movements in Equity
Statement of Financial Position
Statement of Cash Flows

Such other statements as may be necessary to fairly reflect the financial position of the Group, the resources available to them, and the financial results of the operations.

- **A draft Statement of Corporate Intent will be delivered to the shareholders not later than ten working days before the commencement of each financial year.**

- It will be possible for the shareholders to request further information or reports from the directors where the information required relates to a decision to be made by the shareholders.

Procedures for Acquisition of Shares in Other Companies or Organisations

As a general policy, a proposed share investment by Westpower will be required to meet the same financial criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed.

All group share investment and sale proposals will be considered by the directors. Shareholders will be consulted on all group share investment proposals and any such proposal will be put to the shareholders for approval.

Transaction Details

The Energy Companies Act 1992 requires the Group to publish in its Statement of Corporate Intent, the details of any transactions that the Group intends to enter into with any related company.

There are no transactions requiring disclosure under the Energy Companies Act 1992.

Dividends

The Board of Directors will include within its report on the operations of the Group (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable in respect of equity securities.

The dividend will be restricted to a sum which when the preference dividend is taken into account, will be sufficient to finance the operations of the Trust. In recommending the amount of dividend payable to the holders of its equity securities, the Directors will follow the procedure specified in the Companies Act 1993 and adopt a practice similar to that of comparable public companies.



Accounting Policies

1. REPORTING ENTITY

Westpower Limited is a company domiciled in New Zealand and registered under the Companies Act 1993. The consolidated financial statements comprise the parent and its subsidiaries (see page 8), together referred to as the Group.

The company is a reporting entity for the purposes of the Companies Act 1993 and its financial statements comply with that Act and section 44 of the Energy Companies Act 1992.

Westpower Limited is primarily involved in the generation and reticulation of electricity and electrical contracting and consultancy.

Forecast financial statements for the consolidated group are presented.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ equivalents to International Financial Reporting Standards (NZ IFRSs) and other applicable financial reporting standards appropriate for profit-oriented entities.

The Group is a Tier 1 for-profit entity and has reported in accordance with Tier 1 For-profit accounting standards.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value.
- equity instruments designated at fair value through other comprehensive income.
- distribution assets and land and buildings are measured at fair value.

The methods used to measure fair value are discussed further in Note 4.

(c) Functional and Presentation Currency

These financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information has been rounded to the nearest thousand.

(d) Use of Estimates, Judgments and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumption are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3(k)(ii) Measurement of the recoverable amount of cash generating units.
- Note 4(a) Valuation of Electricity Distribution and Land & Building Assets.

Significant Judgement

- (i) In assessing the useful life of the hydro generation assets, the Group has made a significant judgement that the current Department of Conservation concession will be extended from its current expiry date of 30 April 2059 to 2083 in line with the useful lives of the hydro generation assets.

If the concession is not renewed the following areas would be affected:

- an increase in depreciation (assessment of useful lives)
- an increase in restoration liability provision (based on timing of future costs)
- create an impairment indicator, which could result in an impairment to the value of the scheme assets.

(ii) Determining the lease term of lease contracts with renewal options

The Group has lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. The Group considers all relevant factors that create an economic incentive for it to exercise the renewal. The Group included the renewal periods of its property leases as part of the lease term because there will be a significant negative effect on the Group's operations if a replacement asset is not readily available.

(iii) Estimating the incremental borrowing rate for lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. SIGNIFICANT ACCOUNTING POLICIES (a)

Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of

the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign Currency Transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling on the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in the profit or loss statement in the period in which they arise.

(c) Financial Instruments

(i) Financial Assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost or fair value through other comprehensive income (FVOCI). Financial assets are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition financial assets are measured as described below.

Financial Assets at Amortised Cost

Financial assets at amortised cost include cash and cash equivalents, short term deposits, trade and other receivables and other loans receivable. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial Assets Measured at FVOCI

The Group's investment in non subsidiary equity securities are not held for trading. The Group has made an irrevocable election at initial recognition to classify these investments as financial asset at fair value through other comprehensive income (FVOCI). Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3 (j)(i)), are recognised directly in equity within a revaluation reserve. When an investment is derecognised, the cumulative gain or loss recognised in the revaluation reserve is reclassified to retained earnings and is not transferred to profit or loss.

