

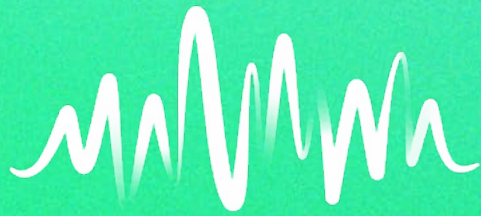


MANAWA ENERGY

Powering Aotearoa New Zealand

INTEGRATED REPORT 2023

Management commentary
(no financial statements)



MANAWA ENERGY

Tēnā koutou

Welcome to the Manawa Energy Annual Report for the FY23 year. We have been Manawa Energy since 1 May 2022. This report has been prepared for everyone who is interested in what we do, including customers, investors, mana whenua, neighbours, communities, suppliers, staff and regulators.

This report has been reviewed by our Chief Executive David Prentice, our GM Regulatory and Risk Catherine Thompson, and our GM Corporate Services Phil Wiltshire. The Manawa Energy Board is ultimately responsible for ensuring the integrity of this report, assisted by our external auditors KPMG and supported by our management team.

The Integrated Report has been prepared in line with the principles of the Integrated Reporting framework. This means it sets out how we create value over time, and includes information beyond our financial performance. We adopted this approach in FY20 and aim to improve on it each year.

We also report our climate change risks in line with the Aotearoa New Zealand Climate Disclosures, and we are well prepared for the mandatory climate-related disclosures which will apply from next year.

Our new company purpose statement is 'Manawa powers Aotearoa New Zealand' and we aspire to be Aotearoa New Zealand's fastest-growing energy company. We are getting on with delivering on that, and we plan to double the volume of electricity we generate by 2030.

We encourage all shareholders to choose to receive digital communications from us so that we use less paper producing our investor documents. For shareholders who continue to receive hard copies, we use sustainable inks and paper.

Thank you for reading.

Paul Ridley-Smith
Chair

15 May 2023

Kevin Baker
Chair, Audit and Risk Committee

Annual Shareholder Meeting

The Manawa Energy Board will host shareholders at the Manawa Energy annual shareholder meeting in Tauranga on 27 July 2023. The notice of meeting and agenda will be shared with shareholders in June 2023.

Management commentary
(no financial statements)

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Management commentary
(no financial statements)



Jargon and acronyms

Aotearoa New Zealand Climate-related Disclosures

Around 200 of New Zealand's most economically significant entities will be required to report against these new standards to disclose critical information about their exposure to climate-related risks. The regime takes effect for accounting periods that start on or after 1 January 2023.

Cumec A cubic metre per second, as a unit of water flow.

EBITDAF Earnings Before Interest, Tax, Depreciation, Amortisation, Fair value movements of financial instruments, and asset impairments. EBITDAF is a non-GAAP (Generally Accepted Accounting Principles) financial measure commonly used within the electricity industry.

ERANZ Electricity Retailers' Association of New Zealand (of which Manawa Energy is a member).

ESG ESG means using environmental, social and governance factors to assess sustainability practices and performance. ESG takes the holistic view that sustainability extends beyond just environmental issues.

FY The financial year ended 31 March of the stated year.

The Group Manawa Energy Limited, Manawa Energy Generation Limited, King Country Energy Holdings Limited, King Country Energy Limited, Manawa Energy Insurance Limited, Manawa Energy Metering Limited, Maungatapere 2021 Limited and ANZ Renewables Limited.

GWh Gigawatt hour, a unit of energy representing one billion watt hours or one million kilowatt hours.

Infratil Infratil Limited is a New Zealand-based infrastructure investment company. It has a 51 percent shareholding in Manawa Energy.

<IR> The Integrated Reporting Framework is a principles-based framework for corporate reporting.

KCE King Country Energy, a subsidiary of Manawa Energy.

MNW The Manawa Energy stock 'ticker' on NZX.

MW Megawatt, a unit of energy representing one million watts.

NZX NZX is the national stock exchange for Aotearoa New Zealand.

Scheme The infrastructure on a body of water used to generate electricity, which may include one or more power stations.

TCFD The Task Force for Climate-related Financial Disclosures. It has developed a set of voluntary, consistent climate-related disclosure recommendations.

TECT TECT Holdings Limited is a 26.8 percent shareholder in Manawa Energy.

TPM Transmission Pricing Methodology.

Trustpower Manawa Energy's former name. The Trustpower brand and mass market retail business were sold to Mercury Energy in May 2022.

Te Reo Māori

Aotearoa
The Māori name for New Zealand

Awa
River, stream

Hapū
Kinship group, subtribe of an iwi

Iwi
Extended kinship group, tribe

Kaimahi
Workers

Kaitiakitanga
Guardianship, stewardship

Mahi
Work, activity

Mana whenua
Authority over land or territory

Mātauranga
Knowledge, wisdom,
understanding, skill

Mauri
Life principle, life force,
vital essence

Rangatahi
Young people

Taiao
World, Earth, natural world

Tangata whenua
People of the land or indigenous people,
often used as a collective term for Māori

Te reo
Literally the language. Short for
'te reo Māori'

Te Tiriti o Waitangi
The Treaty of Waitangi. Aotearoa
New Zealand's founding document
between the British Crown and Māori chiefs

Tikanga
Custom, protocol

Tuna
Eel of various species, including
the longfin eel

Whakapapa
Genealogy, lineage, descent

Whānau
Extended family, family group

Whenua
Land, ground

Most Translations from Te Aka Māori Dictionary maoridictionary.co.nz

Management commentary
(no financial statements)

FY23 At a glance



Launched as Manawa Energy in May 2022: new brand, new MNW stock ticker



Sale of Trustpower brand and mass market retail business completed in May 2022



Long-term supply agreement in place with Mercury Energy



Completed generation upgrades at Branch River and Cobb River



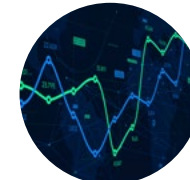
Demonstrated resilience in the face of weather challenges



Announced acquisition of Project Huriwaka wind development



Developed a ~920MW pipeline of advanced options for new generation



Successfully raised \$150m from investors via a bond issue



Held our first shareholder meeting as Manawa Energy



Building blocks in place for our people: vision, values, performance framework



Commenced record level of investment in existing assets over the next five years

FY23 Metrics*



238 FY22 240**

employees (FTEs)



26

power schemes



650

customers with

6,400

electricity connections



\$2.1b

total assets



11,652 FY22 11,680

shareholders and

2,202 FY22 2,598

bondholders



1.15 FY22 0.93

Total recordable injury frequency rate



99%

of electricity generated is renewable



510 FY22 498

megawatts of installed capacity produced



\$444m FY22 \$120m

profit after tax



16c FY22 33c

per share full year ordinary dividend

1,917 FY22 1,760

gigawatt hours of electricity.

>99% FY22 >99%

compliance across

~3,500

resource consent conditions



1,742

tons of CO₂ equivalent emissions produced

Produced enough electricity to power

270,000

average Kiwi homes



\$137m FY22 \$160m

EBITDAF from continuing operations***



-22.6%

total shareholder return

* Metrics as at 31 March 2023 or for FY23.

** People employed in the mass market retail business that was sold to Trustpower are not included in this figure.

*** EBITDAF is a non-GAAP measure. Please refer to [Note 5](#) to the financial statements for further details.

Chair and Chief Executive's review

Kia ora. We are very pleased to be sharing our thoughts in this Integrated Report after a formative year for Manawa Energy, having reset as a business dedicated to electricity generation, advancing new developments, and serving our commercial and industrial customers. Thank you for your ongoing support.

David Prentice
Chief Executive

Paul Ridley-Smith
Chair

Management commentary
(no financial statements)

Manawa Energy has been operating for 11 of the 12 months of the FY23 financial year, after launching under our new brand on 1 May 2022. This followed on from the successful sale of the Trustpower brand and retail business to Mercury Energy.

It has been a very busy 11 months of standing up a new company, combined with our ongoing commitment to provide renewable energy to the country, play our part in creating a sustainable future for Aotearoa New Zealand, and continue to deliver for our shareholders.

We would like to thank everyone who has helped with making Manawa Energy a reality – including a special thank you to all of our people across the company. Our team has navigated the uncertainty around the separation of the business, and then the inevitable settling down period as the company collectively establishes its foundations and redefines how it operates.

“

We have made some excellent progress in pursuit of our strategic plan.

Strategy

As part of the establishment of Manawa Energy we developed a three-year strategic plan, setting out our key priorities through until FY25. We have structured the Integrated Report around the key strategic areas: enhancing our existing generation assets, developing new generation, selling electricity, technology and innovation, culture and capability, and baseline excellence.

We will support Aotearoa New Zealand's ambitions for a thriving, low-emissions and climate-resilient future through our geographically dispersed fleet of existing assets and development capability.

We have made some excellent progress in pursuit of our strategic plan, with enhancement projects completed at our Branch River and Cobb River schemes and in full swing at Waipori and Deep Stream. Our West Coast team is under way with a significant dam safety improvement at Arnold and the McKay's Tunnel remediation project. Looking ahead there are also major enhancement projects at our Coleridge and Highbank schemes. Collectively we are making record levels of investment in our existing generation assets over the next five years. We are on track to be delivering an extra ~80 gigawatt hours of electricity per annum from our existing assets by FY28.

Alongside the asset upgrade activity, we have continued to focus on machine performance through ongoing training and development of our people, coupled with improvements to systems and processes. Understanding the condition of our assets is absolutely critical to our maintenance strategies, and means we put our efforts where they are needed most, ensuring our portfolio operates safely and efficiently.

On the new developments front, it has also been a productive year for our team, as they have built our pipeline of potential wind and solar developments from nothing to more than 900 megawatts. It was particularly pleasing to see the recent announcement about the Project Huriwaka wind development in the central North Island – this has the potential to be one of the country's most significant renewable energy projects. The team will be moving from the



prospecting phase and into the execution phase as we look to double the volume of electricity we generate by 2030.

After the divestment of the Trustpower mass market retail business, we entered a long-term electricity hedge contract to supply electricity to Mercury Energy, with the initial volume aligned with the volume used by Trustpower retail customers. As this initial volume reduces over the next eight years there will be a focus on diversifying our wholesale portfolio across all our sales channels, and maximising the value of this tranche of electricity in our portfolio.

Market context

We recognise that climate change and the pursuit of emissions goals is reshaping the energy sector and we are supportive of Aotearoa New Zealand's ambitions for a thriving, low-emissions and climate-resilient future.

Demand for renewable electricity is set to double over the next 30 years and the electricity sector's recent **Future is Electric** report (authored by the Boston Consulting Group) said the country should invest



\$42 billion in new large-scale generation, flexible generation, network transmission and local electricity distribution to reach 98 percent renewable electricity by 2030.

We believe our geographically dispersed generation assets (and future renewable developments) will continue to play an important role in delivering renewable electricity to the national grid, regional communities, and commercial and industrial energy users for decades to come.

The launch of Manawa Energy in May 2022 coincided with the Government's official response to the Climate Change Commission's advice on the paths the country could take to meet its climate targets. This national 'emissions reduction plan' reiterated the reliance on renewable electricity and aligns directly with our strategy to grow renewable generation to support a low-emissions future.

We do have concerns around three potential barriers.

The first is in relation to a new piece of resource management legislation currently being considered by select committee. We are broadly supportive of the Natural and Built Environment Bill's aims and see it as an opportunity to ensure the environmental statutory framework supports new and existing renewable electricity generation. But we are concerned that an exemption regime that excludes smaller renewable hydroelectric generation schemes will create an unfair and significant consenting burden for operators like us. We are hopeful that this arbitrary approach is resolved before any new law is enacted.

The second is in relation to the millstone around the electricity sector's neck that is the Project Onslow pumped hydro scheme, being investigated by the NZ Battery Project as it seeks to understand the options around navigating the 'dry year' electricity supply issue. With the latest estimated cost of the scheme escalating from \$4b to almost \$16b we remain firmly of the view that this idea is too expensive, too slow, too ineffective from an emissions point of view, and too high risk to be pursued. It will ultimately add unnecessary cost to consumers.

A portfolio option, where various elements contribute to a sustainable solution, is a much more logical option, and one that will be delivered most efficiently by the private sector making rational investments. We remain hopeful that the Project Onslow option is abandoned and its chilling effect from future investment in renewable developments is removed.

Finally, we note the Government's acknowledgement that its target of 100 percent renewable electricity by 2030 is 'aspirational' and will be reviewed in 2025. We believe the pursuit of this goal will be excessively costly and counter productive to reducing overall emissions. A highly renewable electricity generation system, significantly expanded by new developments, and supported by small, efficient thermal generation for demand peaks will be a more efficient and cost-effective option.



Our geographically dispersed generation assets (and future renewable developments) will continue to play an important role in delivering renewable electricity to the national grid, regional communities, and commercial and industrial energy users for decades to come.



Financials

In FY23 we increased our installed generation capacity to 510 megawatts (FY22: 498MW) and generated 1,917 gigawatt hours of electricity, up from 1,760 gigawatt hours last year. Our generation assets held up well in the face of some severe weather events in FY23. The only exception was our small, unmanned hydro scheme at Esk Valley (Hawke's Bay) which suffered significant damage from Cyclone Gabrielle in February 2023. We expect it will be out of service for 6–12 months.

We delivered a solid financial performance with profit after tax increasing to \$444m (FY22: \$120m). This significant increase was underpinned by the successful sale of the Trustpower mass market retail business early in the year. Underlying earnings¹ were \$70m, down from \$89m in FY22. Our EBITDAF¹ from continuing operations (excluding the Trustpower mass market retail earnings) was \$137m (FY22: \$160m). Total EBITDAF was \$140m landing at the top end of our most recent guidance. The first six months of the financial year were challenging but it settled down in the second half of the year, with the final quarter delivering solid wholesale prices and strong generation volumes.

The Board has approved a final dividend of 8.5 cents per share, and this will be fully imputed for qualifying shareholders and paid on 16 June 2023. This means the FY23 full year dividend paid to investors will be 16 cents per share. The company dividend policy is based on paying 70–90 percent of free cash flows on average over time, balancing the provision of a stable dividend over the medium term with delivering on growth aspirations.

It was very encouraging to see the level of support from investors for the company's \$150m bond issue that closed in September. It was our first time raising money in the market as Manawa Energy and the bond offer proved to be very popular and over-subscribed.

In FY24 we expect our EBITDAF to be in the range of \$120m to \$140m, assuming wholesale prices remain materially in line with the current ASX forward curve, average hydrological conditions, operational expenditure of ~\$8m in relation to new developments, no material adverse events, and generation volumes of approximately 1,915 gigawatt hours (including KCE schemes). In FY24 we expect our capital expenditure to be in the range of \$65m–\$80m, including enhancements of existing generation assets (\$18m–\$22m); asset maintenance and lifecycle expenditure on existing generation assets (\$22m–\$28m); new generation development activity (\$13m–\$16m); technology, regulatory, environmental, and other capital investment (\$7m–\$9m) and ~\$5m for the Manawa House office fit-out in Tauranga. We are also expecting \$20m–\$28m of cash proceeds in FY24 from the divestment of surplus land and carbon credits.

People

There was one change to the Board this year, with Deion Campbell replacing outgoing director Peter Coman in July 2022. Deion is a familiar face and we are pleased to have his experience and incisive thinking at the board table. Deion has previously been the CEO of Tilt Renewables, and prior to that he had 15 years in a range of senior roles at Trustpower.

The management team has also had some changes this year. We have recently appointed Matt James as our GM Commercial and Todd Mead as our GM Generation Operations, and we know both will make a significant contribution over the coming years. We continue to recruit for a new GM Major Projects and New Development. Rob Buchanan and Stephen Fraser resigned this year and we wish them both the very best in their future endeavours.

We would also like to acknowledge the ongoing relationship with Ngāti Hangarau hapū, mana whenua of the area where our Kaimai hydroelectric power scheme is located. Ngāti Hangarau gifted us our company name, and we appreciate their commitment to working with us across a range of activities.

Future

It will undoubtedly continue to be a period of huge change and opportunity in the renewable energy sector. We are excited about the future as we continue to bring our strategy to life, creating value as we play our part in powering a sustainable future for Aotearoa New Zealand.

We can see clear opportunities to contribute as demand for the supply of renewable electricity continues to grow significantly as the country continues to transition to a low-emissions economy. We are looking forward to getting on with it as we look ahead to FY24 and beyond.

Ngā mihi nui,

David Prentice
Chief Executive

Paul Ridley-Smith
Chair

Meet Manawa Energy

About us



Our purpose and mission

Our new company purpose is 'Manawa powers Aotearoa New Zealand' and we aspire to be the country's fastest-growing energy company.

We utilise the power of nature to provide renewable energy to our customers and the country. We play our part to create a sustainable future for Aotearoa New Zealand.



Our values

Our values guide our behaviour:

We're down to earth: We take what we do seriously and have fun doing it. We're grounded and respectful, bringing good energy to lighten the load of our big challenges.

We're joined up: We succeed by working together and valuing the contributions of others to deliver on Manawa Energy's goals.

We're resourceful: We're creative, finding smart ways to solve problems, and we aren't afraid to do things a bit differently.

We get it done: We tackle our work head on, taking calculated risks to deliver on our commitments through proactivity, determination, and perseverance.

Our assets

KEY

- MNW scheme
- KCE Power Scheme*
- Transmission lines
- Water conveyancing**
- Office

Manawa Energy owns 75 percent of KCE* and 15 percent of Rangitata Diversion Race Ltd**.



TOTAL FY23
1,917.2

GWh

24.4	Arnold
45.0	Branch River
0.2	Bream Bay
137.6	Cobb River
223.6	Coleridge
13.0	Deep Stream
3.6	Esk
138.7	Highbank/Montalto
34.3	Hinemaiaia
179.3	Kaimai
2.6	Kaniere Forks/McKays Creek
41.6	Kumara/Dillmans/Duffers
34.2	Kuratau
118.6	Mangahao
22.1	Mangorei
411.8	Matahina
12.9	Mokauiti
25.1	Motukawa
29.7	Paerau/Patearoa
138.3	Pātea
5.5	Piriaka
14.8	Wahapo
8.4	Waihopai
105.7	Waipori
130.4	Wheao/Flaxy
15.3	Wairere

Board of directors

For full **profiles** of our Board, please visit our website.



Paul Ridley-Smith

CHAIR,
NON-INDEPENDENT DIRECTOR

Paul joined the Board in 2016 as Chair. He is a senior executive at Morrison & Co, the manager of Infratil (Manawa Energy's 51 percent shareholder). Paul has an LLB from Victoria University and an MBA from Columbia Business School.



Joanna Breare

INDEPENDENT DIRECTOR

Joanna joined the Board in 2021 after retiring as Chief Executive of Todd Energy. She is the Chair of Venture Taranaki Trust and holds a BSc (Hons) and a PhD in Geology from the University of London.



Kevin Baker

NON-INDEPENDENT DIRECTOR

Kevin joined the Board in 2018. His previous roles included Chief Financial Officer of Morrison & Co and Infratil. He has a BMS from the University of Waikato.



