



MANAWA ENERGY

Delivering tomorrow's energy

Interim Results 2022



About these interim financial statements

The reporting entity is the consolidated group comprising Manawa Energy Limited and its subsidiaries together referred to as 'Manawa Energy'.

The financial statements are presented for the half year ended 30 September 2022.

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 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 were authorised on behalf of the Manawa Energy Board of Directors on 9 November 2022.



Paul Ridley-Smith
Chair
Manawa Energy



Kevin Baker
Chair, Audit & Risk Committee
Manawa Energy

Key Metrics

for the six months ended 30 September	2022	2021	2020	2019	2018
Profit After Tax (\$M)	391	115	34	39	65
EBITDAF* from Continuing Operations (\$M)	70	106	92	107	130
EBITDAF* from Discontinued Operations (\$M)	3	16	18	-	-
Underlying earnings* after tax (\$M)	35	59	53	49	65
Basic earnings per share (cents per share)	124	35	11	12	20
Underlying earnings per share (cents per share)	11	19	17	16	21
Dividends paid during the period (cents per share)	51	18.5	15.5	32	17
Net debt to annualised EBITDAF	3.1	2.7	3.0	3.0	1.9
Net tangible assets per share (dollars per share)	4.01	3.37	3.38	3.72	4.53
Commercial and Industrial Sales					
Time of use sales - fixed price (GWh)	214	206	250	418	426
Time of use sales - spot price (GWh)	366	427	428	546	566
Total commercial & industrial customer sales (GWh)	580	633	678	964	992
Average spot price of electricity purchased (\$/MWh)	152	217	109	91	91
Generation Production and Procurement					
North Island hydro generation production (GWh)	545	446	410	479	732
South Island hydro generation production (GWh)	431	554	535	510	593
Total New Zealand generation production (GWh)	976	1,000	945	989	1,325
Average spot price of electricity generated (\$/MWh)	124	208	107	89	89
Net third party fixed price volume sold/(purchased) (GWh)	485	(466)	(1,512)	(770)	(770)
Other Information					
Resource consent non-compliance events	5	3	21	10	6
Staff numbers (full time equivalents)	236	766	809	812	787

*EBITDAF and underlying earnings are non-GAAP measures, refer to note 5 for more details.

Income Statement

for the six months ended 30 September 2022	Note	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Continuing Operations			
Operating Revenue			
Retail electricity revenue		113,131	151,705
Wholesale electricity revenue		116,127	129,942
Other operating revenue		3,477	9,547
		232,735	291,194
Operating Expenses			
Line costs		29,764	29,965
Electricity costs		86,004	112,447
Generation asset maintenance costs		11,834	11,527
Employee benefits		17,554	17,748
Generation development expenditure		942	218
Other operating expenses		16,669	12,844
		162,767	184,749
Earnings Before Interest, Tax, Depreciation, Amortisation, Fair Value Movements of Financial Instruments and Asset Impairments (EBITDAF)*		69,968	106,445
Net fair value gains on financial instruments	12	(10,347)	(78,467)
Amortisation of intangible assets		455	2,283
Depreciation		9,185	9,576
Operating Profit		70,675	173,053
Interest paid		12,215	14,677
Interest received		(272)	(314)
Net finance costs		11,943	14,363
Profit Before Income Tax		58,732	158,690
Income tax expense		17,722	45,404
Profit From Continuing Operations		41,010	113,286
Profit from Discontinued Operations	2	349,786	1,835
Profit After Tax		390,796	115,121
Profit after tax attributable to the shareholders of the Company		388,796	110,610
Profit after tax attributable to non-controlling interests		2,000	4,511
Basic and diluted earnings per share from continuing operations (cents per share)		12.5	34.8
Basic and diluted earnings per share from discontinued operations (cents per share)		111.8	0.6
		124.3	35.4

The Board of Manawa Limited authorised these Interim Financial Statements for issue on 9 November 2022.

