MANAWA ENERGY INSURANCE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2024

MANAWA ENERGY INSURANCE LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FINANCIAL STATEMENTS 2024

The Directors are pleased to present the financial statements of Manawa Energy Insurance Limited for the year ended 31 March 2024.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and its financial performance for the year ended on that date.

The Directors consider that the financial statements of the Company have been prepared using appropriate accounting policies, consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting 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 Company and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

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

The shareholders of the Company have exercised their right under section 211 (3) of the Companies Act 1993 ("the Act") and unanimously agreed that this Annual Report need not comply with any of paragraphs (a), and (e) to (l) of section 211 (1) of the Act.

Signed by:
Phillippa Harford
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Phillippa Harford
Director

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Phil Wiltshire
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Phillip Wiltshire
Director

Dated: 29 July 2024

Company No.	1981114
Incorporated	12 September 2007

MANAWA ENERGY INSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 $000	2023 Restated $000
Insurance revenue		**5,432**	4,100
Insurance service expenses	4	**(3,419)**	(1,691)
Net expense from reinsurance contracts		**(1,066)**	(4,150)
Insurance Service Result		**947**	(1,741)
Interest received	5	**339**	172
Investment return		**339**	172
Net financial result		**1,286**	(1,569)
Other operating expenses	6	**(51)**	(31)
Profit/(Loss) Before Income Tax		**1,235**	(1,600)
Income tax (expense)/benefit	7	**(346)**	448
Profit/(Loss) After Tax Attributable to the Shareholders of the Company		**889**	(1,152)
Other comprehensive income		**-**	-
Total Comprehensive Income/(Loss)		**889**	(1,152)

MANAWA ENERGY INSURANCE LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Note	Share Capital $000	Retained Earnings $000	Total Equity $000
Opening balance as at 31 March 2022		1,000	1,923	2,923
Total comprehensive income for the year		-	(1,152)	(1,152)
Balances as at 31 March 2023 (Restated)		1,000	771	1,771
Share issue	8	9,700	-	9,700
Total comprehensive income for the year		-	889	889
Closing balance as at 31 March 2024		**10,700**	**1,660**	**12,360**

The accompanying notes form part of these financial statements
The comparative information is restated due to changes in material accounting policies. Refer to Note 2.1.

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MANAWA ENERGY INSURANCE LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024

	Note	2024 $000	2023 Restated $000
Equity			
Capital and reserves attributable to shareholders of the Company			
Share capital	8	**10,700**	1,000
Retained earnings	9	**1,660**	771
Total Equity		**12,360**	1,771
Represented by:			
Current Assets			
Cash and cash equivalents	10	**157**	972
Reinsurance contract assets	11	**4,796**	2,964
Advance to Manawa Energy Limited	17	**15,926**	4,350
		20,879	8,286
Total Assets		**20,879**	8,286
Current Liabilities			
Insurance contract liabilities	11	**7,608**	6,441
Trade and other payables	13	**911**	74
		8,519	6,515
Total Liabilities		**8,519**	6,515
Net Assets		**12,360**	1,771

The accompanying notes form part of these financial statements
The comparative information is restated due to changes in material accounting policies. Refer to Note 2.1.

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MANAWA ENERGY INSURANCE LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 $000	2023 Restated $000
Cash Flows from Operating Activities			
Cash was provided from:			
Premiums received		**6,821**	5,321
Reinsurance received		**1,908**	-
Net GST refunded		**53**	-
		8,782	5,321
Cash was applied to:			
Outwards reinsurance premium expense paid		**4,912**	4,397
Insurance contract payments		**2,558**	-
Other operating payments	7	**127**	41
		7,597	4,438
Net Cash from Operating Activities	14	**1,185**	883
Net Cash from Investing Activities		**-**	-
Cash Flows used in Financing Activities			
Cash was applied to:			
Advance to Manawa Energy Limited		**(2,000)**	-
Cash used in Financing Activities		**(2,000)**	-
Net Cash used in Financing Activities		**(2,000)**	-
Net (Decrease)/Increase in Cash and cash equivalents		**(815)**	883
Cash and cash equivalents at beginning of the year		**972**	89
Cash and cash equivalents at End of the Year		**157**	972

The accompanying notes form part of these financial statements
The comparative information is restated due to changes in material accounting policies. Refer to Note 2.1.

NOTE 1: GENERAL INFORMATION

Reporting Entity
The principal activity of Manawa Energy Insurance Limited (the Company) is the underwriting of insurance risk associated with material damage and business interruption of its parent company, Manawa Energy Limited, and its subsidiaries. All significant operations take place within New Zealand.

The Company is a limited liability company incorporated on 12 September 2007 and domiciled in New Zealand. The address of its registered office is 93 Cameron Road, Tauranga.