Sheridan Broadbent

INDEPENDENT DIRECTOR

Sheridan joined the Board in 2021. She is Chair of Pipeline and Civil, director of Spark, and Deputy Chair of the Business Leaders' Health and Safety Forum. She holds a BCom from the University of Auckland and is a graduate of the Harvard Business School Advanced Management Program.



Deion Campbell

NON-INDEPENDENT DIRECTOR

Deion joined the Board in July 2022. He is an operating partner with Morrison & Co. His previous experience includes 15 years at Trustpower and CEO of Tilt Renewables. He is Chair of Mint Renewables. He holds a BE (Hons) and an MEng from the University of Canterbury and is a Fellow of Engineering NZ.



Michael Smith

NON-INDEPENDENT DIRECTOR

Michael was appointed to the Board in 2021 by TECT. He chairs Craigs Investment Partners custodial and superannuation subsidiaries and was a director of Port of Tauranga Limited for 16 years. Michael holds an LLB from Victoria University and has practised as a commercial lawyer since 1985.

Note: **Peter Coman** stepped down as a director in July 2022.

Management team

For full [profiles](#) of our management team, please visit our website.



David Prentice

CHIEF EXECUTIVE

David has been the inaugural Manawa Energy Chief Executive since May 2022, having been appointed as the Chief Executive of Trustpower in 2020. His previous roles include Chief Executive of Opus International Consultants and Chair of the Interim Committee for Climate Change. He graduated from the University of Edinburgh with a BEng (Hons) and a PhD in engineering.



Catherine Thompson

GM REGULATORY AND RISK

Catherine joined the company in March 2022 and leads our strategy, corporate reputation, health and safety, environmental, policy, consenting, risk/regulatory, legal and company secretarial functions. She has previously been Chief Corporate Affairs Officer and General Counsel at Contact Energy. Catherine holds LLB (Hons) and BCom degrees from the University of Otago.



Phil Wiltshire

GM CORPORATE SERVICES

Phil joined the company in February 2022 and leads our finance, people, technology and business performance functions. He has more than 20 years' experience in CFO roles for various companies including Mainland and Vitaco Health Group. He has a BCom from the University of Auckland.



Matt van Deventer

DIGITAL TRANSFORMATION
PROJECTS DIRECTOR

Matt joined Trustpower in 2014 and led the company's technology and delivery function from December 2020. In December 2022, Matt moved to a new role as Director of Digital Transformation Projects. His previous experience includes nine years managing technology teams at Trade Me.



Matt James

GM COMMERCIAL
APPOINTED APRIL 2023

Matt joined Trustpower in 2000 as a graduate out of Waikato University. He has held various roles over the past 23 years across retail, commercial contracting, product development and strategic partnerships. His most recent role was Head of Commercial and Industrial/Market Operations.



Todd Mead

GM GENERATION OPERATIONS
APPOINTED APRIL 2023

Todd has more than 25 years of hydro-engineering and project management experience in New Zealand, Australia and North America. He joined Trustpower in 2015 and has held senior generation roles including Engineering Manager and Production Manager. He has most recently been seconded into our new generation team as Head of Development.

Note: **Rob Buchanan** resigned as GM Growth and Trading in November 2022 and left in January 2023. He led our energy trading, commercial and industrial customer, and new development portfolios. **Stephen Fraser** resigned as GM Generation in January 2023 and left in April 2023. He led our generation business.

[Management commentary](#)
(no financial statements)

What matters most

In early 2023 we engaged sustainability specialists thinkstep-anz to complete a materiality assessment. This has given us independent data to ensure we are focused on the ESG issues that are most important to our stakeholders and aligned with our company strategy.

Thinkstep-anz conducted in-depth interviews with Manawa Energy people, customers, investors, regulators, iwi and other stakeholders, and identified recurring topics. These topics will be used as the basis for a ranking survey sent to a wider group of stakeholders.

Our management team will use the resulting list of ranked topics to create a new materiality matrix for the company, prioritising topics based on levels of stakeholder concern and potential business impacts.

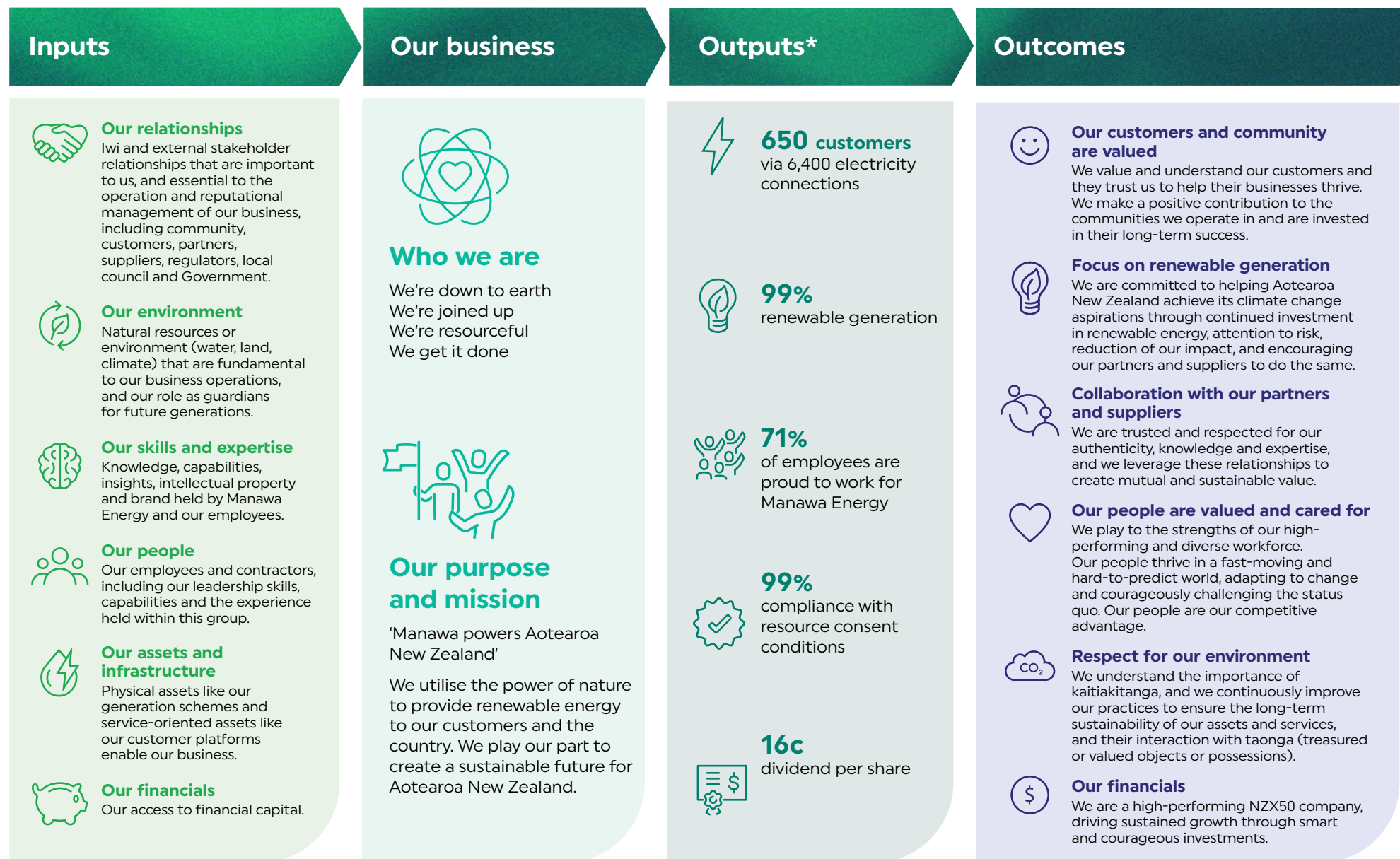
The matrix will inform the development of our sustainability framework. The framework will help us decide where to focus our efforts, identify and manage reputation risks, maintain our licence to operate, and tailor communication around topics that matter most to our stakeholders.

Our relationships

We work with iwi and our stakeholders to understand what matters most to them.



How we create value



Strategy

External context

In May 2022 we reimagined and reset our business to focus our resources and expertise on increasing renewable generation capacity. As Manawa Energy we know we have a key role to play in ensuring Aotearoa New Zealand's increasing demand for renewable electricity will be met.

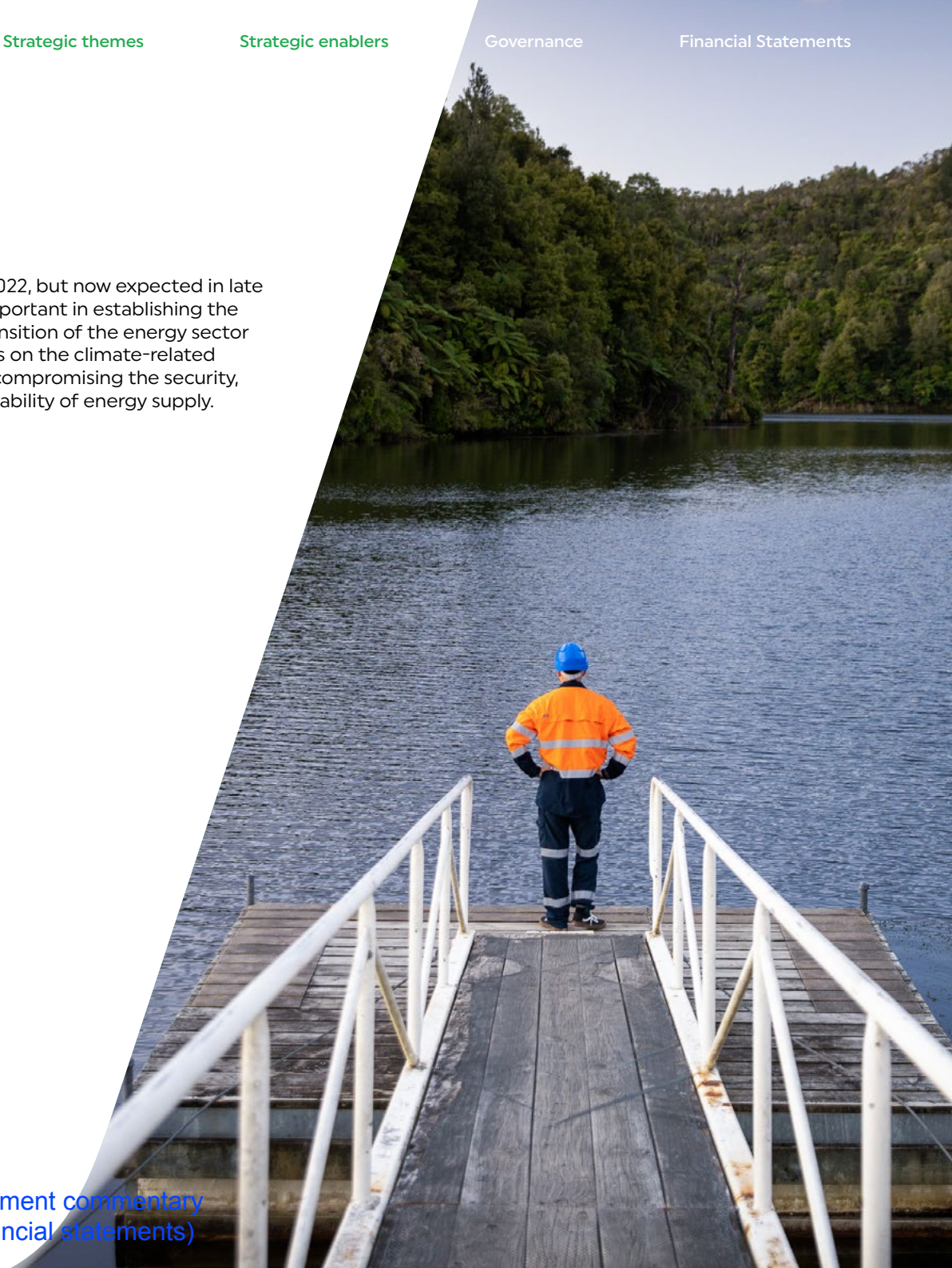
Our strategy is to enhance our existing assets and develop new renewable generation to support Aotearoa New Zealand's ambitions for a thriving, low-emissions and climate-resilient future. Through our geographically dispersed fleet of existing assets and development capability we will deliver renewable electricity to the national grid, regional communities, and commercial and industrial energy users.

The strategy is underpinned by the fundamental belief that climate change and the pursuit of emissions goals is reshaping the energy sector in Aotearoa New Zealand and beyond. We know the development of renewable energy represents a significant opportunity for investment in wind and solar over the coming years.

At a national level, the Government's response to He Pou a Rangi Climate Change Commission's advice on the paths Aotearoa New Zealand can take to meet its climate targets also emerged in May 2022. This first 'emissions reduction plan' for the country – and its demonstration of the reliance on renewable electricity – aligns with our strategy to grow renewable generation to support a low-emissions future.

The eventual development of the Government's National Energy Strategy (initially set to be

announced in late 2022, but now expected in late 2024) will also be important in establishing the roadmap for the transition of the energy sector in a way that delivers on the climate-related ambitions, without compromising the security, reliability and affordability of energy supply.



Strategic plan overview

Themes



Develop new generation

- > Develop a large portfolio of potential options, focused on solar and wind
- > Pursue partnerships and acquisitions



Enhance existing assets

- > Protect and enhance the value of our assets



Sell electricity

- > Develop long-term relationships with customers
- > Optimise our portfolio of electricity customers
- > Investigate 'grid edge' opportunities

Enablers



Technology and innovation

- > Embrace technology and data
- > Use our tech smarts to enhance decision-making
- > Reduce complexity



Culture and capability







- > Develop a culture to support our strategy
- > Build capability to be high performing
- > Prepare our workforce for the future



Baseline excellence

- > Sustainability
- > Health and Safety
- > Reputation and brand
- > Iwi relationships
- > Business performance
- > Financial management

Progress against strategic plan

Theme	Objectives	Key activity this year	Enabler	Objectives	Key activity this year
Develop new generation 	Develop a portfolio of potential options Build 500MW of new generation by 2030 Pursue partnerships and acquisitions	<ul style="list-style-type: none"> > Announced Project Huriwaka wind development > Developed a ~920MW pipeline of advanced options for new generation 	Technology and innovation 	Use our tech smarts to enhance decision-making Reduce complexity	<ul style="list-style-type: none"> > Smooth transition to stand-alone systems > Reducing complexity and simplifying systems for new business model > Enhancing connectivity at our sites
Enhance existing assets 	Protect and enhance the value of our assets	<ul style="list-style-type: none"> > Record level of investment in existing assets over the next five years > Enhancement projects at Branch River and Cobb River schemes successfully completed > Enhancement projects at Deep Stream and Waipori schemes progressing well > Tunnel repairs at McKays Creek scheme progressing well > Enhancement projects at Highbank and Coleridge schemes approved > Dam safety project at Arnold scheme approved > Storm resilience during challenging weather events in Aug 2022 and in 2023: the only unplanned outage was at Esk scheme > Consenting in full swing across asset enhancements, reconsents and new developments 	Culture and capability 	Develop a culture to support our strategy Build capability to be high performing Prepare the Manawa Energy workforce for the future	<ul style="list-style-type: none"> > Embedded our new vision and values > Developed new performance management framework > 71% of our people are proud to work for Manawa Energy > Redesigned remuneration, benefits and performance frameworks > New building in Tauranga progressing well, plus new offices in Wellington and Christchurch > Finalist for wellbeing award at NZ Energy Excellence Awards
Sell electricity 	Develop long-term relationships with customers Optimise our portfolio of electricity customers Investigate 'grid edge' opportunities	<ul style="list-style-type: none"> > 650 customers via 6,400 electricity connections > Long-term supply agreement in place with Mercury Energy as part of the sale of our retail business > Signed up to New Zealand Energy Certificate System to certify our renewable generation for customers 	Baseline excellence 	<ul style="list-style-type: none"> > Sustainability strategy in development > Reviewed public safety management practices and updated health and safety strategy being developed with all staff > Māori capability assessment completed > Raised \$150m from bond investors > >99 percent compliance across ~3500 resource consent conditions > Engaged in key regulatory changes including proposed resource management reform 	

Strategic themes



Strategic themes

Strategic theme

Enhancing our existing generation assets



We have a strong and geographically diverse portfolio of assets that generate about five percent of Aotearoa New Zealand's total electricity. We continue to optimise our portfolio's output and performance through our asset management transformation project.

We operate 25 hydroelectric generation schemes, including five King Country Energy (KCE) schemes comprising 44 hydro stations and one diesel generator station. We manage many of our schemes remotely, 24/7, from our operations centre in Tauranga – alongside nine regional teams carrying out the day-to-day activity and maintenance on the ground.

Our geographically diversified portfolio gives us a market advantage, as we can choose which assets to dispatch and when, based on hydro inflows and market conditions. This diversity enables us to capture inflows wherever these may be, and reduces our exposure to regional pricing variances.

Our asset management programme is focused on enhancing the value of existing generation assets using robust prioritisation. The programme is on track to have delivered ~80GWh/yr of volume uplift from existing assets by FY28/29, with ~30GWh/yr of this already delivered. We also have ~30GWh/yr of further enhancements currently being scoped.

Some of the enhancements are being completed alongside planned life-cycle maintenance projects, while others are standalone. The enhancements increase our capital expenditure over the short to medium term, however, they all provide a strong return on investment (returns on standalone enhancements have generally been in excess of 10 percent).

Alongside asset upgrades, we have continued to focus on machine performance through ongoing training and development of our people, coupled with improvements to systems and processes. Understanding the condition of our assets is fundamental to our maintenance strategies, allowing prioritisation of projects based on risk ranking. This ensures we put our efforts where they are needed most to ensure our portfolio operates safely and efficiently.

Major asset investments programme on track

Significant life-cycle refurbishments continue across our schemes and machines. We are investing in existing assets that provide strong and steady cash flows – delivering greater reliability, extended asset life, and increased capacity and peaking (i.e. generating more when electricity demand is high).

In FY23 we completed significant asset enhancement projects at our Branch River scheme (Marlborough) and Cobb River scheme (Golden Bay). Despite the industry-wide challenges of Covid-19 and supply chain disruptions, these projects were delivered on time and below budget, thanks largely to the focus on project delivery and our 'one team' approach.

We commissioned our new gallery intake at **Branch** in April 2022, delivering up to an additional 10GWh per year. This enables the scheme to use its full consented water take and operate when the Branch River is in flood. The project was completed in March 2023.

We commissioned the second of two replacement generators at **Cobb** in December 2022. These 12MW generators, each weighing 40 tonnes, were built at GE Hydro's custom plant in Spain and shipped to us for installation by GE's Aotearoa New Zealand-based team. The project increased output by 2GWh a year and added 4MW of capacity – enough to power around 4,000 houses.

'Building on our strong asset base'

We also made significant progress on our **Deep Stream** (Otago) power station intake enhancement, with commissioning well under way and expected to be completed in late 2023. We successfully applied for a revised water-take consent that enables Deep Stream to take an extra 2.5 cumecs of water when the river is at very high flows. Alongside that we have significantly upgraded the control and communications systems to give real-time monitoring of inflows and greater accuracy, including for releasing water to Dunedin City Council's intakes. This ensures we meet consent requirements and optimise the take.