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

Statement of Comprehensive Income

for the six months ended 30 September 2022	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Profit after tax	390,796	115,121
Other Comprehensive Income		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on cash flow hedges	(20,830)	(79,014)
Tax effect of the following:		
Fair value losses on cash flow hedges	5,947	22,124
Total Other Comprehensive Income	(14,883)	(56,890)
Total Comprehensive Income	375,913	58,231
Attributable to shareholders of the Company	373,913	53,720
Attributable to non-controlling interests	2,000	4,511
Total comprehensive income attributable to shareholders of the Company arises from:		
Continuing operations	24,127	51,885
Discontinued operations	349,786	1,835

The accompanying notes form part of these interim financial statements.

Statement of Changes in Equity

for the six months ended 30 September 2022	Share capital \$000	Revaluation reserve \$000	Cash flow hedge reserve \$000	Retained earnings \$000	Total Shareholder's 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
Total comprehensive income for the period	-	-	(56,890)	110,610	53,720	4,511	58,231
<i>Transactions with owners recorded directly in equity</i>							
Dividends paid	-	-	-	(57,900)	(57,900)	(1,624)	(59,524)
Total transactions with owners recorded directly in equity	-	-	-	(57,900)	(57,900)	(1,624)	(59,524)
Unaudited closing balance as at 30 September 2021	2	732,898	12,364	320,182	1,065,46	20,165	1,085,611
Opening balance as at 1 April 2022	2	732,898	19,583	273,573	1,026,056	16,513	1,042,569
Total comprehensive income for the period	-	-	(14,883)	388,796	373,913	2,000	375,913
<i>Transactions with owners recorded directly in equity</i>							
Dividends paid	-	-	-	(159,616)	(159,616)	(250)	(159,866)
Total transactions with owners recorded directly in equity	-	-	-	(159,616)	(159,616)	(250)	(159,866)
Unaudited closing balance as at 30 September 2022	2	732,898	4,700	502,753	1,240,353	18,263	1,258,616

The accompanying notes form part of these interim financial statements.

Statement of Financial Position

as at 30 September 2022	Note	Unaudited Sept 2022 \$000	Audited, March 2022 \$000
Equity			
<i>Capital and reserves attributable to shareholders of the Company</i>			
Share capital		2	2
Revaluation reserve		732,898	732,898
Retained earnings		502,753	273,573
Cash flow hedge reserve		4,700	19,583
Non-controlling interests		18,263	16,513
Total Equity		1,258,616	1,042,569
<i>Represented by:</i>			
Current Assets			
Cash at bank		33,440	9,382
Electricity market security deposits	10	65,363	64,826
Accounts receivable and prepayments		27,125	60,422
Assets held for sale	2	-	181,597
Emission units held for trading		12,366	15,370
Derivative financial instruments	12	75,490	64,937
Taxation receivable		7,958	5,632
		221,742	402,166
Non Current Assets			
Property, plant and equipment		1,844,823	1,836,943
Right-of-use assets	11	2,642	-
Derivative financial instruments	12	78,606	44,529
Intangible assets		3,275	4,973
		1,929,346	1,886,445
Total Assets		2,151,088	2,288,611
Current Liabilities			
Accounts payable and accruals		25,283	109,857
Liabilities held for sale	2	-	50,224
Unsecured senior bonds	3	77,734	127,734
Unsecured bank loans	3	20,000	180,107
Lease liabilities	11	691	-
Derivative financial instruments	12	71,816	47,547
		195,524	515,469
Non Current Liabilities			
Unsecured bank loans	3	24,643	217,900
Unsecured senior bonds	3	371,711	223,023
Lease liabilities	11	1,968	-
Derivative financial instruments	12	98,943	68,099
Deferred tax liability		199,683	221,551
		696,948	730,573
Total Liabilities		892,472	1,246,042
Net Assets		1,258,616	1,042,569
Net Tangible Assets Per Share		\$4.01	\$3.32

The accompanying notes form part of these interim financial statements.