The fair value of equity investments that are not traded in an active market and are classified as FVOCI, are based on non-market valuation techniques.

(ii) Financial Liabilities

Financial liabilities are classified as subsequently measured at amortised cost, or subsequently measured at fair value through profit or loss. All financial liabilities are initially remeasured at fair value.

Loans and Borrowings

After initial recognition, all borrowings are measured at amortised cost using the effective interest rate method.

Trade and Other Payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derivatives Designated as Hedging Instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate and foreign exchange risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value at each balance date. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship (see below).

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

(iii) Share Capital*Ordinary Shares*

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Parent's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss.

(d) Property, Plant and Equipment**(i) Recognition and Measurement**

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. The cost of property, plant and equipment at 1 April 2006, the date of transition to NZ IFRS, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line or diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

▪ - electricity distribution system	5-70 years SL
▪ - buildings	5-50 years SL
▪ - motor vehicles	10-50% DV
▪ - plant and equipment	2.5-67% DV
▪ - furniture and fittings including computers	5-67% DV
▪ - hydro generation assets	5-70 years SL

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Subsequent Measurement

Land and buildings are subsequently measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers based on either a depreciated replacement cost or a market based approach. Land and buildings were revalued as at 31 March 2019 by Preston Rowe Paterson, registered valuers at \$12,896,500. These are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The distribution system is subsequently measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on a discounted cashflow approach. Distribution system assets were revalued by PricewaterhouseCoopers as at 31 March 2020 at \$95,357,000. These are reviewed at the end of each reporting period to ensure that the carrying value of the distribution system is not materially different from fair value. Consideration is given as to whether the distribution system is impaired as detailed in note 3(j)(iii).

Any revaluation increase arising on the revaluation of land and buildings and the distribution system is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged.

A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and the distribution system is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the assets and liabilities of the acquiree. Goodwill is measured at cost less accumulated impairment losses. Where impairment losses are recognised these are not reversible. Goodwill is assessed at each reporting date for impairment.

(f) Other Intangible Assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of the intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- software 10-67% DV

(g) Contract Balances**Contract Assets**

A contract asset is the right to consideration in exchange for good or services transferred to the customer. If the Group performed by transferring goods or services before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The contract asset is measured based on the revenue recognition policy refer to 3(n).

Trade Receivables

A receivable represents the Group's right to an amount of consideration which is unconditional.

Standard payment terms are for payment due 20 of the month following the date of invoice. As a practical expedient, the Group has made no adjustment for the effect of the financing component of the contract if the Group expects, at contract inception that the period between the transfer of goods and service and payment will be less than one year.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer which the Group has received consideration from the customer. If a customer pays consideration before the Group transfers the goods or services to the customer, a contract liability is recognised when the payment is received. Contract liabilities are recognised as revenue when the Group performs under the contract.

(h) Leases (as lessee)

Before 1 April 2019, leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received by the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

After 1 April 2019, the Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. As a practical expedient IFRS 16 permits a lessee not to separate

non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group uses this practical expedient.

(i) Right of Use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- | | |
|--------------------------------------|------------|
| • Plant and machinery | 5-15 years |
| • Motor vehicles and other equipment | 3-5 years |
| • Other property | 1-80 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 3(j) Impairment of non-financial assets.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(i) Inventories

Inventories consist of construction materials. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and Short Term Deposits

Cash and short term deposits in the statement of financial position comprise cash at banks and on hand and short term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the consolidated statement of cashflows, cash and cash equivalents consist of cash and short- term deposits as defined above.

(k) Impairment**(i) Impairment of Financial Assets**

The carrying amounts of the Group's financial assets are reviewed at each balance date and an allowance for any expected credit losses recognised. Expected credit losses are based on the difference between the contractual cashflows due in accordance with the contract and all the cashflows that the Group expects to receive discounted at an effective interest rate.