The combination of increased intake during high flows and enhanced monitoring and accuracy is expected to increase output by 2–3GWh per year, from an investment of less than \$200,000.

We also completed installation of a new 9MW generator to replace the end-of-life generator at **Waipori #4 Power Station** (Otago) in August 2022. We chose to delay installing a new 8MW generator at Waipori #3 until FY24, due to global supply chain disruptions. This new generator is now in Aotearoa New Zealand and the installation will begin in November 2023, with the timing of the outage set for late spring and summer when electricity demand is typically lower.

We will progress our project to replace two turbines (32.5MW and 40MW) at **Matahina** (Bay of Plenty) in FY24. The turbine equipment is being designed and supplied by Austria-based Andritz Hydro, utilising their global manufacturing capability. We chose to delay this by 12 months because of supply chain disruptions, but manufacture of the new turbines is progressing and the first shipment of components are on site.

In November 2022, the Board approved a project to remediate the 440m long **McKays Creek** water conveyance tunnel on the West Coast. We are taking the opportunity to progress deferred maintenance on equipment at the McKays Creek power station while the tunnel repairs are under way. Back in October 2021 the tunnel suffered a partial collapse and the power station has been unable to generate electricity since then. We expect it to be back generating by August 2023.

Green light for more reinvestment

The Board approved three major reinvestment projects for existing generation assets in FY23, at Highbank (Canterbury), Coleridge (Canterbury) and Arnold (West Coast).

At **Highbank** we will complete a total replacement of the existing 29MW turbine and generator unit. With a budget of \$30 million, this is the largest complete unit replacement in our history. It currently generates around 100GWh (enough to power around 13,000 average households) and the new equipment will deliver an extra 8GWh of renewable energy.

The main supply contract has been awarded to GE Hydro, and the equipment is being manufactured across Brazil, China and India to tap into international engineering and manufacturing expertise.

Because of its size, the equipment needs to be assembled on site rather than in the factory, and pre-assembly is expected to start on site in September 2023. Installation of the new unit is expected to start in September 2024 and will take about 18 months. An Aotearoa New Zealand based GE Hydro team will carry out the installation, working closely with our project team.

Coleridge will get three new turbines (each 12.5MW) and one new generator, with a project budget of \$27 million. The project will increase water intake and generate more electricity from each litre used, to deliver an additional 23GWh per year. GE Hydro has been awarded the main supply contract and detailed design work is under way. The equipment is being manufactured across five countries.

Design, manufacturing and installation works are expected to take five years to complete, with the first site activities starting at Coleridge in 2026.

Significant dam strengthening is under way at **Arnold** to bring the dam up to modern standards, as part of our ongoing dam safety assurance programme. The Arnold Dam comprises an arch dam, earth dam and gravity dam. This project involves remedial works to the gravity dam's downstream apron and the earth dam's core and downstream face. The personnel and maintenance accesses across the gravity dam will also be replaced.



The project was awarded to Downer and a number of local contractors will be involved, including earthworks, civil engineering, trucking, helicopter operators, and scaffolding. Site work began in March 2023 and it is expected to take 18 months.

Managing assets for reliability and performance

Our generation assets performed well in terms of availability and reliability in FY23. For our high-value machines the number of unplanned outages reduced from 57 in FY22 to 34 in FY23. This in turn delivered increased availability from 82 percent to 85 percent. Across the wider portfolio data, indicated many positive changes with availability up from 86 percent to 90 percent, increased run hours – up 9 percent on previous year – and unplanned outages down from 3.4 percent to 1.1 percent. We are focused on continuing to increase asset performance.

As part of our asset management transformation project, we're improving how we collect and use data from our assets, which enables us to better track and understand performance, and act on what the data tells us.

We use a computerised maintenance management system (Maximo) to schedule when machines are due for routine maintenance and record corrective (breakdown) work undertaken. The ratio of these work types allows us to optimise our maintenance to ensure high levels of availability. We work hard to minimise issues that might cause shutdowns and require reactive unplanned maintenance. When unplanned shutdowns do occur, we have increased our focus on reviewing and learning from these events.

A year of weather events

Aotearoa New Zealand was hit by a series of severe weather events in FY23 which caused widespread flooding, slips and erosion. Overall our people and sites came through the weather events well, and our emergency preparedness procedures and planning stood up to the test, but it is a sharp reminder of the potential impacts that climate change can have on us all.

In August 2022, severe rainfall and flooding affected the top of the South Island but did not result in any damage or unplanned outages for our assets.

In mid-January 2023, Cyclone Hale caused swollen rivers, flooding, landslides and erosion in northern parts of the country, and affected our schemes in the Bay of Plenty (Kaimai and Matahina) and Taupō (Hinemaiaia).

One of the main challenges during Cyclone Hale was vegetation debris entering lakes and canals and then being washed onto hydro power station intake screens. This was coupled with challenging access to sites, with some access roads closed and long diversions in place. A huge amount of work went into keeping screens clean so water could continue to flow and power stations could keep operating. Some of our people worked through the night and slept onsite. Most of our sites have bedding, food and other supplies to allow staff to stay overnight in these emergency situations.

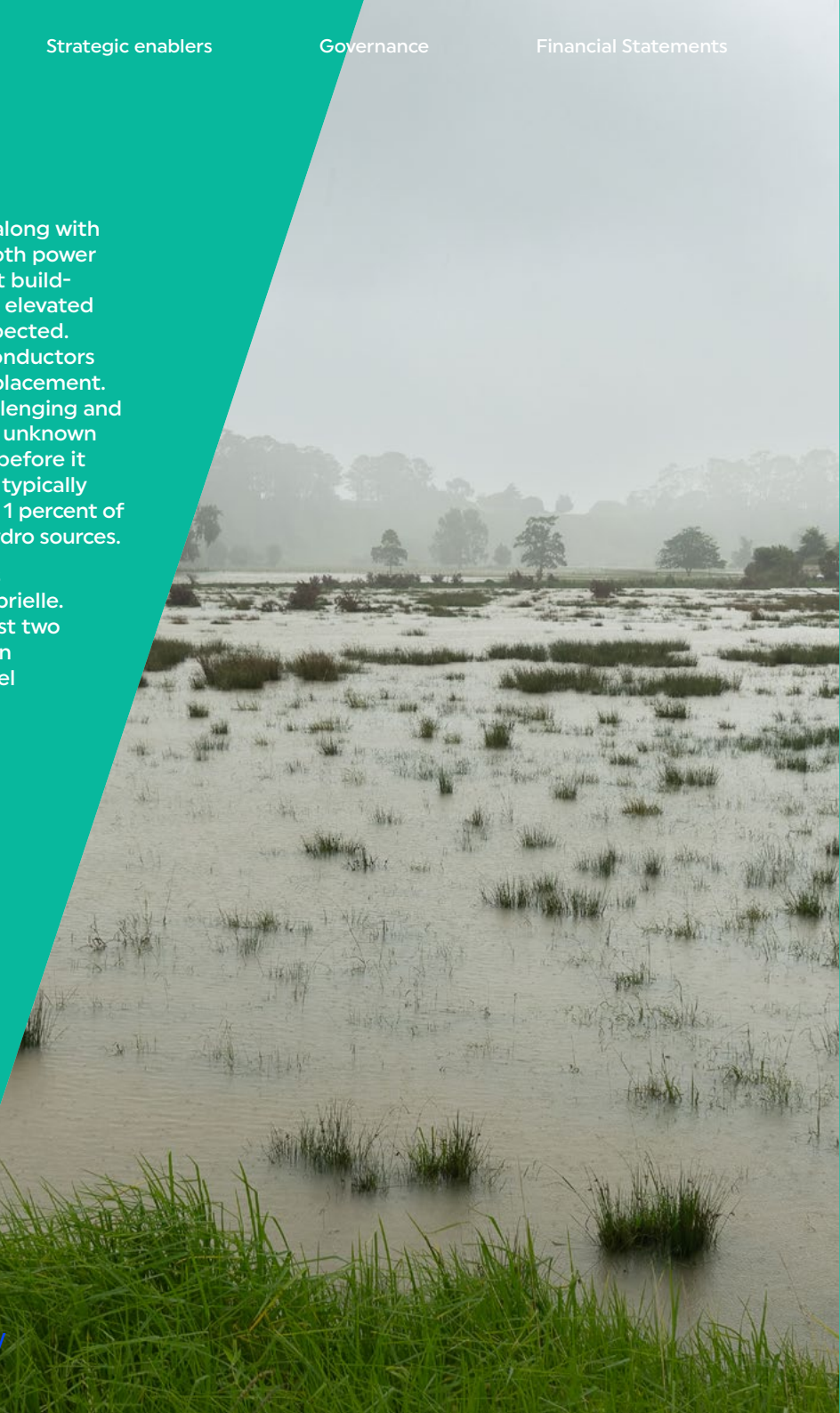
Two weeks later, the North Island was hit by Cyclone Gabrielle. Our Esk scheme (Hawke's Bay) shut down automatically as high winds and slips took out transmission lines in the region. Our people were unable to assess the impacts for several days until access could be gained by helicopter.

Our Esk scheme consists of two small power stations, Toronui (1.4MW) and Rimu (2.4MW). Toronui remained largely intact. At Rimu (which was out of service for remedial work when the cyclone struck),

part of the intake weir was washed away, along with a control hut and part of the penstock. Both power houses experienced around 200mm of silt build-up from the flooding, but as machinery is elevated off the floor no significant effects are expected. Two power poles carrying high-voltage conductors were brought down, which will require replacement. General access around the scheme is challenging and the exact timing of its return to service is unknown but we estimate it will be 6 to 12 months before it will be generating again. The Esk scheme typically generates 12.1GWh/year, which is less than 1 percent of our total annual electricity output from hydro sources.

Apart from Esk, our other power schemes escaped major damage from Cyclone Gabrielle. The Mangahao scheme in Horowhenua lost two power poles, taking out power distribution within the scheme, however back-up diesel generators enabled it to keep operating. The power poles were replaced within a few days.

The cyclone was another test for our emergency management processes and an opportunity to keep learning, improving, and revising our plans and processes.



Strategic theme
Building new generation



'Ramping up new generation development'

A key pillar of our strategic plan is to grow our renewable generation asset base to support a thriving, low-emissions and climate-resilient future for Aotearoa New Zealand.

We continued to ramp up our generation development prospecting activities in FY23 to build a strong pipeline of prospective solar and wind development options across the country. The identification and evaluation of new opportunities will continue, but with land rights for over 900MW of options secured, we are now advancing these developments toward investment decisions.

Manawa Energy has had a long and successful history developing renewable generation going back some two decades in both Aotearoa New Zealand and Australia. Our broad geographic footprint, owning and operating assets across 26 power schemes throughout the country, provides us with some unique development opportunities, as well as deep, long-standing relationships with key stakeholders who are critical to making these developments a success.

With the sale of the mass market retail business completed in FY23, we are now Aotearoa New Zealand's

largest independent power producer, and able to take an innovative and flexible approach to providing customers with solutions that meet their energy needs across our existing portfolio of assets. This includes hydro storage and 'firming' capability to complement the introduction of new intermittent wind and solar generation from our development portfolio.

Our pipeline

Wind and solar generation continue to present the lowest-cost, zero-emissions technology options available in New Zealand to support continued decarbonisation of the economy and complement Manawa Energy's existing portfolio of hydro generation assets.

Our prospecting efforts have focused on finding sites with the right mix of attributes considering resource, potential environmental and stakeholder impacts, land use, access to the transmission network, overall project complexity and other factors.

We have secured development rights to a number of projects that provide significant growth potential as we play our part in meeting the market's growing demand for renewable energy.

Pipeline of advanced options

Region	Technology	Potential Size (MW)*	Potential production (GWh/yr)*	Status
Central North Island	Wind	230	800	Land secured, long-term wind data available, design and consenting in progress
Waikato	Wind	250	870	Land secured, wind monitoring under way
Otago	Wind	75	230	Land secured, wind monitoring under way
Northland	Solar	9	16	Land secured, consented
Northland	Solar	100	150	Land secured, progressing design and consenting
Northland	Solar	100	150	Land secured, progressing design and consenting
Northland	Solar	100	150	Land secured, progressing design and consenting
Hawke's Bay	Solar	24	50	Land secured, progressing design and consenting
Marlborough	Solar	28	60	Land secured, progressing design and consenting
Total		916	2,476	

Management commentary
(no financial statements)

* Estimate only

Project Huriwaka: Wind farm advances in central North Island

In May we announced we have secured the rights to develop a circa 230-megawatt wind generation project in the central North Island, between Taihape and Waiouru. 'Project Huriwaka' is a well-known and highly regarded site for a potential wind farm: we already know it has a high quality wind resource, convenient access to transmission, good construction characteristics and is relatively close to significant demand for electricity.

If it proceeds, the wind development is expected to generate around 800GWh of electricity each year – enough to power 100,000 average New Zealand homes. Design work on what the wind farm might look like has not been completed, but the site has previously been consented for around 50 wind turbines across 47 square kilometres of privately owned rural land.

The full development of the project was expected to take at least three years. This indicative timeline is reliant on the findings of project studies and assessments, feedback from consultation, consenting timelines and market dynamics. We have secured the key land access rights and we are now under way with iwi and stakeholder consultation, design, environmental assessments and network connection activity.

Project Huriwaka is a key initiative in our pipeline of new, renewable developments. As our Chief Executive David Prentice said: "We know Aotearoa New Zealand needs a huge amount of investment in renewable generation over the coming decades and projects like this align with our strategy and will ensure we are playing our part in meeting the rising tide of demand for electricity."



Strategic theme

Selling electricity



'Leveraging diverse sales channels'

We have diverse options for selling the electricity we generate – to commercial and industrial (C&I) customers, on the wholesale market, and to other retailers and major energy users.

After divesting our Trustpower mass market retail business, we entered a long-term electricity hedge contract with Mercury Energy. The initial hedge volume approximated the previous Trustpower retail customer load (2,000GWh) and this reduces from 1 October 2024 down to zero on 30 September 2031.

This stepped reduction in volume gives us time to diversify our wholesale energy sales portfolio. We intend to do this by expanding across all channels, including building our C&I customer proposition, engaging with other retailers to provide short-term wholesale electricity, and potentially entering into power purchase agreements with wholesale energy customers seeking long-term renewable electricity supply.

Building long-term customer relationships

We retained ~650 C&I customers after selling our retail business, and this is an important channel to market with strong potential for growth. We supplied 1,095GWh of electricity to these customers in FY23.

Our aim is to be a partner to our C&I customers, not just a supplier. Our dedicated account management team offers a single point of contact and works with customers to understand their energy and service needs.

In FY23 we focused on developing our C&I value proposition: defining how we are distinctive in the electricity market and are 'making renewable doable' for our customers. We are the only generation company in Aotearoa New Zealand that is committed to C&I customers only, which means we understand their needs and can work with them to meet those needs.

We have a range of tools to help customers make informed decisions about their energy consumption and costs, including customised online reports that drill down to individual sites, and text messages when the forecasted spot price exceeds a customer's limits, so they can choose to manage their load.

As the awareness and appetite for renewable offtake agreements increases, we have stepped up the level of bespoke analysis we are able to do for customers, helping them understand renewable power purchase agreements and other products.

We've also focused on establishing key strategic relationships with high-value customers. This includes some of Aotearoa New Zealand's biggest energy users, and we are working towards longer-term purchase agreements with some of these organisations, providing both parties with longer-term certainty and security, which can help to underpin new renewable generation developments. We are also talking to energy users currently reliant on thermal generation about how we can help make 'renewable doable' for them.

We know customers increasingly want reliable access to renewable electricity, so in FY23 we signed up to the New Zealand Energy Certificate System to certify our renewable generation. This certification enables our customers to match the amount of electricity they use in a year with an equivalent amount of electricity delivered to the national grid from one of our hydroelectric power stations (or in future, wind or solar projects) that have been certified 100 percent renewable.

Strategic enablers



Strategic enablers

Enabler

Culture and capability



'A great place to work'

We are creating a work environment at Manawa Energy that brings out the best in our people and ensures alignment with our strategy and values.

In FY23 we have laid the foundations we need to shape our culture and capabilities as a new stand-alone generation and commercial and industrial business, and to deliver on our strategic plan.

One of the essential foundations was to create our values, purpose statement, mission and vision – to connect our people with why we exist, our goals and how we work to achieve those.

Listening and responding to what matters

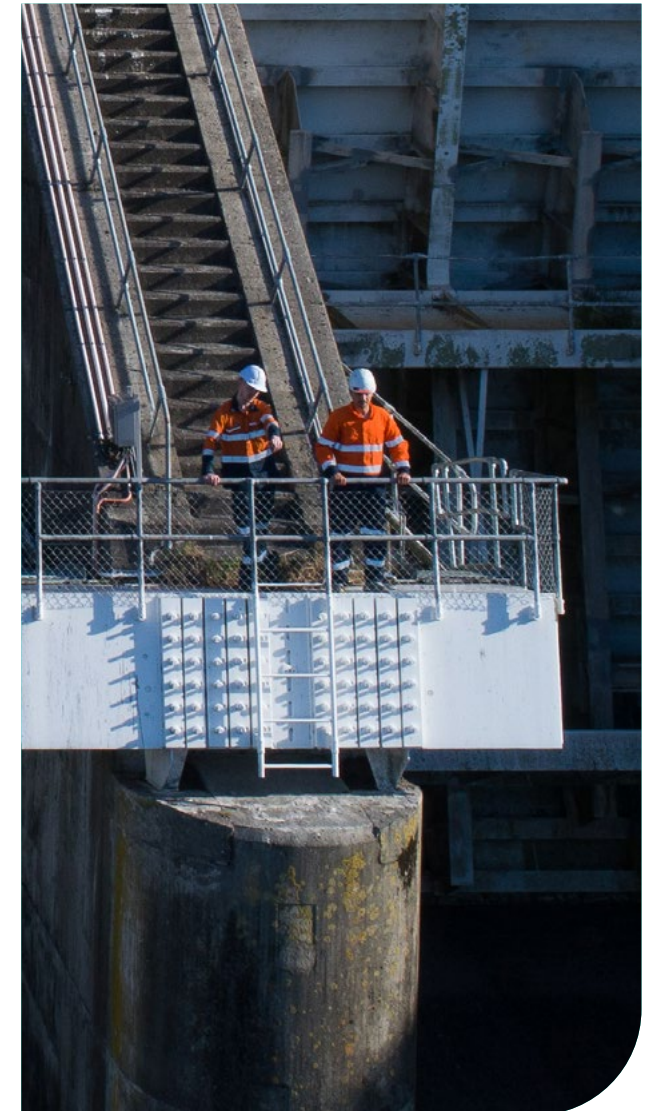
In May 2022 we did our first employee experience survey to find out how our people feel about working for Manawa Energy, followed by a smaller pulse check in October.

The survey showed us where we're doing well: 65 percent said they would recommend Manawa Energy as 'a great place to work' and 71 percent said they are proud to work for the company.

It also identified four themes for future focus: connecting people across Manawa Energy, connecting people to our future, showing people they are valued, and demonstrating meaningful action to respond to people's feedback.

Based on the feedback, we developed a plan to progress each of these four action areas.

Delivering on that plan has been a priority for FY23 and will remain in focus in FY24.