Cash Flow Statement

for the six months ended 30 September 2022	Note	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from customers		270,963	303,465
		270,963	303,465
<i>Cash was applied to:</i>			
Payments to suppliers and employees		230,805	203,776
Taxation paid		11,790	7,829
		242,595	211,605
Net cash flow (to)/from operating activities generated by discontinued operation	2	(27,718)	1,711
Net Cash Flow from Operating Activities	7	650	93,571
Cash Flows from Investing Activities			
<i>Cash was provided from:</i>			
Return of electricity market security deposits	10	112,775	85,450
Sale of other investments		–	7,333
Interest received		272	314
		113,047	93,097
<i>Cash was applied to:</i>			
Lodgement of electricity market security deposits	10	113,312	26,637
Purchase of property, plant and equipment		13,641	2,224
Purchase of intangible assets		757	470
		127,710	29,331
Net cash flow/(to) used in investing activities generated by discontinued operation	2	464,992	(12,811)
Net Cash Flow from Investing Activities		450,329	50,955
Cash Flows from Financing Activities			
<i>Cash was provided from:</i>			
Bank loan proceeds		–	77,667
Senior bond issue proceeds		100,000	–
		100,000	77,667
<i>Cash was applied to:</i>			
Bond brokerage costs		1,627	–
Repayment of bank loans		353,364	135,800
Interest paid		11,261	14,345
Repayment of lease liability		964	129
Dividends paid to owners of the Company	4	159,366	57,900
Dividends paid to non-controlling shareholders in subsidiary companies	4	250	1,197
		526,832	209,371
Net cash flow to financing activities generated by discontinued operation	2	(89)	(4,393)
Net Cash Flow used in Financing Activities		(426,921)	(136,097)
Net Increase in Cash, Cash Equivalents and Bank Overdraft		24,058	8,429
Cash, cash equivalents and bank overdrafts at beginning of the period		9,382	6,091
Cash, Cash Equivalents and Bank Overdrafts at End of the Period		33,440	14,520

The accompanying notes form part of these interim financial statements.

Notes to the Interim Financial Statements

Note 1: Basis of preparation

Reporting entity

The reporting entity is the consolidated group comprising Manawa Energy Limited and its subsidiaries together referred to as Manawa. Manawa is a limited liability company incorporated and domiciled in New Zealand. The principal activities of Manawa 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 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 half year ended 30 September 2022.

Basis of preparation

These unaudited condensed interim financial statements have been prepared for the six months ended 30 September 2022. These financial statements provide an update on the interim performance of Manawa, and should be read in conjunction with the full year financial statements presented for the year ended 31 March 2022 from which the same accounting policies and methods of computation have been followed.

The interim financial statements are prepared in accordance with:

- NZ IAS 34 Interim Financial Reporting.
- Generally Accepted Accounting Practice (GAAP).
- The accounting policies and methods of computation in the most recent annual financial statements.
- The Financial Markets Conduct Act 2013, and NZX equity listing rules.
- New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards (IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit oriented entities.

In preparing the financial statements we have:

- Recorded all transactions at the actual amount incurred (historical cost convention), except for generation assets 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 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Seasonality

Manawa's business is subject to seasonality due to seasonal differences in hydrology, the demand for electricity and the wholesale electricity price. Given volatility from year to year it is not possible to quantify the impact of this seasonality.

Generation asset valuation

Manawa last revalued its assets at 31 March 2020. An updated forecast of wholesale electricity prices and an updated assessment of Manawa's weighted average cost of capital has been prepared and, along with latest cost forecast assumptions, the appropriateness of the carrying value has been reviewed at 30 September 2022. As a result of this analysis, the Directors have concluded that the carrying value sits within a reasonable fair value range.

Revenue

Manawa receives electricity revenue from two sales channels. Retail electricity revenue is received from commercial and industrial customers for the supply of electricity to their premises. Wholesale electricity revenue is received from the spot electricity market for Manawa's own generation production and includes electricity price derivative settlements.