Expected credit losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

Trade Receivables

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

(ii) Impairment of Non Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed

only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee Benefits

(i) Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Other Long Term Employee Benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the risk free interest rate. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(n) Revenue from Contracts with Customer

(i) Lines Charges

The Group provides electricity distribution services to energy retailers. This revenue is recognised at the time of supply under the output method based on the quantity, time and capacity provided. This reflects the physical transfer of the services to the customer.

(ii) Electricity Generation

Electricity generation revenue is recognised at the time of supply under the output method based on the date, time and quantity of electricity generated. This reflects the physical transfer of the services to the customer.

(iii) Contracting and Consulting Revenue

The Group provides electrical engineering consultancy and contracting services. The Group satisfies the performance obligations and recognises revenue over time. Revenue is recognised under the input method based on the costs incurred to date with reference to stage of completion of the contract and the contract value.

Performance obligations are considered to be satisfied over time on the basis that performance creates or enhances an asset that the customer controls and which has no alternative use (i.e. is a customised solution). The fact that another supplier would not need to re-perform the services provided to date demonstrates that the performance obligations are satisfied over time.

The transaction price is normally fixed at the start of the project, However changes to job scope, performance against contract timeframes or quality provisions, result in elements of variable consideration. Variable consideration is estimated based on the most likely amount. The variable

consideration is not considered constrained based on the defined underlying contract provisions, the Group's historical performance and that the uncertainty will be resolved within a short timeframe.

As a practical expedient, the Group need not disclose the transaction price allocated to remaining performance obligations on the basis that

- the Group has a right to consideration from a customer in amount equal to the value transferred to the customer for the performance completed i.e. lines charges and electricity generation; or
- the performance obligation is part of a contract that has an original expected duration of one year or less i.e. contracting and consulting revenues.

(iv) Vested Assets and Capital Contribution

Vested assets are recognised as revenue at the fair value of the assets at the point that assets are connected to the network.

Capital contribution payments are calculated in line with Westpower's capital contribution policy. Capital contributions are recognised as revenue when payable at the point that the assets are connected to the network.

(o) Leases (as lessor)

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Fibre IRU Liability

The Group has entered into Indefeasible Right of Use (IRU) Agreements for the provision of fibre assets for a term of 20 years with payment at the commencement of the agreements. The liability has been valued on a discounted cashflow basis over the term of the agreements.

(p) Finance Income and Expenses

Finance income comprises interest income on funds invested, unwinding of the discount on assets and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and dividends on preference shares classified as liabilities. Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is defined as a separate asset where the construction period exceeds twelve months and costs in excess of \$2m. All other borrowing costs are recognised in profit or loss using the effective interest method.

(q) Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax

rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Government Grants

Government grants are recognised in the profit and loss statement on a systematic basis over the periods in which the Group recognises the expenses for the related costs for which the grants are intended to compensate.

Government grants are reported in the profit and loss statement as a deduction in the related expense.

(s) Goods and Services Tax

All items in the financial statements are net of Goods and Services Tax except for debtors and creditors which are shown in the balance sheet inclusive of GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the balance sheet.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cashflows.

(t) Changes in Accounting Policies and disclosures

There have been no changes in accounting policies in the current year.

The following standards and interpretations issued but not yet effective or early adopted, are not expected to have a material impact on the company:

Amendments to NZ IAS 1 – Classifications of Liabilities as Current or Non-current

The amendments clarify a criterion in NZ IAS 1 for classifying a liability, such as loans, as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments:

- specify that an entity's right to defer settlement must exist at the end of the reporting period

- clarify that classification is unaffected by management's intentions or expectation about whether the entity will exercise its right to defer settlement
- clarify how lending conditions, such as loan covenants, affect classification; and
- clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group will not early adopt these amendments and will first apply the amendments in the 31 March 2024 financial statements. The Group is assessing the effect of these amendments on its loan agreements.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, Plant and Equipment

The fair value of the distribution system assets is based on a discounted cashflow methodology.