These financial statements relate to the year ended 31 March 2024 and have been approved for issue by the Board of Directors on 29 July 2024

NOTE 2: STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies set out below have been applied in the preparation of these financial statements for the year ended 31 March 2024 including the comparative period. This is the first set of the Company's annual financial statements in which NZ IFRS 17 *Insurance Contracts* (NZ IFRS 17) has been applied. The related changes to material accounting policies are described in Note 2.5

2.1 Basis of Preparation
These audited financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZGAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), International Financial Reporting Standards and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

Statutory base
Manawa Energy Insurance Limited is registered under the Companies Act 1993. It is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 because it is a licensed insurer. The financial statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Companies Act 1993. The company is a tier 1 for profit entity.

Historical cost convention
These financial statements have been prepared under the historical cost convention, except for financial instruments, insurance contracts issued and reinsurance contracts held.

Functional and presentation currency
The functional and reporting currency used in the preparation of these financial statements is New Zealand dollars, rounded to the nearest thousand.

Restatement of comparative information
The Company has adopted new accounting policies in accordance with NZ IFRS 17 Insurance Contracts, effective from 1 April 2022. The adoption of this new standard has necessitated the restatement of prior period comparative information to align with the new accounting policy. These reclassifications have no impact on the overall financial performance or financial position for the comparative year.

2.2 Financial assets measured at amortised cost
Investments are designated by the Company as financial assets at amortised cost. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Assets at amortised cost
Amortised cost is used for financial assets that meet both of the following conditions:
a. Business Model Test: The financial asset is held within a Business Model whose objective is to hold financial assets in order to collect contractual cash flows.
b. Cash Flow Characteristics Test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
Assets are intially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial assets
Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Assets at amortised cost are carried at amortised cost using the effective interest method. Realised and unrealised gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income within fair value movements of financial instruments, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

2.3Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.4 Trade Payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.5 Adoption of NZ IFRS 17 Insurance Contracts
The Company transitioned to NZ IFRS 17 on 1 April 2022. The Company has applied NZ IFRS 17, including any consequential amendments to other standards, from 1 April 2022. These standards have brought changes to the accounting for insurance and reinsurance contracts.

The Company has reviewed the impact of NZ IFRS 17 on comparative amounts, and any restatement required, and considers there is no material impact on comparative amounts. The Company has applied the transitional provisions in NZ IFRS 17 and has not disclosed the impact of the adoption of NZ IFRS 17 on each financial statement line item.

Except for the changes below with regards to the application of NZ IFRS 17 to the comparative period, the Company has consistently applied the accounting policies as set out in these financial statements.

i. Recognition, measurement and presentation of insurance contracts
NZ IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts and an explicit risk adjustment for non-financial risk.

The Company applies the Premium Allocation Approach (PAA) to simplify the measurement of contracts, given both the insurance contract issued and the reinsurance contract held are for the coverage period of one year. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims (if any), the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes explicit risk adjustments for non-financial risk.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single item amount in the statement of comprehensive income. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

2.5.1 Insurance service result from insurance contracts issued
Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

Regular fees and premiums are normally charged annually in advance. The consideration received is recognised evenly in the statement of comprehensive income from the commencement date over the period of the contract.

Insurance service expense
Insurance services expenses arising from insurance contracts are recognised in the statement of comprehensive income as they are incurred. They comprise the following:
a. incurred claims and other insurance services expenses;
b. amortisation of insurance acquisition cash flows;
c. losses on onerous contracts and reversals of such losses; and
d. adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.5.1 Insurance service result from insurance contracts issued (continued)
Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include claims handling, maintenance and administration costs.
Insurance acquisition cashflows have been amortised over the lifetime of the insurance contract (one year). Other expenses not meeting the above categories are included in other operating expenses in the statement of comprehensive income.

2.5.2 Insurance service results from reinsurance contracts held
Net expenses from reinsurance contracts held:
Net expenses from reinsurance contracts comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.
The Company presents financial performance of reinsurance contracts held on a net basis in the insurance service result
a. reinsurance expense; and
b. incurred claim recovery

Reinsurance expense are recognised similarly to insurance revenue. The amount of reinsurance expense recognised in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Company expects for those services.

For reinsurance contracts held measured under the PAA, the Company recognises reinsurance expenses based on the passage of time over the coverage period of the contract.

2.5.3 Insurance contracts issued and reinsurance contracts held
Definition and classification
Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Company uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

All references to insurance contracts in these financial statements apply to insurance contracts issued and reinsurance contracts held, unless specifically stated otherwise.