Management commentary
(no financial statements)

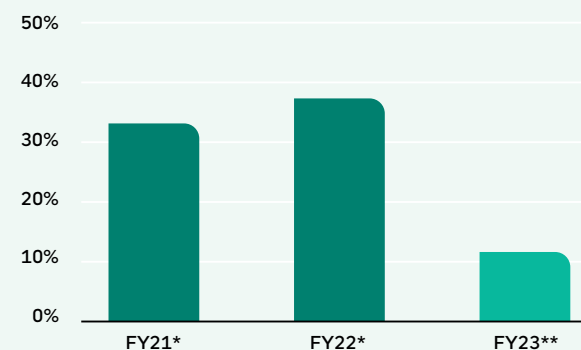
12 month voluntary full- and part-time turnover



Unscheduled absences



Percentage of roles filled by internal candidates



* FY21 and FY22 figures are from when the company was known as Trustpower.

** FY23 figures include one month of data from when the company was known as Trustpower.

Connecting people

We have put in place new ways of communicating with our people, aiming to connect everyone to our strategic plan, where we are heading, and their role in that.

We ran interactive workshops across the company, bringing the strategy to life with real stories and examples, inviting people to share stories of their own, and creating an opportunity to ask questions to ensure they understand the strategy and how their role contributes.

We're on track to move into our new office, Manawa House, in the heart of the Tauranga CBD by early 2024. Our new head office has been designed for activity-based working, with diverse spaces to accommodate different work needs, such as group collaboration or individual tasks.

This year we also relocated our Wellington and Christchurch offices.

Focusing on wellbeing

We have been committed to the wellbeing of our people before and after the sale of our retail business and the establishment of Manawa Energy.

Our approach to looking after our people through the transition was recognised with our selection as a finalist in the wellbeing category of the New Zealand Energy Excellence Awards in June 2022, and reflected in our employee experience results.

Working towards diversity and inclusion

We recognise that to deliver on our ambitious strategy, we need a diverse and inclusive workforce, where we can attract and retain the best people, and everyone feels welcome and supported.

In FY23 we began foundational work to ensure Manawa Energy is a diverse and inclusive organisation, including a commitment to diversity and inclusion in our **Corporate Governance Statement**, developing a Diversity and Inclusion Policy, offering flexible working to accommodate people's different needs, piloting Te Reo Māori classes, and commissioning a cultural maturity report (see more on that in '**Assessing our cultural maturity**').

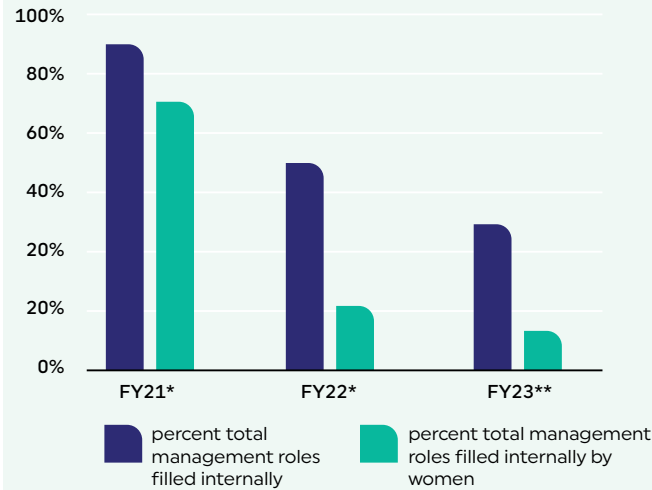
Our **Diversity and Inclusion Policy** outlines our aspirations to be a workplace where:

- > our people feel valued and included;
- > diversity of thinking and approach is valued;
- > we encourage a broad range of people to be part of Manawa Energy and make employment decisions without bias;
- > we have a diverse Board and management team;
- > diversity is visible across all divisions and at all levels of the business; and
- > we are culturally competent and well-equipped to meet cultural needs and differences of our people.

In FY24 we will begin developing a diversity and inclusion strategy, prioritising activities to deliver on these aspirations. Our employee experience research shows we have good foundations to start from and, like many employers, we have areas to improve on.

We face many of the gender challenges of other energy sector and engineering-based businesses. Just 7 percent of our people in the generation operations team are female, with numbers much higher in areas such as regulatory and risk (58 percent) and corporate services (46 percent). Our gender pay gap (using median hourly rates) is 22 percent.

Percentage of management roles filled by women through internal promotion



Percentage of women at Board, management, leadership and employee levels



* FY21 and FY22 figures are from when the company was known as Trustpower.
** FY23 figures include one month of data from when the company was known as Trustpower.

Gender diversity at Board and management team levels

		FY23**	FY22*	FY21*
Board	Male	4	4	6
	Female	2	2	1
	Gender diverse	-	-	-
Management team	Male	4	6	6
	Female	1	2	1
	Gender diverse	-	-	1

* FY21 and FY22 figures are from when the company was known as Trustpower.
** FY23 figures include one month of data from when the company was known as Trustpower.

The sale of our Trustpower retail business has resulted in a significant drop in the percentage of women across all employees in FY23 (25 percent) compared to FY22 (57 percent).

In FY24 we will begin participating in **Mind the Gap**, Aotearoa New Zealand's first pay gap registry.

Committed to training

Manawa Energy hydroelectricity technician Blake Cheesman took top honours at the 2022 Connexis Excellence Awards, winning the Generation Trainee of the Year Award.

The awards celebrate the best and brightest trainees in the electricity supply and telecommunications industries, and those who have made significant contributions through their commitment to industry training.

Blake started out as an electrician in Whakatāne, where he first had the opportunity to visit the Matahina Dam (Bay of Plenty) for electrical testing and tagging. Impressed by the dam, he set his heart on a career in hydro generation. A year later he was offered a trainee hydro technician role at Matahina Power Station and jumped at the chance.

Having previously achieved his L4 certificate in electricity supply, Blake completed a New Zealand Certificate in Electricity Supply Hydro Operation Level 4 in 2021. He has since grown from trainee to trainer, facilitating internal training on outage management processes. In 2022 he was seconded to acting generation site leader for the Matahina Power Station, again demonstrating his proactive attitude and leadership potential.

Blake was nominated for the award by Manawa Energy's learning designer Cameron Childerhouse: "Blake takes time to prioritise training for not only himself but his fellow team mates to ensure training and competency requirements set by Manawa Energy and our industry are met. Blake does not just eagerly learn and develop but applies his knowledge within his team and wider company."



Enabler



Technology and innovation

'Matching technology to strategy'

Data and technology underpin the success of every piece of our business and our ability to deliver on our strategic plan. As well as ensuring our information technology is continually running as it should, we are always looking to improve.

We made significant progress with technology projects in FY23 to enhance collaboration between our people, improve connectivity to and from our schemes, build a digital mindset, and increase our capability to access and use data. As we introduce new technology across our offices and sites, we're also focused on building digital confidence, capability, and collaboration. We're making sure our people have access to digital tools and collaboration platforms that make their jobs safer and easier and foster a positive attitude towards their usage.

A smooth transition

Following the sale of our mass market retail business and the establishment of Manawa Energy, the transition to stand-alone systems after the sale of our retail business was one of our biggest information technology challenges, and successes, in FY23.

We needed to stand up new systems across Manawa Energy literally overnight – from operating our schemes, supplying electricity and invoicing customers, to paying our people and ensuring they had functioning phones and laptops.

Extensive planning and preparation ensured we transitioned to fully operational IT systems from day one as Manawa Energy. Following on from the transition phase, we have continued to consolidate systems and applications to ensure that they are fit for purpose and support our new business model.

Enhancing connectivity

Enhancing internet connectivity for our sites and schemes has been a major focus this year.

Many of our power stations are very remote and have traditionally had limited, unreliable or in some places non-existent internet access – which has limited our ability to communicate.

Technological advances in satellite communication, fixed wireless and mobile broadband are opening up new possibilities for connectivity, so we've been rolling out that technology across our sites. This included Starlink satellite internet to three of our sites (Kaimai, Wheao, Coleridge) and continuing our fibre and mobile broadband deployments to additional sites around the country.

With the technology successfully in place and integrated with the production networks at these first locations, we can confidently continue the rollout to further sites.

We are also now using portable Starlink units for major projects such as the Arnold Dam strengthening on the West Coast.

We have been piloting a new digital satellite radio system, enabling our people to use hand-held radios to make cell phone calls, even from very remote sites. This helps save time and gives another important layer of safety for our people and assets. The satellite system has been piloted at remote locations within our Kaimai and Taupō schemes, where we have not had voice connectivity before. It is likely to be rolled out more widely in FY24.

This enhanced connectivity is delivering benefits for work efficiency and health and safety, as well as improving access to rich data to support resilience and maintenance planning.

We're now able to collate detailed real-time data from even our most remote sites into centralised systems. We use that information to make better and smarter decisions about how and when we use our assets, planning for outages and maintenance, and responding to weather events.

We have also continued to invest in our operational data system which bridges the control systems at our sites and our corporate control systems, to now feed around 7,000 different data point 'tags' into our company dashboards and reporting.

The tagged data will give us rich insight into what is happening across the schemes, to help inform future decisions. In FY24 we plan to significantly increase the number of tags we are collecting, and keep leveraging how we use the data.

Enabler

Baseline
excellence



'Getting the
foundations right'

The heart of the brand

In May 2022 we launched our new brand and new Manawa Energy name, having completed the sale of the Trustpower mass market retail business. It has been a massive job to roll out the new brand inside and outside the company: everything from signage and documents to our website and sponsorships.

The name 'Manawa' – meaning 'heart' in te reo – was gifted to us by the Ngāti Hangarau hapū. It reflects our shared whakapapa and origins in the Kaimai ranges, where our first hydroelectric scheme was developed more than 100 years ago and where the Omanawa River holds special significance to Ngāti Hangarau.

Mana whenua have a tradition of listening to the sound of waterfalls for guidance into the future, and our main design was created from interpreting the sound of the Omanawa Falls in Tauranga. This soundscape visually captures the intensity and high volume of the cascading waterfall and the calming flow of the connected river.

Sustainability – working for good

Where to focus

We're committed to working for the good of our people, our environment, our communities and our shareholders. We've been getting clear this year on where to focus our efforts to achieve that.

We have progressed our first materiality assessment as Manawa Energy, which will ensure our sustainability efforts are geared towards the most important environmental, social and governance (ESG) issues and aligned with the company's strategic plan. Alongside that, we are developing our inaugural sustainability strategy.

We have been preparing for mandatory climate disclosures and developing our emissions reduction plan. We know that our impact on people and the planet, and how we measure and report on that, is becoming increasingly important to all our stakeholders and remains a critical enabler for our strategy.

[Management commentary
\(no financial statements\)](#)

A new framework for sustainability

Our sustainability strategy is being developed in tandem with our materiality assessment.

It builds on the good work we are already doing to make a positive difference for people and the planet, the areas in which stakeholders have told us they'd like us to do more, and our new strategic plan, purpose and values.

Once completed it will set out how we plan to create measurable, material and meaningful impact and value over the long term, in a way that aligns with our business ambitions and stakeholders' expectations.

The sustainability strategy identifies where we will focus our energy across the ESG pillars of Environment (natural resources and climate change), Social (our people and communities) and Governance (leadership, transparency and performance) and what we plan to achieve.

Some of the short-term targets we will set will focus on getting actions under way to enable us to set more specific and measurable long-term ESG metrics.

We know long-term intergenerational thinking is fundamental to the concept of sustainability. Our sustainability strategy is an opportunity to bring our name to life and ensure that we behave in a way that will enhance our reputation, build meaningful relationships, and enable continued access to the natural resources we rely on to operate.

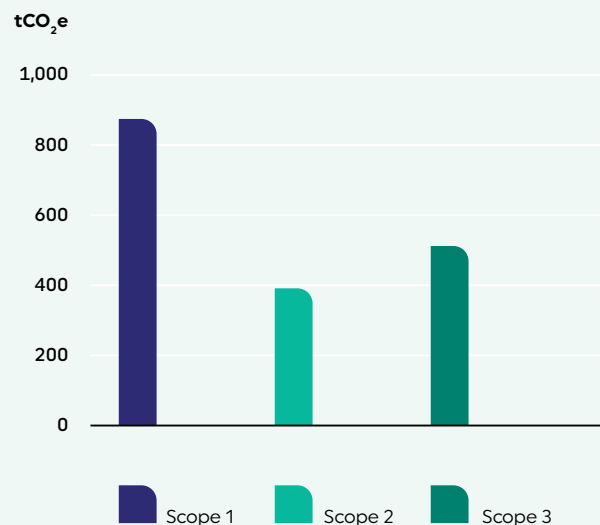
Emissions reduction planning

We have been doing the groundwork this year to develop an emissions reduction plan and targets for Manawa Energy, including data analysis to establish our 'emissions baseline' and to identify areas where reductions can be made.

Further work to develop our emissions reduction plan will continue in FY24.

We calculate our greenhouse gas emissions using the Greenhouse Gas Protocol Corporate Accounting and Reporting standard. Our Scope 1 emissions are limited, and primarily influenced by the operation of the Bream Bay diesel peakers. There is additional information about our methodology and key assumptions in **Greenhouse gas emissions**.

GHG emissions FY23



Understanding our supply chain

Understanding our supply chain is important on several strategic fronts, including our asset enhancement projects and new development builds.

We already carry out pre-engagement checks on our suppliers for health and safety and environmental credentials.

We will be examining the emissions profile of our supply chain to identify a baseline and a plan to reduce our Scope 3 emissions.

We will also be looking at how we might assess and manage the risk of modern slavery in our supply chain.

The Government has proposed a legislative response to modern slavery as part of a five-year action plan that started in 2021. If adopted, companies like Manawa Energy would be required to disclose the steps we are taking to unearth modern slavery, and to take action if we become aware of exploitation.

Climate-related disclosures

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act was enacted in October 2021. As a result, the External Reporting Board (XRB) was mandated to develop climate standards as part of a climate-related disclosures framework. The XRB released its final climate standards in December 2022. Manawa Energy is considered a 'Climate Reporting Entity' for the purpose of these standards and will be required to include climate-related disclosures as part of our FY24 reporting.

We already consider climate change in our governance, strategy and risk management approach and we disclosed against the **TCFD framework** as Trustpower in FY21 and as Manawa Energy in FY22 and against the Aotearoa New Zealand Climate-related Disclosures Standard (NZ CS 1) this year. We will continue to improve the quality of our disclosures so we are well prepared when disclosures become mandatory in FY24.

We have also sought external expertise from thinkstep-anz to help us prepare and fill the gaps in our reporting.

Setting Manawa Energy up to respond to the disclosure obligations is a necessary step, but more importantly this work will help us to manage climate risk and build a climate-resilient business.

Building a climate-resilient business

To achieve our climate action aspirations, we are focusing on:

- > Investing in a renewable future
- > Reducing Manawa Energy's greenhouse gas emissions
- > Working to understand and address the risks and opportunities associated with climate change for our business
- > Collaborating with business, stakeholders, government and suppliers to achieve mutual climate change aspirations through policy, partnership and advocacy.

Physical risk

Our changing climate will undoubtedly shape the way we operate in the medium to long term.

More extreme weather patterns resulting from climate change could increase the risk of damage to our assets and impact hydroelectric generation revenue. Drought frequency and intensity could reduce inflows feeding Aotearoa New Zealand's hydroelectric power schemes, potentially increasing energy prices and the use of alternative energy production, such as diesel, to meet energy demands. Extreme weather events and storms are also likely to increase, with flooding, high winds and heat waves (impacting cooling systems) posing a risk to our assets. This has come into sharp focus given the weather events of FY23.

We have a range of initiatives to help us assess and mitigate the climate risks, as well as capitalise on opportunities.

- > We consider risks through our Enterprise Risk Management framework, and incorporate climate assessment and hydrology measures to help predict and understand the effects of climate change at our schemes.

- › Climate change is carefully considered when upgrading and maintaining our plants to better manage extreme flows and extended dry periods.
- › We are participating in a hydrology working group on climate change with others in our industry, including collaborating to support research into potential flood impacts.
- › Where experts predict increased rainfall, for example at our West Coast and Taranaki hydro schemes, this may provide opportunities to increase generation output.
- › Changing weather patterns may also increase opportunities for new wind and solar generation.
- › Regular droughts and lower rainfall in other areas could lead to higher demand for access to stored water for uses such as drinking water, industrial purposes, irrigation and/or hydro generation. This presents an opportunity for alternative uses of our hydro storage capacity and may add value to our schemes with this capability.
- › We manage the associated dam safety risks through five-yearly reviews of our high and medium Potential Impact Category (PIC) hydro schemes, and ten-yearly reviews of our low PIC schemes. These allow us to plan remediations and upgrades, helping identify any potential hydrological changes that feed into discussions with councils and communities. This approach will be enhanced once the results of the hydrology generators working group can be incorporated into flood assessments.
- › We regularly collaborate on, and contribute hydrological data towards, science and studies on climate resilience in Aotearoa New Zealand.

Electricity wholesale market

The drive towards a low carbon future is expected to increase Aotearoa New Zealand's reliance on intermittent power generation (primarily wind and solar in the short to medium term) with a decrease in controlled thermal generation.

We anticipate this may increase the volatility of wholesale prices, increasing the value of storage and controllable generation. We maintain a balance

between uncontrolled generation (run-of-the-river hydro schemes), and controlled hydro (those with the ability to store water), and we look to enhance our overall market exposure with a range of risk-management products.

Increased electricity demand due to the electrification of transport and industrial heat means there will be opportunities for increased revenue.

We are growing our renewable generation portfolio to support the transition from other forms of energy to electricity.

Technology

Significant research and development into renewable electricity sources and associated technologies has led to a rapid decline in the cost of decentralised electricity generation like solar and batteries.

We continue to monitor new technologies that will best position our business to participate in Aotearoa New Zealand's transition to a low carbon future.

Regulatory

Policy and legislative changes have the potential to significantly impact Manawa Energy's business. Climate policies provide a positive framework for Manawa Energy to grow renewables to support a low-emissions Aotearoa New Zealand.

We continue to work alongside industry and sector groups to help government understand the risks arising from policy on energy security, affordability, and sustainability. Depending on the nature and magnitude of the specific changes, these have the potential to negatively impact customers, the industry and Aotearoa New Zealand, and we are advocating for appropriate balance to mitigate any downside to these reforms.

Metrics and targets

To ensure Manawa Energy is on top of changes and we understand our climate-related risks and opportunities, we measure and monitor the following:

- › Frequency and intensity of extreme rainfall events and extended dry periods

- › Electricity demand
- › Price volatility
- › Probable Maximum Flood (PMF) assessments
- › Greenhouse gas (GHG) emissions.

Caring for our environment

Operating within our consents

Our power schemes operate within the constraints of thousands of resource consents with conditions that govern operation, monitoring and maintenance, ensuring we operate in an environmentally sustainable and legally compliant way.

In the past year, 25 environmental incidents or near misses were investigated, with 16 identified as compliant and nine as noncompliant. This represents over 99 percent compliance across our ~3,500 consent conditions. None of the incidents resulted in material harm or required ongoing environmental remediation.

Our consenting work has increased over recent years: several schemes are coming up for re-consent over the next few years, as well as upgrades to our existing assets and activity connected to several projects in our new generation pipeline.