The fair value of land and buildings (excluding specialised buildings) are determined using a market comparable method. This means that valuations performed by the valuer are based on active market prices, adjusted for differences in the nature, location or condition of the specific property.

Where buildings are of a specialised nature such as substation and depot buildings, these have been valued on a depreciated replacement cost basis.

(b) Investments in Equity

The fair value of equity instruments through other comprehensive income is determined by non-market valuation techniques at the reporting date.

(c) Derivatives

The fair value of interest rate swaps is based on bank valuations. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Prospective Financial Information

The financial statements which follow have been prepared on the basis of assumptions made in respect of future costs and revenues and performance of group companies. Costs in relation to provision of electricity infrastructure are also based on determining levels of reliability and quality of service to consumers.

Individual assumptions material to the financial statements follow:

1. Interest on borrowings has been calculated at 3.17-4.56% per annum for the years 2023 and

2024 and 4.31% per annum in 2025. The drop in 2025 from 2024 reflects the expiry of current fixed price interest rate hedge instruments.

2. Westpower's base line charges are projected to increase by 4% in each of the 2024 and 2025 periods.
3. Network demand over next the three years is not forecast to increase significantly.
4. Forecast growth in the ElectroNet subsidiaries includes potential growth in sales related to the growth in the Design Build Deliver contracts for new generation and industrial electrification, the extent of which is uncertain due to timing and contract negotiations still to be completed. This is not uncommon in relation to the activities undertaken by the subsidiaries. For this reason, forecasts should be viewed as the best estimate of future performance
5. Significant assumptions as to the future operating, maintenance, capital and renewal costs associated with the extensive network assets employed by Westpower have been made through the Asset Management Plan. This publicly available document details assumptions made in respect of setting the budgets adopted in this SCI.
6. It has been assumed that any surplus operating cashflow will be used for investment in revenue generating assets.



WESTPOWER GROUP FORECAST CONSOLIDATED INCOME STATEMENT

	<i>year ended 31 March</i>		
	2024	2025	2026
	Group	Group	Group
	\$000	\$000	\$000
Operating Revenue	89,106	102,617	118,759
Special Discount	(3,000)	(3,000)	(3,000)
	86,106	99,617	115,759
Operating Expenses	71,561	88,955	101,976
Depreciation & Amortisation	6,314		
	77,875	88,955	101,976
Operating Profit	8,232	10,662	13,783
Finance Income	653	810	1,080
Finance Expenses	(330)	(334)	(334)
Net Finance Cost	323	476	746
	8,555	11,138	14,529
Net Profit Before Tax			
Income Tax	2,395	3,119	4,068
	6,159	8,020	10,461
Net Profit After Tax			
less Dividends paid to - Trust	200	200	200
Dividends paid to - Third Parties	120	120	120
	5,839	7,700	10,141

Forecast Statement of Financial Position

WESTPOWER GROUP FORECAST CONSOLIDATED BALANCE SHEET

	<i>year ended 31 March</i>		
	<i>2024</i>	<i>2025</i>	<i>2026</i>
	<i>Group</i>	<i>Group</i>	<i>Group</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Total Equity	162,327	169,168	177,541
Total Current Assets	34,660	39,860	46,470
Total Current Liabilities	12,204	12,562	13,000
Working Capital	22,456	27,298	33,470
Total Non-Current Assets	164,635	166,635	168,835
Total Non-Current Liabilities	24,764	24,764	24,764
Net Assets	162,327	169,168	177,541

Forecast Statement of Cash Flows

WESTPOWER GROUP FORECAST CONSOLIDATED CASHFLOW STATEMENT

	<i>year ended 31 March</i>		
	<i>2024</i>	<i>2025</i>	<i>2026</i>
	<i>Group</i>	<i>Group</i>	<i>Group</i>
Net Operating Cashflow s	12,206	14,787	17,095
Net Investing Cashflow s	(8,582)	(10,000)	(11,000)
Net Financing Cashflow s	(150)	(150)	(150)
Net Cashflows	3,474	4,637	5,945
Cash and cash equivalents at 1 April	13,887	17,360	21,997
Cash and cash equivalents at 31 March	17,360	21,997	27,942