Note 2: Discontinued Operations/Assets held for Sale

Description

Manawa 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.

(a) Details of the sale

The gain on sale is calculated below.

	September 2022 \$000
Consideration received or receivable	
Cash	426,000
Working capital adjustment	43,446
Total disposal consideration	469,446
Carrying amount of net assets sold	118,242
Gain on sale before transaction costs	351,204
Costs of disposal	2,449
Gain on sale	348,755
<hr/>	
The carrying amounts of assets and liabilities as at 1 May 2022 transferred to Mercury:	1 May 2022 \$000
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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
Accounts payable and accruals	1,462
Deferred Tax	20,171
Lease liability	26,607
Total liabilities	48,240
Net assets	118,242

Manawa retained the accounts payable related to the mass market retail business at 1 May 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.

Note 2: Discontinued Operations/Assets held for Sale continued

Manawa and Mercury NZ Limited also entered an electricity price derivative on 1 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 balance sheet. See note 13 for more details.

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

The financial performance and cash flow information is presented below for the period ended 30 September 2022 and 30 September 2021.

	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Operating Revenue		
Electricity revenue	36,770	278,950
Gas revenue	2,434	20,718
Telecommunications revenue	9,957	57,793
Revenue allocated to customer incentives	3,537	19,259
Other operating revenue	1,333	7,239
	54,031	383,959
Operating Expenses		
Electricity costs	14,165	127,054
Line costs	15,403	103,623
Telecommunications cost of sales	5,654	37,505
Employee benefits	3,403	19,972
Meter rental costs	2,100	12,829
Gas cost of sales	2,008	19,483
Market fees and costs	846	5,104
Marketing and acquisition costs	847	5,790
Customer incentives	2,883	14,351
Bad debts	312	1,835
Other operating expenses	2,968	20,642
	50,589	368,188
EBITDAF	3,442	15,771
Gain on sale	(348,755)	0
Amortisation of intangible assets	772	5,627
Depreciation	1,143	6,993
Operating Profit	350,282	3,151
Net finance costs	95	603
Profit Before Income Tax	350,187	2,548
Income tax expense	401	713
Profit after income tax of discontinued operation	349,786	1,835

Note 3: Borrowings

Manawa 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 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. Throughout the period Manawa has complied with all debt covenant requirements in these agreements.

	Unaudited 30 September 2022	
	Unsecured bank loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
Less than one year	20,000	77,734
One to two years	24,643	–
Two to five years	–	125,000
Over five years	–	100,000
Bond issue costs	–	146,711
	44,643	449,445
Current portion	20,000	77,734
Non-current portion	24,643	371,711
	44,643	449,445
	Audited 31 March 2022	
	Unsecured bank loans \$000	Senior Bonds \$000
<i>Repayment terms:</i>		
Less than one year	185,107	127,734
One to two years	177,000	–
Two to five years	35,900	125,000
Over five years	–	100,000
Bond issue costs	–	(1,977)
	398,007	350,757
Current portion	180,107	127,734
Non-current portion	217,900	223,023
	398,007	350,757

Senior bonds rank equally with bank loans.

The fair value of Manawa's bank loans are not materially different to the carrying values above. At 30 September 2022 the senior bonds had a fair value of \$440,593,000 (31 March 2022: \$350,790,000). During the six months to 30 September 2022 Manawa issued \$150,000,000 of new senior bonds with an interest rate of 5.36% and a maturity date of 8 September 2027. \$100,000,000 of this bond issue was received as cash while the remaining \$50,000,000 were exchanged for existing bonds maturing in less than one year. Manawa is holding these bonds as treasury stock.

Note 4: Dividends

	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Final dividend prior year	50,075	53,205
Special dividend current year	109,541	4,695
Total dividend	159,616	57,900

A fully imputed interim dividend of 7.5 cents per share has been declared and is payable on 2 December 2022 to all shareholders on the register at 25 November 2022.