In June 2022 we also lodged consent to potentially build a new hydro power station on the Arnold River east of Greymouth. Once consents are granted, we will have a five-year window to decide whether to proceed or not.

Some of our other consenting activity has been in relation to six hydro power schemes. This included lodging re-consent applications for two Taranaki schemes: Mangorei and Motukawa. These were publicly notified and submissions closed in March 2023.

A focus for us in re-consenting processes is working with tangata whenua from the start. We are committed to ensuring tangata whenua have meaningful participation in our re-consenting work, and we aspire for freshwater restoration and enhancement to eventually be mātauranga Māori-led.

We are committed to supporting and resourcing mana whenua to use cultural monitoring that works best for them. We aspire to incorporate this monitoring into the future restoration and enhancement of the freshwater we have an impact on at our schemes.

Our aspiration is that we move from transactional relationships to developing meaningful and enduring relationships. These will last the life of the scheme with the mutual aim of looking after the natural resource and the waterways while providing renewable electricity for Aotearoa New Zealand.



Native fish passage

We are working with mana whenua on projects to help provide passage for migrating native fish including tuna (New Zealand native long-fin eel) at 13 of our generation sites. Passage is provided in several ways: trap and transfer, fish passes, eel bypasses and setting nets.

We have had a particularly successful elver migration season this year on the West Coast, with approximately 600kg of elver (juvenile eels) transferred at the Arnold Dam. This is equivalent to about 600,000 elver.

In September we began constructing the new Matahina fish trap. The new trap improves fish passage for all target native species and reduces handling. It successfully provided passage for native fish during the season and we are continuing to make improvements.

We also improved the downstream passage at Matahina Dam by partnering with the local Omataroa Rangitaiki No. 2 Trust to establish a netting programme to capture migrant tuna in Lake Matahina and release them safely downstream of the dam. Trust kaimahi go out in boats to set nets to catch migrating tuna, then drive them down the road to release them below the dam, so the tuna can continue on their journey to Tonga to breed.

At Kaimai, we have continued to operate the Ruahihi Station fish trap. This year, there has been an improvement in numbers of elver caught, as we attracted more elver with the pheromones of those already in the trap.

Supporting our communities

We are a part of communities of all shapes and sizes throughout Aotearoa New Zealand. The common threads that bind us are the desire to see our natural environments flourishing and local communities prospering.

Each year we provide around \$300,000 to environment funds or trusts, educational scholarships and community group sponsorships. We focus our community contributions on activities that benefit the people and environments near our schemes, offices, and development sites.

This year that included \$105,000 for community sponsorships around our offices and sites, \$22,000 for educational scholarships in partnership with Opawa 2IC and the Rangitāiki Hapū Coalition, and more than \$150,000 to support projects via environmental trusts.

We also donated \$20,000 to the New Zealand Red Cross Cyclone Gabrielle Appeal and donated 39 laptops to schools near our Esk Valley scheme in Hawke's Bay (Esk Primary School and Hukarere Girls' College).

We've continued to be involved this year in exciting environmental partnerships around our schemes.

We supported Te Nukuroa o Matamata, a Ngāi Tahu-led conservation project at the Sinclair Wetlands, downstream from our Waipori Dam. This included the provision of a power connection for new buildings – helping provide warmth for people working on the project and for propagating plants in their nursery.

We contributed \$126,000 to the Rakaia Catchment Environmental Enhancement Society this year. Part of this was allocated to a special project to protect the native ngahere (forest) in the Rakaia Gorge, alongside Environment Canterbury, Selwyn District Council, Ashburton District Council, Land Information New Zealand and local landowners.

As part of our transition from Trustpower to Manawa Energy, we donated \$6,000 to Trees that Count, planting trees on behalf of each of our C&I customers.

We also donated more than \$20,000 to support local environmental restoration and tree-planting projects around Aotearoa New Zealand – sharing the funding between a mix of local schools, hapū, and environmental groups in eight regions.

For the past five years the Manawa Energy Heartland Community Fund has made a meaningful difference in the King Country, working in collaboration with the King Country Trust. We have contributed \$24,000 a year towards the fund and this year's grants included funding for Maniapoto Maari Kai Roopu (\$1,800 to purchase a shredder to help grow fresh produce for people in need), Nga Hau e Wha Maari Kai (\$2,500 for a beehive for their foodbank), and Piopio Primary School (\$4,000 for equipment to begin a science, technology, engineering, arts, and maths programme).

Assessing our cultural maturity

At the end of 2022 we began a piece of work to better understand our Māori cultural capability at Manawa Energy.

We engaged KPMG to assess our cultural capability using their model, Te Puāwaitanga (meaning to flourish). The model was used to assess our baseline capability and our ability to respond to issues of relevance to Māori.

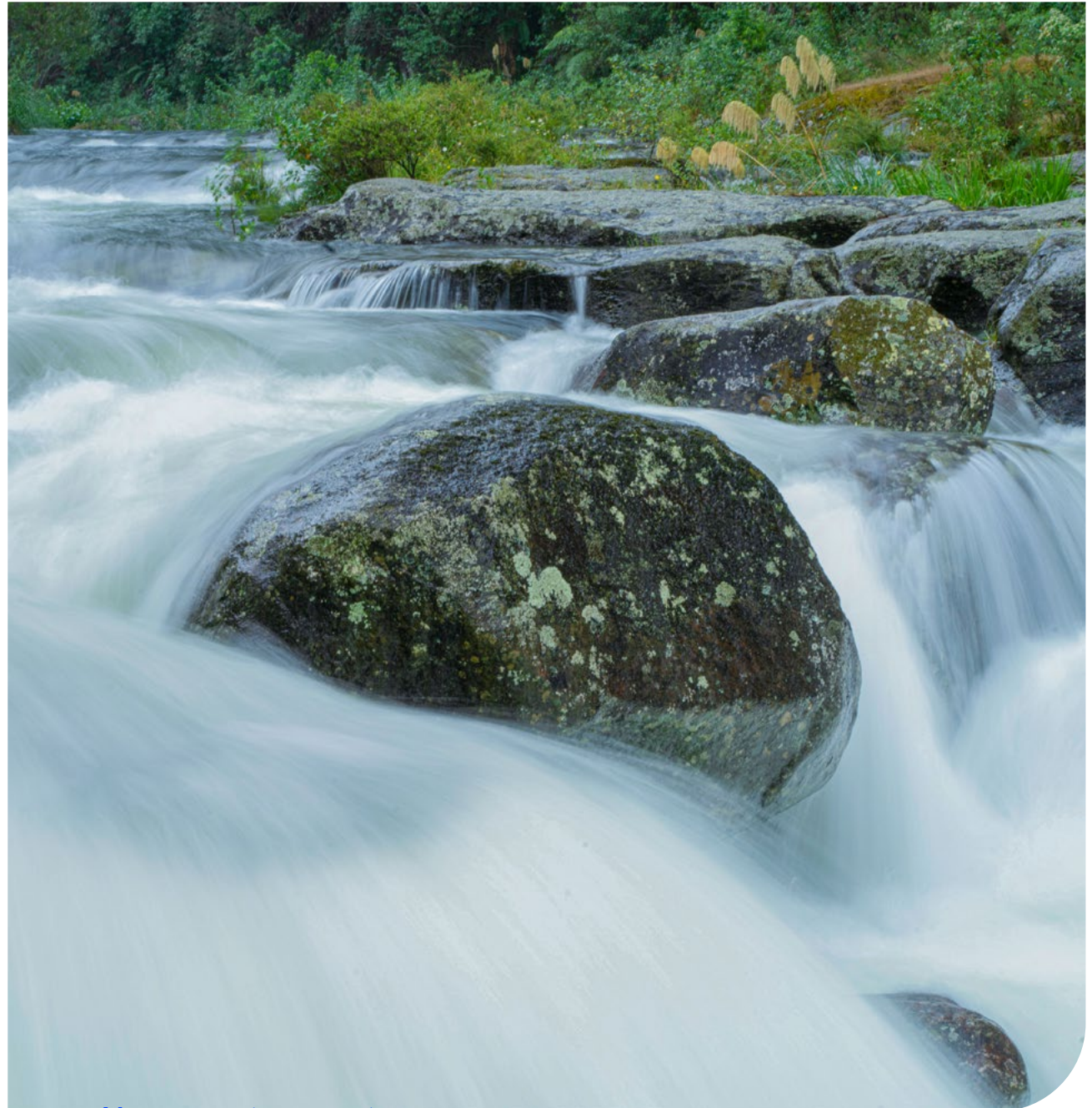
KPMG interviewed 36 internal and external stakeholders. They also assessed internal documents to understand our maturity against their Te Puāwaitanga model. All of our people had the opportunity to provide input through a survey.

The findings have given us an independent assessment of our current Māori cultural confidence and engagement capability, as well as insights and practical recommendations to lift our capability.

There are short-term and medium-term recommendations including:

- > work around diversity and inclusion
- > better understanding engagement with Māori
- > being clear and deliberate around how we maintain relationships
- > embracing the expectations around our Manawa Energy name
- > ensuring our people have good history and context when they engage with iwi and hapū.

The report's findings will inform our approach to building our cultural capability over the coming years.



Learning Te Reo Māori

As a part of our commitment to building cultural capability, we've started offering our people the opportunity to learn and grow their competence and participation in Te Reo and Te Ao Māori.

We kicked off classes just after Te Wiki o Te Reo Māori, using an online learning tool called *Te Ao Māori for Professionals* created by Education Perfect. The programme is designed for people to learn about Māori history, tikanga (customs), and Te Reo in a way that is accessible at work.

We also wanted our people to have support beyond the online learning tool, to give them the best chance of succeeding and provide the opportunity to be immersed in Te Ao Māori, kanohi-ki-te-kanohi (face-to-face). We worked with Ngāti Hangarau, and they provided kaiako (teacher) Tamati Nicholas to support our people with weekly in-person and online wānanga (classes/seminars).

Our people have responded enthusiastically, enjoying learning more about Māori culture and language, and many are applying the newfound knowledge and confidence in their roles, including some of our people who work directly with iwi and hapū around the country.

One of the participants is Caleb Sjardin, lead advisor in Manawa Energy's environmental performance team.

"I've enjoyed the opportunity to engage with and learn more about a part of my whakapapa (genealogy). And it has been beneficial for building my confidence with using Te Reo, both in a business setting as well as everyday life."

The programme is being run as a trial, initially with 25 people across the motu (country).

We'll be reviewing the programme and making plans for how we continue to offer Te Reo Māori and Te Ao Māori opportunities to our people, building on feedback from participants and Ngāti Hangarau, and our recent KPMG cultural capability assessment.

Te Ako i Te Reo Maori

Hei wāhanga ki te haepapa ki te whakawhanake i tō tātou mana ahurea, kua tīmata tā tātou akiaki i a tātou anō ki te whai māramatanga, ki te whai wāhi ki Te Reo, me Te Ao Māori.

I tīmata ngā karaehe i muri tata mai i Te Wiki o Te Reo Māori mā te whai i tētahi pumanawa ako ipurangi ko *Te Ao Māori for Professionals*, nā Education Perfect. He akoranga roa, i hangaia kia ako ngā tauira mo te hītori Māori, ōna tikanga, me te reo, i a rātou e mahi ana.

I hiahia hoki kia tautokona ā tātou kaimahi i tua atu i te ipurangi e kaha ake ai tā rātou ako i te reo, e pai ai tā rātou rūmaki ki Te Ao Māori, e kanohi ki te kanohi ai te mahi. Ka wānanga tahi ki a Ngāti Hangarau, nā wai, ka puta ko Tamati Nicholas hei kaiako, hei kaihapai i te hoe e puta ai te ihu. Ka piri mai ia ki ngā akoranga kikokiko, ki ngā akoranga topa hoki o te ia wiki.

He nui riaka te whakahoki ā te iwi. I koa i te ako reo, i te ako wheako ahurea hōu, ā, e whakamahi ana i ēnei akoranga hōu, me te māia hōu ki ā rātou mahi, tūturu ko ngā mea e mahi totika ana ki ngā iwi me ngā hapū puta noa.

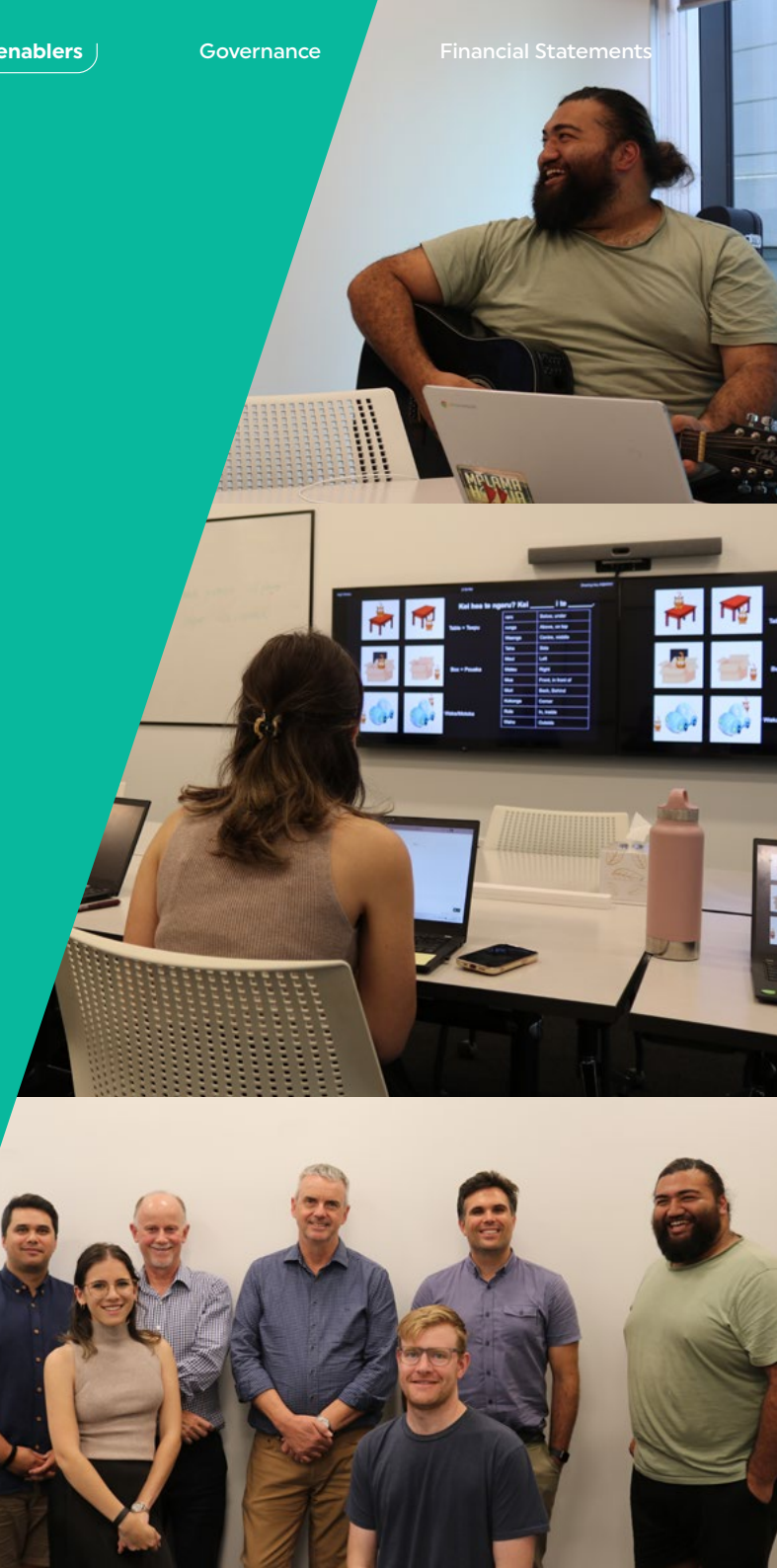
Ko Caleb Sjardin tētahi, he kaitohu matua i te tīma whakatūtuki taiao a Manawa Energy.

(Kua koa au i te aheinga ki te ako mo tētahi wāhi o taku whakapapa. Kua pai hoki te tupu o taku māia ki te whakamahi i te reo, i te mahi, i te ao ia rā hoki.)

He whakahaerenga kohukihuki tēnei, i tīmata me ngā tauira 25 puta noa i te motu.

Ka ata arohae haetia te kaupapa nei, ā, ka whakamaheretia me pēhea te kawenga tonu o ngā akoranga Te Reo Māori me Te Ao Māori hei oranga mā tātou, ko ngā korero ā ngā ika ā whiro, ā Ngāti Hangarau, me te aromatawai mana ahurea hōu nā KPMG hei tuāpapa.

Management commentary
(no financial statements)



A blockbuster STEMFest

Manawa Energy was the headline sponsor at STEMFest, the biggest STEM festival in the Southern Hemisphere, held in Tauranga in October. After being cancelled in both 2020 and 2021 due to Covid-19, STEMFest saw more than 5,000 people of all ages attend the free street festival to learn about Science, Tech, Engineering and Maths.

Our display included a fruit piano (touch the fruit to play a song, via a circuit board), a slot car track, a working model of a hydroelectric dam, and an elver elevator model.

People could control the model hydroelectric dam using the same system as our operations centre to open the gates, let water run down the penstocks, through the generator in the power house, and then sync the power to 'the grid' to run a set of fairy lights.

The elver elevator model, based on the Archimedes screw concept, had originally been developed for a trial at our Matahina scheme, to get elver (baby eels) over the dam. At STEMFest, kids were able to feed marbles, representing elver, into the bottom of the screw and they came out the top.

STEM is important to what we do at Manawa Energy. These subjects foster critical thinking skills and promote a passion for innovation that underpins our industry and will drive the change that is needed to transition away from the world's reliance on fossil fuels to renewable energy.

We were proud to sponsor STEMFest and hope it inspired more young people to get excited about STEM, the future, and their place in it.



Keeping people and assets safe

We prioritise keeping our people safe. We have health, safety and wellbeing strategies and operational plans and processes for all our sites – to protect our people, the people we interact with, and our physical assets.

Our teams engage through health and safety committees to identify patterns and discuss issues and solutions. We have an ongoing programme to assess dam safety, senior leaders regularly visit generation sites and receive monthly reports on health and safety performance and initiatives, and when incidents occur, our health and safety team supports business units to complete investigations and widely share lessons learned. Directors also regularly undertake site visits and health and safety is reported on at each board meeting.

Evolving our health and safety strategy

This year we embarked on a major piece of work to review and reset our approach.

Modern health and safety approaches are evolving to shift the focus from 'zero harm' to capacity-building – understanding that people will sometimes make mistakes, designing systems to allow for safe failures, and creating cultures where everyone contributes.

We're developing a new strategy that will be driven from our workforce. It's not a replacement, but an evolution that increases the focus on the capacity of our systems and our people.

In March 2023 we invited people from all our sites and business units, including contractors, to attend workshops across the country. We asked them about what worries them, what's working well to help keep people safe, what gets in the way, where we are now and where we want to be.

We know we'll get the best outcomes by involving and empowering our frontline people from the outset – from identifying what we want to achieve and how we will measure our success, to deciding how we get there and embedding our health and safety culture across the business.

We expect to have our new health and safety strategy in place by the end of 2023.

Protecting the public

We focus on risks to the public both from our assets and how we operate.

Many of our generation assets are on, or beside, public or conservation land. People often use that land and the associated waterways for activities such as swimming, kayaking and picnics, and undertaking cultural activities, so we do all we can to make sure they can do that safely.

In FY23 we completed a comprehensive review of public safety management practices, which we'd started in FY22. Our cross-functional team has made significant progress towards delivering enduring public safety processes and embedding them into the business.

This has included publishing a Public Safety Manual, creating a public safety learning module for our people, and developing a new digital risk assessment tool. We have also collated risks from across all our sites and schemes on a single digital platform, where they can be assessed, categorised and prioritised regionally and nationwide.

We also did a research and development project to explore the potential for solar-powered remote monitoring and alarm systems, to alert people to the effects of our operations on recreational areas such as picnic spots and swimming holes. We will roll out the alarm systems at four locations by the end of 2023.

Learning from incidents

In FY23 we introduced the concepts of health and safety 'learning teams'.

We are currently using the Incident Causation Analysis Method (ICAM) when incidents occur to collect evidence and help determine root causes. With the use of learning teams in the future, we will be able to understand why work goes well the majority of the time, and where we need to focus to support our people working in a complex and variable environment.

Prioritising dam safety

We have a comprehensive programme to capture, assess and prioritise dam safety issues and improvements across our portfolio.

As part of this programme, the Board this year approved a significant dam strengthening project at Arnold (West Coast) to bring the dam up to modern standards. You can read more about this in the section **Green light for more reinvestment**. We also completed an upgrade to intake gate controls at Waipori (Otago) so we can automatically close the intake gate in a seismic event.

Over the past five years we have been progressively improving the maturity of our dam safety management system in line with internationally recognised benchmarks. In FY23 we achieved our target of demonstrating maturity against all of the 12 elements. We have strengthened our approaches to education and training, public safety, information management, governance, monitoring and performance.

Looking ahead, the new Building (Dam Safety) Regulations 2022 will be introduced in May 2024 and we are preparing for these new requirements, with a particular focus on the internal processes and reporting that will be required.

Health and safety compliance

We take a managed approach towards meeting the requirements outlined in the Health and Safety at Work Act 2015 and associated regulations: the approved codes of practice, guidelines and rules developed by WorkSafe, the Electricity Engineers' Association (EEA) and StayLive; and safety of the public by accreditation to NZS7901: *Public Safety around Electricity Generation Assets*. We are audited each year for compliance with NZS7901.

Association memberships

We are active members of StayLive and the EEA industry groups, participating in working groups and helping to produce guidelines and collateral.

We are also active members of the Health and Safety Association of New Zealand (HASANZ), the Business Leaders' Health and Safety Forum, and the New Zealand Institute of Safety Management (NZISM).

Health and safety metrics

Our new strategy will provide new ways to measure our health and safety performance. Rather than only focusing on the types of incidents and the hours lost to injuries, we'll be looking to measure and report on the things that our people have told us matter – things like the hours they are working, whether they are using leave, and the support they have to work safely.

We track our safety performance with two key measures: Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injuries (LTI). While these measures are internationally recognised, they are lagging indicators, which means they look back rather than taking potential risk into account.

LTI has remained the same, even though we now include contractors, however, TRIFR has risen slightly this year.

Total recordable injury frequency rate (TRIFR)



Number of lost time and medical treatment injuries, per 200,000 hours worked for staff and contractors working under our safety management system. Injuries to outsourced contractors are not recorded in our systems.

Lost time injuries (LTI)



* FY21 and FY22 figures are from when the company was known as Trustpower.
 ** FY23 figures include one month of data from when the company was known as Trustpower.
 *** Previously contractor LTIs have been excluded from this metric – they are now included, but excluded from the TRIFR calculation as capturing accurate contractor hours is not practical.

Rethinking risk

This year we've been reviewing our approach to risk management. We want to ensure we're future-focused and have an enterprise risk framework that supports and underpins us achieving our strategic aspirations – particularly now we're fully established as a generation development and operations-focused business.

We engaged an external specialist to review foundational documents and interview Manawa Energy's Board, management team, leaders and people with a particular focus in risk. We want to ensure our risk management is fit for purpose and brings clarity to strategic and operational risk, that we have embedded systems and processes that enhance risk-based decision-making and that we have an appropriate risk culture.

The review found that we have well-established and well-communicated risk management processes that are working well. Our people understand the risks and have a strong sense of care and responsibility for protecting assets and delivering on the business strategy in their respective areas. There's an opportunity to build on that to share risk management knowledge and resources across our teams and functions.

Some of the key risks to our operations include the potential failure of a major generation asset, an accident or health event affecting our people, or a cyber attack on our system.

Potential risks to delivering on our strategic plan include challenging economic conditions such as sustained inflation, regulatory change, an increase in extreme weather events, lost opportunities or profitability through consenting, trading risks, access to the people and skills we need, or our ability to deliver on major capital investment and new generation projects.

The review will lead to further work in FY24 to update risk policies, management tools, processes, reporting and assurance, and enterprise-wide communications and engagement.

Engaging on regulatory change

We continue to engage closely with regulators and work collaboratively with stakeholders from across the supply chain to promote a competitive, reliable and efficient electricity industry for the long-term benefit of consumers.

Focus on National Energy Strategy

In May 2022 the Government released its first Emissions Reduction Plan (ERP), which provides a roadmap to meet Aotearoa New Zealand's net zero emissions target by 2050.

The ERP set an expectation that most of the emissions reductions will be enabled by the energy sector, primarily through electrification of transport and industrial process heat, with support from increasing renewable electricity generation. It outlines several initiatives, including developing a National Energy Strategy.

The Government has indicated it will consult on the National Energy Strategy in the second half of 2023 and expects to deliver the strategy by the end of 2024. This will be a critical document to ensure Aotearoa New Zealand meets its ambitions in a way that ensures security, reliability and affordability of supply.

We are concerned the sector will continue to face significant uncertainty around future policy settings and investment until the strategy emerges. We will continue to engage closely with the process.

Wholesale market competition and pricing

We engaged with the Electricity Authority during its review of competition in the wholesale market between 2019 and mid-2021. The review found that the market settings to ensure competitive outcomes remain broadly appropriate for the energy transition but could be further strengthened.

We agreed with this assessment and support the EA progressing with its work programme to address any barriers for entry of new renewable generation, alongside increasing flexibility of demand. Our submission emphasised the importance of regulatory certainty and stability, and avoiding excessive regulatory burden.

As part of the broader reform work to prepare for a more renewable future, the Electricity Authority's Market Development Advisory Group (MDAG) has been exploring how price discovery would work for the wholesale electricity market (including spot and hedge markets) under a more renewable electricity system. We made a submission that was generally supportive of this work and MDAG's recommendation that some options be co-designed by the EA alongside the industry.

Resource management reforms

We have also engaged on planned reforms of the resource management system. The Government is aiming to enact new resource management legislation, including the Natural and Built Environment Bill, before the 2023 election.

We submitted that the Natural and Built Environment Bill provides a once-in-a-generation opportunity to ensure the environmental statutory framework supports both new and existing renewable generation to decarbonise and electrify the economy.

However, we are concerned that one aspect creates a significant new consenting burden for many smaller renewable hydroelectric generation schemes (like those we operate in many places) which could be avoided. This would remove an arbitrary exemption that currently only applies to large, hydroelectric generation schemes connected to the national transmission grid.

A new National Planning Framework will be introduced to provide national direction on a range of significant matters, including the provision of infrastructure, and how climate change mitigation and adaptation will be achieved. This will include national direction for electricity generation and transmission and distribution networks.

In conjunction with the new legislation and National Planning Framework, some existing National Policy Statements are also set to be reviewed, including the NPS for Renewable Electricity Generation. This is to ensure there is strong national direction for renewable electricity as we transition to the new consenting regime over the next decade.

During this transitional period, we will be reconsenting a number of our existing hydroelectric power schemes, and also seeking consents for new renewable generation projects, so it is critical the Government provides a supportive and enabling national direction.

NZ Battery Project

In March, the Government announced its decision to progress to Phase 2 of the NZ Battery Project. This is an investigation into the non-fossil fuel options for addressing Aotearoa New Zealand's 'dry year electricity problem' when existing hydro-power catchments don't receive enough water and hydro storage lakes run low.

The Government continues to explore the battery option of pumped hydro at Lake Onslow, along with two alternatives. A detailed business case is expected to be developed by the end of 2024, followed by a final investment decision, which is expected to take a further two years.

Our view continues to be that pumped hydro at Lake Onslow is a poor option, both in providing dry-year resilience and reducing carbon emissions. The Phase 1 investigations show a pumped hydro scheme at Lake Onslow would take 7–9 years to build, with an estimated building cost of \$15.7 billion.

We consider there are smarter and cheaper ways to decarbonise. The money would be better spent on increasing the overall stock of renewable generation and improving the distribution and transmission networks. We are confident that provided regulatory settings remain stable and balanced, private sector capital will support these new projects.

Working in collaboration

Our team continues to work alongside industry and sector groups to help the Government and industry regulators understand the opportunities and risks arising from reforms to the policy and regulatory arrangements that govern the sector, including on energy security, affordability, and sustainability.

We contributed, with others from the sector, to the Boston Consulting Group report **The Future is Electric**. We hope the report will be a catalyst for continuing dialogue between industry and government, and help to inform the National Energy Strategy.

We are active members of a wide range of industry groups including ERANZ, Business Energy Council, Wind Association, Flexforum and the Electricity Sector Environment Group and CEO Forum.



Management commentary
(no financial statements)

Financial performance

Delivering for our investors

Our capital structure has been designed to balance the need for sufficient capital retention and flexibility to execute opportunities at pace, as well as regular dividend flows.

Financial performance in FY23

We delivered a solid financial performance in FY23 with profit after tax increasing to \$444m (FY22: \$120m). This significant increase was underpinned by the successful sale of the Trustpower mass market retail business early in the year. Underlying earnings¹ were \$70m, down from \$89m in FY22.

EBITDAF¹ from continuing operations (excluding Trustpower mass market retail earnings) was \$137m (FY22: \$160m). Total group EBITDAF was \$140m which was at the top end of our most recent guidance range.

The first six months of the financial year was certainly a challenge. Initially in the first quarter we were navigating low hydro flows and high prices, and then in the second quarter it was the opposite: strong hydro flows and low prices. Things settled down in the second half of the year, and the final quarter of the year finished particularly strongly with solid wholesale prices and strong generation volumes.

The Board has approved a final dividend of 8.5 cents per share, and this will be fully imputed for qualifying shareholders and paid on 16 June 2023. This means the FY23 full year dividend paid to investors will be 16 cents per share. The company dividend policy is based on paying 70–90 percent of free cash flows on average over time, balancing the provision of a stable dividend over the medium term with delivering on growth aspirations.

In terms of other activity, it was very encouraging to see the level of support from investors for the company's \$150m bond issue that launched in August and

closed in early September. It was our first time raising money in the market as Manawa Energy and the bond offer proved to be very popular and over-subscribed.

Looking ahead

We are largely insulated from the high inflationary environment in Aotearoa New Zealand, with our revenue streams mostly linked to wholesale pricing or inflation-indexed contracts. There are headwinds from general cost inflation, particularly for new development project returns and our major enhancement/ maintenance projects but we expect this will be largely offset by projected increases in future wholesale electricity prices.

Our capital expenditure programme is significant over the next three years as we invest in asset enhancements and upgrades, dam safety, and move towards the execution phase of our new development pipeline.

In FY24 we expect our EBITDAF to be in the range of \$120m to \$140m, assuming wholesale prices remain materially in line with the current ASX forward curve, average hydrological conditions, operational expenditure of ~\$8m in relation to new developments, no material adverse events, and generation volumes of approximately 1,915 gigawatt hours (including KCE schemes).

Note that this is below the 'long-run average' of 1,942 gigawatt hours due to a weather-related outage at the Esk Scheme (Hawke's Bay) and a planned outage at the Waipori Scheme (Otago) over summer to replace a generator and undertake maintenance.

In FY24 we expect our capital expenditure to be in the range of \$65m–\$80m, including enhancements of existing generation assets (\$18m–\$22m); asset maintenance and lifecycle expenditure on existing generation assets (\$22m–\$28m); new generation development activity (\$13m–\$16m); technology, regulatory, environmental, and other capital investment (\$7m–\$9m) and ~\$5m for the Manawa House office fit-out in Tauranga.

We are also expecting \$20m–\$28m of cash proceeds in FY24 from the divestment of surplus land and carbon credits.

Governance



Governance

Corporate Governance

'Committed to operating effectively and transparently'

Our Board

Roles and responsibilities

The Board is responsible for setting Manawa Energy's overall strategy and direction and determining our approach to risk. Our Board is committed to ensuring that Manawa Energy operates responsibly, ethically and complies with our legal obligations and company values. The Board operates to a charter that sets out its roles and responsibilities.

Board composition

The Board is made up of six directors who represent a range of unique skill sets, experience and perspectives. A short biography of each director is in the **Board of Directors** section and also on our **website**.

We comply with the NZX Listing Rule requirement to have at least two independent directors. The Board has determined that Joanna Breare and Sheridan Broadbent are independent directors based on the factors set out in the NZX Corporate Governance Code.

The remainder of our directors are non-independent: Paul Ridley-Smith, Kevin Baker and Deion Campbell are non-independent due to their association with Infratil. Michael Smith is not independent because he has been appointed to the Board by TECT Holdings Limited (exercising its right to appoint a director under Manawa Energy's constitution).

The composition of our Board is not aligned with Recommendation 2.8 of the NZX Corporate Governance Code because the majority of the Board is not independent. This reflects that we are an Infratil subsidiary and TECT Holdings Limited's right to appoint a director under our constitution.

Recommendation 2.9 of the NZX Corporate Governance Code is that an issuer should have an independent Chair of the Board or, if the Chair is not independent, the Chair and the Chief Executive Officer should be different people. Manawa Energy is compliant with Recommendation 2.9 as our Chair and Chief Executive Officer are different people.

Board performance

The Governance and Nomination Committee monitors director training, including external training undertaken by each director.

We support continuous education and fund external training for directors on relevant issues. A fund has been created for directors' training, which can be used by individual directors (with the Chair's approval) where the training will benefit both Manawa Energy and the director.

In October 2022, several directors (accompanied by members of the management team) went on a Board study tour to Italy, Denmark and the USA to glean insights and connect with other companies at the forefront of renewable energy development and technology.

The Governance and Nomination Committee is planning to undertake a comprehensive Board governance and performance review in mid 2023. This will be externally facilitated.

Board committees

There are four standing Board committees that provide expert advice and support the Board on specific issues. The **Board and committee charters** are available on our website.

Committee	Purpose	Members	Notes
Audit and Risk	The Audit and Risk Committee's role is to oversee and assist the Board in the conduct of its responsibilities of ensuring accurate financial reporting and responsible risk management.	<ul style="list-style-type: none"> › Kevin Baker (Chair) › Sheridan Broadbent › Joanna Breare 	The Chair of our Audit and Risk Committee is a non-independent director. Recommendation 3.1 of the NZX Corporate Governance Code suggests that the Chair of the audit committee should be an independent director. The Board considers Kevin Baker's appointment appropriate given the current composition of the Board.
Governance and Nominations	The Governance and Nominations Committee's role is to assist the Company with ensuring the company has good corporate governance and that the Board has an appropriate balance of skills, experience, knowledge, judgement and diversity.	<ul style="list-style-type: none"> › Sheridan Broadbent (Chair) › Deion Campbell › Paul Ridley-Smith › Michael Smith 	We have not adopted Recommendation 3.4 of the NZX Corporate Governance Code, which suggests that a majority of this committee should be independent directors. The Board considers the committee members are appropriate given the current composition of the Board.
People and Remuneration	The People and Remuneration Committee assists the company to establish coherent people and remuneration strategies, policies and practices.	<ul style="list-style-type: none"> › Joanna Breare (Chair) › Paul Ridley-Smith › Michael Smith 	We have not adopted Recommendation 3.3 of the NZX Corporate Governance Code, which suggests that a majority of this committee should be independent directors. The Board considers the committee membership appropriate given the current composition of the Board.
Independent Directors	A standing Independent Directors Committee has been established to consider matters from time to time when a conflict arises.	<ul style="list-style-type: none"> › Sheridan Broadbent (Chair) › Joanna Breare 	The standing members of the Independent Directors Committee are Manawa Energy's independent directors. Additional directors can be invited to join to consider specific conflict matters where that director does not have a conflict or interest in relation to the matter.

Corporate policies

We have a comprehensive suite of corporate policies that set our expectations of our people, address key risks, and provide guidance as to how business operations are managed, reported on and overseen. Our **Corporate Governance Statement** includes information about our policies and how they operate.

There are several key risk policies that guide Manawa Energy as a generation-focused development and operations business. These include the policies for generation asset management, dam safety, energy trading, and cybersecurity.

Our policies are regularly reviewed and approved by the management team or the Board (as appropriate). Several of our policies are on **our website**.

Code of Ethics

Our **Code of Ethics** sets out the standard of behaviour that we expect from our Board and our people. It guides our people to perform their roles in a way that is consistent with our values, strategic objectives and legal obligations. The Code of Ethics sits alongside our **Protected Disclosures (Whistleblowing)** and **Financial Product Dealing (Insider Trading)** policies, which were both updated this financial year. Copies of these documents are available on our website.

We made minor changes to our Code of Ethics to reflect our new corporate identity as Manawa Energy. We added a section on our values, a section on delegated financial authority, and adjusted our gifting policy to be more practical in application while retaining close control and transparency.

Diversity and inclusion

Our **Diversity and Inclusion Policy** is available on our website. We are committed to eliminating barriers and providing a workplace environment that promotes diversity and inclusion. We endeavour to ensure our workplaces are free of discrimination and other unlawful behaviours. This intent is explained in full in our Diversity and Inclusion Policy. Throughout the year, the Board has reviewed progress on the initiatives set out in our Diversity and Inclusion Policy designed to work towards our goal of increased

diversity and inclusion. This area will have a renewed focus because there is significant opportunity to improve our diversity statistics. You can read about our progress and current performance in **Working towards diversity and inclusion**.

Reporting and disclosure

We have a Continuous Disclosure Policy to ensure that all of our shareholders have the same prompt access to material information about the company and its prospects.

Managing risk and audit

We are committed to ensuring that our Enterprise Risk Management framework supports the company's existing operations and that it informs the decisions we take to achieve our future aspirations.