Additional Notes

Note 5: Non-GAAP Measures

Underlying Earnings

Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Manawa 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.

	Note	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Profit after tax		390,796	115,121
Fair value (gains)/losses on financial instruments		(10,347)	(78,467)
Asset impairments		-	-
Gain on sale of mass market retail business	2	(348,755)	-
Adjustments before income tax		(359,102)	(78,467)
Change in income tax expense in relation to adjustments		2,897	21,971
<i>Adjustments after income tax</i>		(356,205)	(56,496)
Underlying Earnings After Tax		34,591	58,625

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

EBITDAF is a non-GAAP financial measure but is commonly used within the electricity and telecommunications industries 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.

Note 6: Earnings Per Share

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

	Note	Unaudited 6 months Sept 2022	Unaudited 6 months Sept 2021
Profit after tax from continuing operations attributable to the shareholders of the Company (\$000)		39,010	108,775
Weighted average number of ordinary shares in issue (thousands)		312,973	312,973
Basic and diluted earnings per share from continuing operations (cents per share)		12.5	34.8
Profit after tax from discontinued operations attributable to the shareholders of the Company (\$000)		349,786	1,835
Weighted average number of ordinary shares in issue (thousands)		312,973	312,973
Basic and diluted earnings per share from discontinued operations (cents per share)		111.8	0.6
Underlying Earnings After Tax (\$000)	5	34,591	58,625
Weighted average number of ordinary shares in issue (thousands)		312,973	312,973
Underlying earnings per share (cents per share)		11.1	18.7

Note 7: Reconciliation of Net Cash Flow from Operating Activities with Profit After Tax

	Unaudited 6 months Sept 2022 \$000	Unaudited 6 months Sept 2021 \$000
Profit after tax	390,796	115,121
Interest paid	11,261	14,948
Interest received	(272)	(314)
Amortisation of debt issue costs	315	244
Fixed, intangible and investment asset charges	(419,106)	24,899
Movements in financial instruments taken to the income statement	(10,347)	(78,467)
Decrease in deferred tax liability excluding transfers to reserves	(11,912)	5,300
(Increase)/decrease in working capital	39,915	11,840
Net Cash Flow from Operating Activities	650	93,571

Note 8: Contingent Assets and Liabilities

There were no contingent assets or liabilities as at 30 September 2022 (31 March 2022: nil).

Note 9: Subsequent Events

Other than those disclosed elsewhere in these financial statements there have been no material events subsequent to 30 September 2022 (30 September 2021: none, 31 March 2022: none).

Note 10: Electricity Market Security Deposits

Manawa 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 is a party to and the fair value of these contracts.

Note 11: Right of Use Assets

During the six months ended 30 September 2022, Manawa had lease additions and modifications of \$3,246,000 (September 2021: \$3,367,000). There have been right of use assets transferred to Mercury as part of the mass market retail sale – see note 2 for further details (September 2021: nil).

Note 12: Financial Risk Management

Fair Values

Except for senior bonds, the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

Estimation of 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 (as described below); and
- discount rates.

Valuation Input	Source
Interest rate forward price curve	Published market swap rates.
Foreign exchange forward prices	Published spot foreign exchange rates and interest rate differentials.
Electricity forward price curve	Market quoted prices where available and management's best estimate based on its view of the long run marginal cost of new generation where no market quoted prices are available.
Discount rate for valuing interest rate derivatives	Published market interest rates as applicable to the remaining life of the instrument.
Discount rate for valuing forward foreign exchange contracts	Published market interest rates as applicable to the remaining life of the instrument.
Discount rate for valuing electricity price derivatives	Assumed counterparty cost of funds ranging from 3.3% to 3.5%.

If the discount rate for valuing electricity price derivatives increased/decreased by 1% then the fair value of the electricity price derivatives would have decreased/increased by an immaterial amount.

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. See later in this note for sensitivity analysis.