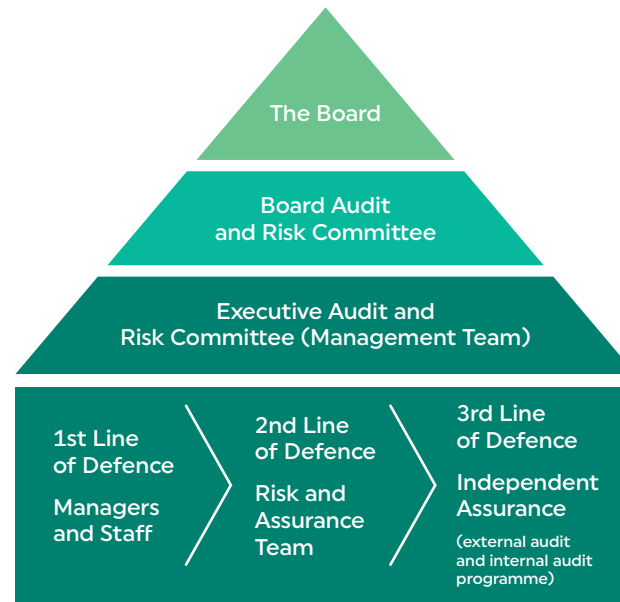
To ensure risks are managed appropriately we are guided by the Risk and Assurance Policy as well as other related policies and guidelines. Risks are assessed based on consequences and likelihood. We consider the potential for a range of impacts including financial, reputation and business disruption when assessing risk.

We provide our Audit and Risk Committee and full Board with regular risk and risk treatment reporting. Both strategic and operational risks are assessed and reported on. Key risks that the Audit and Risk Committee and Board continue to monitor include:

- > Risks associated with a challenging economic environment – including the impact of sustained inflation
- > Risks arising from more frequent or significant weather events, including potential for outage or revenue impacts
- > Cybersecurity breach risk on our networks or systems.

The Audit and Risk Committee and the Board also receive reporting and consider emerging risks.

Risk authorities, responsibilities and accountabilities



Internal audit

We have an internal audit programme which reports to the Audit and Risk Committee. Internal audit operates independently from the Board and reports to the Audit and Risk Committee. The internal audit programme is designed to address key risks and controls across the business.

Risk management framework



External auditor

The Board has engaged KPMG to act as external auditor.

Following a formal request for proposal process, the Board appointed KPMG as the company's external auditor for the financial year ending 31 March 2023. KPMG replaced PricewaterhouseCoopers who had previously been the company's external auditor and provided invaluable support during the sale of the Trustpower mass market retail business.

Remuneration

'Attract and retain the best people'

Director remuneration

The total directors' fee pool is \$840,000 per year. The value of the pool was approved by shareholders at the 2018 shareholder meeting based on the company having seven directors. The company currently has six directors, so the annual amount of directors' fees is \$710,000 based on the following remuneration structure.

Directors' fees

The following fee structure was in place for the full financial year.

Position	Current annual fee \$
Chair	180,000
Director	95,000
Chair Audit and Risk Committee	20,000
Member Audit and Risk Committee	-
Chair People and Remuneration Committee	15,000
Member People and Remuneration Committee	-
Member People and Remuneration Committee	15,000
Member Governance and Nominations Committee	-
Chair Manawa Energy Insurance Limited	5,000
Total fee payable	710,000

	Base Fee \$	Audit and Risk Committee Chair \$	People and Remuneration Committee Chair \$	Governance and Nominations Committee Chair \$	Manawa Energy Insurance Limited Chair \$	Total Remuneration FY23 \$
Kevin Baker	95,000	20,000	-	-	-	115,000
Joanna Breare	95,000	-	15,000	-	5,000	115,000
Sheridan Broadbent	95,000	-	-	15,000	-	110,000
Deion Campbell	59,375	-	-	-	-	59,375
Peter Coman	35,625	-	-	-	-	35,625
Paul Ridley-Smith	180,000	-	-	-	-	180,000
Michael Smith	95,000	-	-	-	-	95,000
	655,000	20,000	15,000	15,000	5,000	710,000

The amount paid to directors of subsidiaries is shown in the table below. Note that directors fees paid to Manawa Energy employees were paid to Manawa Energy – they were not paid to individual directors.

Subsidiary	Non-executive directors	Total remuneration (director) \$	Total remuneration (consulting services) \$
King Country Energy Limited	Kevin Palmer	43,750	7,800**
	Phil Wiltshire	8,750*	
	Catherine Thompson	6,250*	
	Peter Calderwood	18,750	39,457**
	Robert Buchanan	12,500*	
	Robert Carter	36,250	
Maungatapere 2021 Limited	Nigel Arkell	5,250	

* Paid to Manawa Energy.

** Relates only to the period when Kevin and Peter were directors.

Other payments made to directors

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

Number of meetings held/attended for the year ended 31 March 2023

Director	Board meeting	Audit and Risk Committee	People and Remuneration Committee	Governance and Nominations Committee	Independent Directors Committee	Comments
Total meetings held	11	4	5	2	3	
Peter Coman	2	–	–	–	–	Director resigned effective 20 July 2022
Kevin Baker	11	4	–	–	–	
Paul Ridley-Smith	11	3	5	2	–	
Michael Smith	9	1	4	2	3	
Joanna Breare	11	4	5	1	3	
Sheridan Broadbent	11	4	1	2	3	
Deion Campbell	7	1	–	2	–	Director appointed 20 July 2022

Chief Executive remuneration

	Payment for FY23	Payment for FY22
Total fixed remuneration	\$861,354	\$900,920
Short-term incentive	To be determined in July 2023	\$111,563
Long-term incentive	To be determined in July 2023	\$135,163
Total		\$1,147,646

The total remuneration paid to David Prentice for his role as Chief Executive in FY23 was as follows:

- › fixed remuneration comprising of a base salary of \$850,000 per annum, plus KiwiSaver at 3 percent;
- › a long-term incentive of 25 percent of base salary (see the details in **Long-term incentives**); and
- › a short-term incentive of 20 percent of base salary based on the KPIs set out below.

Note that the Board will determine the outcome of the Chief Executive's performance in relation to FY23 in June 2023 and any resulting short-term incentive will be paid in July 2023 and disclosed in next year's Integrated Report.

The remuneration of the Chief Executive will next be reviewed in April 2024.

Chief Executive short-term incentive (STI)

The STI is a discretionary scheme based on the achievement of KPIs, and the maximum potential amount that can be paid is 20 percent of base salary. The STI calculation is based on achievement in relation to 'shared company KPIs' (30 percent) and 'individual KPIs' linked to the delivery of Manawa Energy's strategic goals.

The 'shared company KPIs' are:

Focus area	Weighting	'Acceptable' result	'Stretch' result
Health and safety: Medical treatment injuries + lost time injuries	40%	6 (25% reduction from FY22)	5 (37.5% reduction from FY22)
Financial: EBITDAF (from continuing operations)	40%	\$148.7m	\$163.6m (forecast + 10%)
Employee experience: Engagement	20%	61% (up 5% from baseline survey of 56%)	65%+ (up at least 9% from baseline survey of 56%)

The Chief Executive's individual KPIs include but are not limited to:

- › **Leadership:** Setting up the company with a fit-for-purpose structure, inspiring the Manawa Energy team to deliver on the vision of the organisation and showing how it will get there, and role modelling key behaviours;
- › **New generation:** Driving the development of a range of solar and wind development options;
- › **Operational excellence:** Continuous improvement of Board and governance processes, reviewing risk systems, and establishing business performance practices;
- › **Culture and capability:** Establishing the culture of Manawa Energy including articulating the purpose, designing values and creating a line of sight for all employees to the company strategy.

Employee remuneration approach

Our people are core to the delivery of strong performance for our stakeholders. During FY23 we introduced a new remuneration framework designed to be competitive, affordable, and to attract and retain skilled people.

Our approach to remuneration will be coupled with our new performance framework in FY24 to ensure strategic business performance and long-term value are connected.

We are guided by the principles that remuneration practice should:

- › reward the outcomes and behaviours underpinned by the values that are linked to our strategy and core business activity;
- › attract and retain people who deliver on the company's goals;
- › pay fairly within the New Zealand market;
- › acknowledge that performance is motivated by more than pay;
- › have transparent and well-understood processes; and
- › provide flexibility within a framework.

The Board is supported by a People and Remuneration Committee to assist it in developing and implementing its remuneration philosophy. The **Committee Charter** and **Executive Remuneration Policy** is on our website.

There are two elements to employee remuneration; fixed remuneration and variable remuneration.

Fixed remuneration

Fixed remuneration is determined based on the role responsibilities, individual performance and experience, and available market remuneration data.

Variable remuneration

Variable remuneration comprises short-term incentives (paid in cash) and long-term incentives (paid in shares).

Short-term incentives (STIs)

The STIs for FY23 are based on employee performance (70 percent) and company performance (30 percent). Employee performance is measured against key performance objectives linked to how an individual delivers relevant strategic and operational activity.

Company performance is based on three areas:

- › Financial, based on our EBITDAF (from continuing operations) for FY23;
- › Health and safety – Medical Treatment Injury (MTI) and Lost Time Injuries (LTIs); and
- › Employee engagement.

The Board approves the management team's balanced scorecard objectives, company financial performance targets and outcomes on an annual basis. The Board retains the right to adjust any STI at its discretion and may choose not to pay STI payments.

Long-term incentives (LTIs)

The long-term incentive is based on Manawa Energy's relative and absolute shareholder return over a three-year period. Eligible employees are issued a notional share parcel equivalent in value to the share price at the start of the scheme. Employees generally receive parcels of notional shares at the Board's discretion depending on seniority.

The LTI structure was amended in 2021 and Manawa Energy has one tranche live under the previous scheme.

Under the previous LTI scheme, no payment is made unless Manawa Energy's total shareholder return (TSR) is in the top half of all NZX50 companies, and the TSR is greater than 0 percent over the three-year period.

Half of the value of the notional share parcel is paid if Manawa Energy is at the 50th percentile, and 100 percent of the notional share parcel is payable if Manawa Energy's TSR is at or above the 80th percentile, with intermediate calculation on a straight-line basis.

The LTI is settled in cash, and employees required to use the 'net after tax' proceeds to acquire Manawa Energy shares. The Board retains an overall discretion as to the structure of the LTI and the quantum of LTI issued each year.

The updated LTI continues to include the same payment gate as the previous scheme, but payment is now split 50/50 between 'relative TSR' and 'absolute TSR' performance as follow:

- › **Relative TSR:** 50 percent of the value of the notional share parcel is paid if Manawa Energy is at the 50th percentile of all NZX50 companies, and 100 percent of the notional share parcel payable if Manawa Energy TSR is at or above the 80th percentile of all NZX50 companies.
- › **Absolute TSR:** 50 percent of the value of the notional share parcel is paid if Manawa Energy has a TSR of 24.23 percent over the three year period. And 100 percent of the notional share parcel is payable if Manawa Energy's TSR is 48.47 percent or greater over the three year period. The absolute TSR thresholds are set for each tranche at the time of issue and may vary year on year.

Both relative and absolute TSR have intermediate calculations on a straight-line basis.

Remuneration at or above \$100,000

During the financial year the number of employees or former employees (including employees holding office as directors of subsidiaries) who received remuneration and other benefits in their capacity as employees of Manawa Energy and its subsidiaries that was or exceeded \$100,000 is shown in the table on the following page.

The value of remuneration benefits analysed includes:

- › fixed remuneration including allowance/overtime payments
- › employer KiwiSaver contributions or superannuation allowance payments
- › short-term cash incentives relating to FY22 performance but paid in FY23
- › the value of equity-based long-term incentives paid during FY23
- › redundancy and other payments made on termination of employment.

The figures do not include amounts paid post 31 March 2023 that relate to the financial year ended 31 March 2023.

Further details of the remuneration of the Chief Executive can be found in [Chief Executive remuneration](#).

Salary band	Continuing employees	Discontinued employees	Total
\$100,000 to \$109,999	27	1	28
\$110,000 to \$119,999	19	2	21
\$120,000 to \$129,999	20	–	20
\$130,000 to \$139,999	14	–	14
\$140,000 to \$149,999	17	–	17
\$150,000 to \$159,999	15	–	15
\$160,000 to \$169,999	4	1	5
\$170,000 to \$179,999	4	5	9
\$190,000 to \$199,999	6	1	7
\$200,000 to \$209,999	4	1	5
\$210,000 to \$219,999	1	–	1
\$220,000 to \$229,999	1	1	2
\$230,000 to \$239,999	–	1	1
\$250,000 to \$259,999	1	–	1
\$260,000 to \$269,999	2	–	2
\$270,000 to \$279,999	1	–	1
\$310,000 to \$319,999	1	–	1
\$340,000 to \$349,999	1	–	1
\$400,000 to \$409,999	1	1	2
\$500,000 to \$509,999	1	–	1
\$510,000 to \$519,999	1	–	1
\$650,000 to \$659,999	1	–	1
\$730,000 to \$739,999	1	–	1
\$1,130,000 to \$1,139,999	1	–	1
Total	144	14	158

Statutory disclosures

Directors of Manawa Energy Limited and subsidiaries

The following people held office as directors of Manawa Energy Limited as at 31 March 2023. During the year there were two changes to the directors of Manawa Energy Limited: Deion Campbell was appointed as a director in July 2022 and Peter Coman ceased to be a director in July 2022.

Company Name	Directors
Manawa Energy Limited	Paul Ridley-Smith, Kevin Baker, Joanna Breare, Sheridan Broadbent, Deion Campbell and Michael Smith

The following table lists Manawa Energy's subsidiaries and the people who held office as directors as at 31 March 2023.

Company	Director	Further information
ANZ Renewables Limited	David James Prentice	Manawa Energy Limited acquired ANZ Renewables in September 2022. David Prentice was appointed as a director on 29 September 2022.
King Country Energy Holdings Limited	David James Prentice	No changes.
King Country Energy Limited	Catherine Anne Fleetwood Thompson Phillip Gary Wiltshire	Catherine Thompson was appointed as a director on 1 January 2023. Phillip Wiltshire was appointed as a director on 1 February 2023. Kevin Palmer ceased to be a director on 31 January 2022. Robert Buchanan was appointed as a director on 1 September 2022 and ceased to be a director on 31 December 2022. Peter Calderwood ceased to be a director on 31 August 2022.
Manawa Energy Metering Limited	David James Prentice	No changes.
Manawa Energy Generation Limited	David James Prentice	No changes.
Manawa Energy Insurance Limited	David James Prentice Joanna Breare	No changes.
Maungatapere 2021 Limited	Nigel Richard Arkell	Nigel Arkell is the sole director and shareholder of Maungatapere 2021 Limited. Nigel Arkell holds the shares in Maungatapere 2021 Limited on trust for Manawa Energy Limited.

Disclosure of interests by directors

In accordance with section 140 of the Companies Act, the following table lists the general disclosures of interest by directors of Manawa Energy Limited and its subsidiaries as at 31 March 2023.

Manawa Energy Limited		
Director	Interest	Entity
Paul Ridley-Smith	Director	Arvida Group Limited
	Shareholder	Morrison & Co Group Limited Partnership
	Employee	HRL Morrison & Co Limited
Kevin Baker	Shareholder	Infratil Limited
	Director	Infratil Infrastructure Property Limited
	Director and Shareholder	Fenn Lanes Consultants Limited
Joanna Breare	Shareholder	Morrison & Co Group Limited Partnership
	Consultant	Morrison & Co
	Shareholder	Infratil Limited
Joanna Breare	Chair	Venture Taranaki Trust
Sheridan Broadbent	Director	Spark New Zealand Limited
	Director	Pipeline and Civil Group
	Deputy Chair	New Zealand Business Leaders' Health and Safety Forum
Deion Campbell	Shareholder	Infratil Limited
	Employee	HRL Morrison & Co Limited
	Director	Transgrid P/L (Australia)
Deion Campbell	Director/Shareholder	Birkam Group Limited
	Director/Shareholder	Kaimai Wind Holding Limited
	Director/Shareholder	Birkam Consulting Limited

Manawa Energy Limited Cont.

Director	Interest	Entity
Michael Smtih	Chair	Custodial Services Limited
	Chair	Craigs Investment Partners Superannuation Management Limited
	Chair	First Mortgage Managers Limited
	Chair	Golf New Zealand Inc
	Chair	Pathology Associates Limited
	Director	Genera Limited

Disclosure of interest by directors of Manawa Energy subsidiaries*

David James Prentice	Chief Executive	Manawa Energy Limited
Catherine Anne Fleetwood Thompson	GM Regulatory and Risk	Manawa Energy Limited
	Director	RDR Limited
	Director	Electricity Retailers Association of NZ
Phillip Gary Wiltshire	GM Corporate Services	Manawa Energy Limited

* To the extent not disclosed above.

Information used by directors

No director of the company or a subsidiary issued a notice requesting to use information received in his or her capacity as a director that would not otherwise be available to the director.

Indemnity and insurance of directors and executives

In accordance with section 162 of the Companies Act and the terms of its constitution, we have continued to indemnify and insure Manawa Energy's directors and officers against potential liability or costs they might incur for actions or omissions in their capacity as directors, except to the extent prohibited by law.

King Country Energy Limited has entered into deeds of indemnity with directors and certain employees and has put in place insurance for these individuals.

Interests in Manawa Energy securities

As at 31 March 2023, Manawa Energy Limited directors had the following relevant interests in Manawa Energy securities.

Director	Class of Security	Interests in Manawa Energy Limited		Interests in associated companies
		Number held at 31 March 2023	Number held at 31 March 2022	Number held at 31 March 2023
Kevin Baker	Ordinary shares	-	-	518,935
	Bonds	240,000	-	940,000
Sheridan Broadbent	Ordinary shares	2,804	2,804	5,727
Paul Ridley-Smith	Ordinary shares	-	-	77,711
	Bonds	-	-	609,500
Joanna Breare	Ordinary shares	-	-	-
Deion Campbell	Ordinary shares	-	-	-
Michael Smith	Ordinary shares	-	-	-

Securities dealings of directors

During the year, we were advised of the following securities dealings by directors of Manawa Energy Limited and its subsidiaries.

Director	Date of Dealing	Nature of Transaction	Consideration per share/bond	Number of shares/bonds involved
Kevin Baker	15 June 2022	Acquisition of Infracore bonds through market issue (IFT 320)	\$1.00	65,000
Kevin Baker	9 September 2022	Acquisition of Manawa Energy bonds through market issue (MNW 190)	\$1.00	240,000

Security holder information

Substantial security holders

As at 31 March 2023, Manawa Energy had 312,973,000 shares on issue.

The Company's register of substantial security holders recorded the following information as at 31 March 2023.

Security Holder	Class of security	Number
Infratil Limited	Shares	159,997,249
TECT Holdings Limited	Shares	83,878,838

Spread of holders as at 31 March 2023

Shares	Holders	%	Shares	%
1 to 999	1,729	14.8	805,407	0.3
1,000 to 1,999	1,901	16.3	2,329,731	0.7
2,000 to 4,999	6,339	54.3	15,575,138	5.0
5,000 to 9,999	985	8.5	6,445,318	2.1
10,000 to 49,999	613	5.3	10,538,084	3.4
50,000 to 99,999	43	0.4	2,799,962	0.9
100,000 to 499,999	22	0.2	4,509,271	1.4
500,000 to 999,999	7	0.1	4,916,793	1.6
1,000,000 plus	13	0.1	265,053,296	84.6
Total	11,652	100.0	312,973,000	100.0

Senior bonds	Holders	%	Senior bonds	%
5,000 to 9,999	268	12.2	1,542,000	0.4
10,000 to 49,999	1,570	71.2	32,237,000	8.6
50,000 to 99,999	218	9.9	14,180,000	3.8
100,000 to 499,999	118	5.4	19,346,000	5.2
500,000 to 999,999	8	0.4	5,151,000	1.4
1,000,000 plus	20	0.0	302,544,000	80.6
Total	2,202	100.0	375,000,000	100.0

Shares	Holders	%	Shares	%
New Zealand	11,347	97.3	306,865,538	98.1
Australia	197	1.7	5,051,822	1.6
United Kingdom	32	0.3	69,429	0.0
United States of America	18	0.2	721,923	0.2
Other	58	0.5	264,288	0.1
Total	11,652	100.0	312,973,000	100.0

Senior bonds	Holders	%	Senior bonds	%
New Zealand	2,189	99.4	364,235,000	97.2
Australia	6	0.3	10,574,000	2.8
United States of America	3	0.1	120,000	0.0
Other	4	0.2	71,000	0.0
Total	2,202	100.0	375,000,000	100.0

Credit rating

Manawa Energy Limited does not currently have an external credit rating.

NZX listings/waivers

The Company's shares are listed on the NZSX and its senior bonds are listed on the NZDX. There were no waivers granted by NZX or relied on by Manawa Energy in the 12 months preceding 31 March 2023.

NZX disciplinary action

There has been no action taken by NZX in relation to Manawa Energy under Listing Rule 9.9.3.

Largest shareholders as at 31 March 2023

Rank	Holder name	Shares	%
1	Infratil Limited	159,997,249	51.1
2	TECT Holdings Limited	83,878,838	26.8
3	Hobson Wealth Custodian Limited (Resident Cash Account)	4,317,060	1.4
4	Custodial Services Limited	3,416,620	1.1
5	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited	2,560,309	0.8
6	BNP Paribas Nominees (NZ) Limited	2,340,781	0.7
7	Citibank Nominees (New Zealand) Limited	2,231,333	0.7
8	New Zealand Depository Nominee Limited	2,120,324	0.7
9	Accident Compensation Corporation	1,790,153	0.6
10	Public Trust Class 10 Nominees Limited	1,236,888	0.4
11	Generate Kiwisaver Public Trust Nominees Limited	1,163,741	0.4
12	JBWere (NZ) Nominees Limited	936,546	0.3
13	HSBC Nominees (New Zealand) Limited	821,825	0.3
14	Simplicity Nominees Limited	810,562	0.3
15	FNZ Custodians Limited	729,359	0.2
16	Clyde Parker Holland & Rena Holland	596,000	0.2
17	Hobson Wealth Custodian Limited (Equities DTA Account)	516,701	0.2
18	TEA Custodians Limited Client Property Trust Account	505,800	0.2
19	Forsyth Barr Custodians Limited	466,853	0.1
20	Masfen Securities Limited	337,912	0.1
	Total	270,774,854	86.6

Largest bondholders as at 31 March 2023

Rank	Holder name	Senior bonds	%
1	Custodial Services Limited	104,598,000	27.9
2	Forsyth Barr Custodians Limited (1-Custody)	80,548,000	21.5
3	FNZ Custodians Limited	29,625,000	7.9
4	Hobson Wealth Custodian Limited (Resident Cash Account)	27,157,000	7.2
5	JBWere (NZ) Nominees Limited	9,294,000	2.5
6	HSBC Nominees (New Zealand) Limited	7,664,000	2.0
7	Commonwealth Bank Of Australia	6,671,000	1.8
8	Forsyth Barr Custodians Limited (Account 1 E)	6,387,000	1.7
9	TEA Custodians Limited Client Property Trust Account	5,387,000	1.4
10	Investment Custodial Services Limited	4,507,000	1.2
11	Generate Kiwisaver Public Trust Nominees Limited	4,000,000	1.1
12	Citibank Nominees (New Zealand) Limited	3,094,000	0.8
13	Forsyth Barr Custodians Limited (A/C 1)	2,367,000	0.6
14	Mint Nominees Limited	2,158,000	0.6
15	FNZ Custodians Limited (DTA Non Resident A/C)	1,775,000	0.5
16	Adminis Custodial Nominees Limited	1,701,000	0.5
17	MMC Limited	1,650,000	0.4
18	Hobson Wealth Custodian Limited (Equities DTA Account)	1,502,000	0.4
19	ANZ Custodial Services New Zealand Limited	1,299,000	0.3
20	Pathfinder Caresaver	1,160,000	0.3
	Total	302,544,000	80.6

Auditor fees

Please see **Note 27** of the financial statements.

Donations

Manawa Energy Limited donated \$20,000 to the Red Cross New Zealand Disaster Fund that was established following Cyclone Gabrielle. This does not include the \$280,000 provided to environment funds or trusts, educational scholarships and community group sponsorships.

NZX Corporate Governance Code

Manawa Energy Limited has complied with the recommendations of the NZX Corporation Governance Code, except where noted in this report, or in our **Corporate Governance Statement**.

We did not comply with recommendation 8.5 of the NZX Corporate Governance Code in respect of the timeframe for sending the Notice of Meeting for the 2022 ASM to shareholders. This was due to unexpected issues that delayed our ability to finalise the meeting agenda. We did comply with the timeframe for sending the Notice of Meeting set out in the Companies Act.

Our Corporate Governance Statement and other governance policies and procedures are available on our **website**. The Corporate Governance Statement set out in more detail our compliance with the NZX Corporate Governance code and is current as at 15 May 2023.

Sustainability disclosures

Aotearoa New Zealand Climate-related Disclosures (NZ CS 1)

We have aligned this index with the Aotearoa New Zealand Climate-related Disclosures Standard (NZ CS 1). Our work has been aligned with the TCFD framework to date and there are additional disclosures required under the Aotearoa New Zealand standard. We are working towards full compliance with these additional requirements.

NZ CS 1 Disclosure	Paragraph reference	Page
Governance		
Identity of governance body	7(a)	Not disclosed
Governance body's oversight	7(b), 8(a) to (d)	Board committees pg 46 Managing risk and audit pg 47
Management's role	7(c), 9(a) to (c)	Managing risk and audit pg 47
Strategy		
Current impacts	11(a), 12(a) to (c)	Not disclosed
Scenario analysis	11(b), 13	Not disclosed
Risks and opportunities	11(c), 14(a) to (c)	Building a climate-resilient business pg 33
Anticipated impacts	11(d), 15(a) to (d)	Building a climate-resilient business pg 33
Transition planning	11(e), 16(a) to (c)	Building a climate-resilient business pg 33
Risk Management		
Processes	18(a), 19(a) to (e)	Managing risk and audit pg 47
Integration	18(b)	Building a climate-resilient business pg 33
Metrics and Targets		
Metric categories	21(a), 22(a) to (h)	Building a climate-resilient business pg 33
GHG emissions	22(a), 24(a) to (d)	Greenhouse gas emissions pg 58
Industry-based metrics	21(b)	Not disclosed
Other KPIs	21(c)	Not disclosed
Targets	21(d), 23(a) to (e)	Not disclosed

Greenhouse gas emissions

Greenhouse gas (GHG) emissions were measured for the Manawa Energy business across FY23. We calculate our emissions using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. Our emissions are classified under the following scopes:

- **Scope 1 direct GHG emissions** – emissions from sources that are owned or controlled by our business, e.g. our vehicle fleet or generation.
- **Scope 2 indirect GHG emissions** – emissions from our purchased/used electricity consumed by our business, e.g. our electricity use.
- **Scope 3 indirect GHG emissions** – emissions from sources our business uses but does not own or control, e.g. travel.

The emission reporting for FY23 covers Scope 1 and 2 GHG emissions, and some Scope 3 emissions including business travel, water supply and wastewater treatment, waste, and transmission and distribution losses. Waste data is included for Kumara, Matahina, Kaimai, Mangorei plus our Taupō office.

Scope 3 emissions not captured in this year's reporting, and which may be material to Manawa Energy's business, include purchased goods and services, purchased electricity, upstream transportation of major capital items, employee commuting, downstream leased assets and waste data for sites not named above.

FY23 has been set as a new base year as Manawa Energy operates a materially different business model to the previous Trustpower branded business. In the next year, Manawa Energy will improve its data collection methods, explore and expand its Scope 3 data reporting, and further refine its data set. An emissions reduction plan will then be developed, including reduction targets.

As FY23 is a new base year, no comparison has been made with previous years. However, it is important to note the influence that the Bream Bay diesel peaking plant can, and will, have on Manawa Energy's Scope 1 emissions. Bream Bay provides fast-start power generation for times when New Zealand's electricity supply is weak due to low inflows or wind.

Over the last five years Bream Bay emitted on average approximately 3,500 tCO₂e per year, and peaked at approximately 5,700 tCO₂e in FY21. This was when New Zealand was experiencing major gas supply issues and low diesel prices. By comparison, emissions from the Bream Bay plant over FY23 were 127 tCO₂e, a mere fraction compared to recent years. This was due to a combination of high diesel prices, machine outages and removal of the peak pricing signal.

This demonstrates that the running of the Bream Bay plant adjusts to underlying market dynamics (i.e. electricity demand and supply) and the associated GHG emissions will follow suit. Corresponding market prices encourage this form of generation to ensure the supply of power is secure and uninterrupted. Manawa Energy considers that fast start thermal generation will continue, in at least the short term, to play an important role in supporting New Zealand's energy transition to a renewable future.

A new head office is currently under construction in Tauranga. In the meantime, Manawa Energy is sub-leasing office space for Tauranga-based employees. As the sublease is temporary, emissions associated with office waste, electricity use, and other incidental emissions sources have not been reported. Sustainability considerations have been factored into the new building. Emissions associated with head office operation will be reported once the new building is in use.

FY23 Greenhouse gas emissions

	Emissions Source	tCO ₂ e
Scope 1 – direct emissions	Stationary Combustion (Bream Bay)	127
	Mobile Combustion (vehicle fleet)	699
	Refrigerant gases (SF6)	8
Total Scope 1		834
Scope 2 – indirect emissions	Purchased Electricity (location based)	395
Total Scope 2		395
Scope 3 – indirect emissions	Transmission and Distribution losses (electricity and gas)	36
	Water and Wastewater (per capita)	12
	Waste (general)	8
	Travel (domestic and international air travel, taxis/rental cars, hotel accommodation)	457
Total Scope 3		513
Total of all scopes		1,742

Financial Statements



Financial Statements

for the year ended 31 March 2023

Manawa Energy is pleased to present its audited financial statements.

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

Financial Performance	Notes 3–6
Our Assets	Note 7
Our Funding	Notes 8–13
Our Financial Risk Management	Notes 14–18
Other Disclosures	Notes 19–30

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

Key Metrics

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

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

Directors' Responsibility Statement

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

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

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

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

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

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



Paul Ridley-Smith
Chair



Kevin Baker
Director

Company Registration Number: 565426
Dated: 16 May 2023

Consolidated Income Statement

for the year ended 31 March 2023

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

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

* EBITDAF is a non-GAAP measure. Refer to [Note 5](#) for more information.

** Refer to [Note 1](#) for an explanation of the restatement.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

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

Consolidated Statement of Financial Position

as at 31 March 2023

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

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

Consolidated Cash Flow Statement

for the year ended 31 March 2023

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2023

NOTE 1: GENERAL INFORMATION

Reporting Entity

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

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

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

Basis of Preparation

The financial statements are prepared in accordance with:

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

In preparing the financial statements we have:

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

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

Critical accounting estimates and judgements

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

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

Restatement

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

Adoption Status of Relevant New Financial Reporting Standards and Interpretations

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

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

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

NOTE 2: ASSETS HELD FOR SALE/DISCONTINUED OPERATION

Description

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

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

The gain on sale is calculated below.

(a) Details of the sale

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

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

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

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

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

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

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

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

Revenue recognition relating to discontinued operations

Electricity and gas revenue

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

Telecommunications revenue

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

Bundled revenue including revenue allocated to customer incentives

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

Discounts

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

FINANCIAL PERFORMANCE

NOTE 3: OPERATING SEGMENT

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

NOTE 4: REVENUE

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

Wholesale electricity income

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

Retail electricity

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

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

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

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

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

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

Other operating income

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

Emission unit revenue from trading

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

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

NOTE 5: NON-GAAP MEASURES

(a) Underlying Earnings After Tax

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

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

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

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

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

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

NOTE 6: OTHER OPERATING EXPENSES

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

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

OUR ASSETS

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

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

Management comments
(no financial statements)

Property, Plant and Equipment

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

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

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

Generation Development

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

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

Fair value of generation property, plant and equipment

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

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

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

Property, plant and equipment at historical cost

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

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

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

OUR FUNDING

NOTE 8: BORROWINGS

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

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

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

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

Borrowings

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

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

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

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

Reconciliation of change in liabilities arising from financing activities

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

NOTE 9: CAPITAL RISK MANAGEMENT OBJECTIVES

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

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

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

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

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

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

NOTE 10: FINANCE INCOME AND COSTS

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

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

NOTE 11: SHARE CAPITAL

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

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

NOTE 12: DIVIDENDS ON ORDINARY SHARES

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

Dividend Distribution

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

NOTE 13: EARNINGS PER SHARE

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

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

OUR KEY FINANCIAL RISKS

NOTE 14: ELECTRICITY PRICE RISK

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

Manawa Energy manages this volatility by:

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

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

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

Sensitivity analysis

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

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

Electricity Market Security Deposits

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

NOTE 15: INTEREST RATE RISK

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

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

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

Sensitivity analysis

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

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

NOTE 16: DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value of derivative financial instruments

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

Derivatives

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

(b) Fair value

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

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

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

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

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

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

Treatment of electricity price CFD entered with Mercury NZ Limited

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

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

(c) Fair value hierarchy

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

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

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

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

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

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

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

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

(d) Fair value losses/gains on derivatives

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

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

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

NOTE 17: CASH FLOW HEDGE RESERVE

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

NOTE 18: LIQUIDITY RISK

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

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

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

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

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

OTHER DISCLOSURES

NOTE 19: INCOME TAX EXPENSE

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

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

Income tax expense

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

NOTE 20: DEFERRED INCOME TAX

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

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

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

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

NOTE 21: IMPUTATION CREDIT ACCOUNT

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

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

NOTE 22: ACCOUNTS RECEIVABLE AND PREPAYMENTS

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

Trade Receivables

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

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

Credit Risk

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

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

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

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

NOTE 23: EMISSION UNITS HELD FOR TRADING

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

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

NOTE 24: ACCOUNTS PAYABLE AND ACCRUALS

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

Accounts Payable and Accruals

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

NOTE 25: RELATED PARTY TRANSACTIONS

Key management personnel

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

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

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

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

Entities under common control

One NZ New Zealand Limited (formerly known as Vodafone New Zealand Limited)

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

Tilt Renewables Limited

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

Shareholders

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

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

Other

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

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

NOTE 26: EMPLOYEE SHARE-BASED COMPENSATION

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

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

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

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

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

NOTE 27: REMUNERATION OF AUDITORS

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

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

¹ Regulatory returns include assurance services surrounding the Manawa Energy Insurance Limited solvency return and telecommunications development levy.

² Tax compliance services relate to the review of income tax returns and tax related correspondence.

³ Tax consulting relates to general tax advisory services.

NOTE 28: INVESTMENTS IN SUBSIDIARIES

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

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

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

NOTE 30: CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

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

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

Independent auditor's report



To the shareholders of Manawa Energy Limited

Report on the audit of the consolidated financial statements

OPINION

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

We have audited the accompanying consolidated financial statements which comprise:

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

Basis for opinion

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

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

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

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

Emphasis of matter

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

Key audit matters

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



The key audit matter **How the matter was addressed in our audit**

Generation assets fair value

As described in **Note 7** of the financial statements, generation assets are recorded at fair value and revalued every three years, or more frequently if there is evidence of a significant change in value, to ensure that at each reporting date the carrying value is within a reasonable range of estimated fair values.

Fair value is determined using a discounted cash flow methodology.

The valuation of generation assets involves a number of significant assumptions including forward electricity prices, the weighted average cost of capital used to discount future cash flows, the inflation rate, and operational inputs such as future generation volumes, operating costs and capital expenditure.

All these assumptions involve judgements about the future. This is therefore considered to be a key audit matter.

Utilising our energy sector valuation specialists we have challenged the key assumptions used to independently determine an estimated valuation range. Our procedures included:

- > Assessing the methodology used in determining the fair value;
- > Comparing the forward electricity price path to current externally derived market forecast data;
- > Comparing the weighted average cost of capital against our independently calculated rate reflecting current market conditions; and
- > Comparing the inflation rate used to the Reserve Bank of New Zealand forecast.

We assessed the appropriateness of the operational inputs and assumptions for generation volumes and costs by:

- > Comparing forecast generation volumes to actual realised volumes over time; and
- > Assessing forecasted operating and capital expenditure by understanding and evaluating the reasons for any significant changes between the costs in the current forecast and historical actual costs, and agreeing forecasts to supporting documentation including the Asset Management Plan and any approval documentation.

Additionally we:

- > Assessed the competence, independence and objectivity of the Group's valuation specialists;
- > Made enquiries of the independent valuer for further information in respect of the assumptions and judgements used to determine their valuation range estimate;
- > Tested the veracity of Managements valuation model to ensure it calculated correctly;
- > Assessed the overall appropriateness of the valuation range; and
- > Considered the adequacy of the related financial statement disclosures.

We had no matters to report as a result of our procedures.

The key audit matter **How the matter was addressed in our audit**

Fair value of electricity derivatives

As described in **Note 16** of the financial statements, the Group is exposed to electricity wholesale price risks which are managed using complex derivative financial instruments. The Group enters into a number of industry specific electricity derivative transactions to hedge future capacity, price risk and other business risks. These instruments are carried at fair value.

There is complexity and judgement involved in determining the appropriate valuation and accounting treatment, particularly in respect of the Mercury Contract for Difference.

This is therefore considered to be a key audit matter.

In conjunction with our specialists our procedures included:

- > Assessing the Mercury Contract For Difference ("CFD") agreement and Management's proposed accounting and valuation methodology and considered any future consequences of the proposed approach;
- > Challenging the key assumptions applied by Management and agreed underlying data to contract terms;
- > Evaluating the hedge effectiveness of the Mercury CFD hedged electricity derivative. Our financial instrument specialists assessed the effectiveness of these hedges, following *NZ IFRS 9 Financial Instrument* requirements, by independently modelling the future changes in the value of these instruments to assess whether the underlying derivatives were effective;
- > Assessing the valuation calculation for the Mercury CFD contract; and
- > Assessing the valuations for all remaining electricity derivative contracts.

Additionally we:

- > Confirmed electricity derivative contract details with the counterparties.

We had no matters to report as a result of our procedures.



Other information

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

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

Other matter

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

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

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

- › the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- › implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and

- › assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

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

Our objective is:

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

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

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

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

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

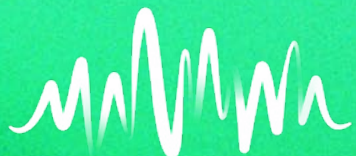
This description forms part of our independent auditor's report.

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

For and on behalf of

KPMG
Tauranga
16 May 2023

Corporate directory



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Kevin Baker
Joanna Breare
Sheridan Broadbent
Deion Campbell
Michael Smith

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For shareholder enquiries about transactions, changes of address or dividend payments, please contact **Computershare**.

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MANAWA ENERGY

manawaenergy.co.nz
Management commentary
(no financial statements)