Note 12: Financial Risk Management continued

NZ IFRS 13 requires that financial instruments are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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).

The following tables present Manawa's financial assets and liabilities that are measured at fair value.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 September 2022				
Assets per the statement of financial position				
Interest rate derivative assets	-	8,975	-	8,975
Electricity price derivative assets	-	-	145,121	145,121
Exchange rate derivative assets	-	-	-	-
	-	8,975	145,121	154,096

Liabilities per the statement of financial position

Interest rate derivative liabilities	-	6,800	-	6,800
Electricity price derivative liabilities	-	-	163,324	163,324
Exchange rate derivative assets	-	635	-	635
	-	7,435	163,324	170,759

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
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31 March 2022

Assets per the statement of financial position

Interest rate derivative assets	-	3,257	-	3,257
Electricity price derivative assets	-	-	106,209	106,209
	-	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

Note 12: Financial Risk Management continued

The following tables present the changes during the period of the level 3 instruments being electricity price derivatives.

	Unaudited 6 months Sept 2022 \$000	Audited 12 Months March 2022 \$000
Assets per the statement of financial position		
Opening balance	106,209	145,608
Gains or (losses) recognised in profit or loss	59,742	28,725
Gains or (losses) recognised in other comprehensive income	(20,830)	(68,124)
Closing balance	145,121	106,209
Total gains or (losses) for the period included in profit or loss for assets held at the end of the reporting period	58,739	39,853
Liabilities per the statement of financial position		
Opening balance	103,159	121,734
(Gains) or losses recognised in profit or loss	60,165	(18,365)
(Gains) or losses recognised in other comprehensive income	-	(210)
Closing balance	163,324	103,159
Total (gains) or losses for the period included in profit or loss for liabilities held at the end of the reporting period	85,168	67,073
Settlements during the period	11,494	30,931

Electricity price derivatives are classified as Level 3 because the assumed location factors which are used to adjust the forward price path are unobservable.

A sensitivity analysis showing the effect on the value of the electricity price derivatives of reasonably possible alternative price path assumptions is shown below.

	Unaudited 6 months Sept 2022 \$000	Audited 12 Months March 2022 \$000
Increase/(decrease) to profit of a 10% increase in electricity forward price	(3,631)	(15,173)
Increase/(decrease) to profit of a 10% decrease in electricity forward price	58,457	15,173
Increase/(decrease) to equity of a 10% increase in electricity forward price	(112,891)	(1,029)
Increase/(decrease) to equity of a 10% decrease in electricity forward price	112,891	1,029

Note 13: Treatment of electricity price CFD entered with Mercury NZ Limited

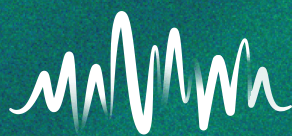
The electricity price CFD entered with Mercury NZ Limited was transferred at a price of \$1 per the mass market retail business sale and purchase agreement (see note 2 for details). When valued against the wholesale electricity price curve, this derivative had a value on day 1 of negative \$521,777,000. 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 1 fair value has been recorded. During the period \$68,307,000 of the deferred day 1 value has been recognised through wholesale electricity revenue as the CFD has settled in cash throughout the period. These CFD cash settlements have reduced the impact of changes in wholesale electricity prices on Manawa's revenue.

A fair value gain of \$7162,000, over the period from 1 May 2022 to 30 September 2022, has been taken to the cash flow hedge reserve.

Note 14: Related party transactions

Deion Campbell is a director of Manawa. Manawa purchased ANZ Renewables Limited from its former shareholders, including Mr Campbell, for \$1. ANZ Renewables Limited is involved in the development of a number of renewable energy projects in New Zealand. Subsequent to acquisition further payments may be made to the former shareholders of ANZ Renewables Limited if the projects meet certain milestones. Subsequent to balance date one additional payment of \$780,000 has been made to the former shareholders. The maximum potential payment to the former shareholders is \$1,270,000.

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