Unit of account
For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. At this level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

For Material Damage and Business Interruption contracts measured using the PAA, the Company assumes that no such contracts are onerous at initial recognition and the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping to reinsurance contracts held, the Company aggregates reinsurance contracts concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The Company does not have any contracts that require further separation or combination of insurance contracts.

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NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.5.3 Insurance contracts issued and reinsurance contracts held (continued)

Recognition and derecognition

Recognition

Groups of insurance contracts issued are initially recognised from the earliest of the following:
- The beginning of the coverage period;
- The date when the first payment from the policyholder is due or actually received, if there is no due date; and
- When the Company determines that a group of contracts becomes onerous.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis is recognised at the later of:
- The beginning of the coverage period of the group; or
- The initial recognition of any underlying insurance contract.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognised at the beginning of the coverage period of that group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the groups is not reassessed in subsequent periods.

Derecognition

An insurance contract is derecognised when it is:
- Extinguished (i.e. when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- The contract is modified and certain additional criteria are met.

When an insurance contract accounted for under the PAA is derecognised, adjustments to the fulfilment cash flows to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

a. If the contract is extinguished, any net difference between the derecognised part of the LRC of the original contract and any other cash flows arising from extinguishment;

b. If the contract is transferred to the third party, any net difference between the derecognised part of the LRC of the original contract and the premium charged by the third party;

c. If the original contract is modified resulting in its derecognition, any net difference between the derecognised part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Measurement

Fulfilment cash flows (FCF)

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Company expects to collect from premiums and pay out for claims, expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

a. Are based on a probability weighted mean of the full range of possible outcomes;

b. Are determined from the perspective of the Company, provided the estimates are consistent with observable market prices for market variables; and

c. Reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

Contract boundary

The Company uses the concept of contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Company has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

a. The Company has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b. Both of the following criteria are satisfied:

i. The Company has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessment risk of that portfolio; and

ii. The pricing premium related to coverage to the date when risk are reassessed does not reflect the risks related to periods beyond the reassessment date.

NOTE 2: STATEMENT OF ACCOUNTING POLICIES (continued)

2.5.3 Insurance contracts issued and reinsurance contracts held (continued)
In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered; other risks, such as lapses or expense risk, are not included.
Cash flows outside the insurance contracts boundary related to future insurance contracts are recognised when those contracts meet the recognition criteria.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Company that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or in which the company has a substantive right to receive services from the reinsurer.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held.

Changes in fulfillment cash flows
The FCF are updated by the Company for the current assumption at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.
The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:
a. Changes that relate to current or past service are recognised in profit or loss; and
b. Changes that relate to future service are recognised by adjusting the loss component within the LRC.
The Company does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Initial and subsequent measurement – Groups of contracts measured under the PAA
The Company uses the PAA for measuring contracts with a coverage period of one year or less. This approach is used for all general insurance contracts as each of these contracts has a coverage period of one year or less.

The excess of loss reinsurance contracts held provide coverage on the general insurance contracts for claims incurred during the accident year and are accounted for under the PAA.

For insurance contracts issued, on initial recognition, the Company measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held, on initial recognition, the Company measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:
a. The Liability for Remaining Coverage; and
b. The Liability for Incurred Claims, comprising the FCF relating to past service allocated to the group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:
a. The remaining coverage; and
b. The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date

For Insurance contracts issued, at each of the subsequent reporting dates, the LRC is:
a. increased for premium received in the period;
b. decreased for insurance cash flows paid in the period;
c. decreased for the amounts of expected premiums received recognised as insurance revenue for the services provided in the period; and
d. increased for the amortization of insurance acquisition cash flows in the period recognised as Insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:
a. increased for ceding premiums paid in the period; and
b. decreased for the amounts of ceding premiums recognised as reinsurance expenses for the services received in the period.

The Company does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less. The outstanding Esk claim is expected to be resolved within 12 months of balance date, therefore, the claim liability has not been discounted.

NOTE 3: MANAGEMENT OF INSURANCE AND FINANCIAL RISK

3.1.1 Property Insurance Contracts
(a) Frequency and severity of claims
For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, river flooding, hurricanes and typhoons) and their consequences (for example, subsidence claims).

The Company has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from seismic, storm or flood damage.

NOTE 3: MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

3.1.1 Property Insurance Contracts (continued)
The Company has reinsurance cover for such damage to limit losses to $2,500,000 per claim. The limit per claim prior to 15 November 2022 was $1,000,000 and the limit per claim prior to 15 November 2021 was $500,000 which was in place when the Coleridge claim occurred. There is no limit to the number of claims that may be made in an annual financial period. The loss for damage caused by seismic, volcanic or hydrothermal activity is limited to $2,500,000 each for the first two events in an annual financial period to a maximum exposure of $5,000,000.

Heavy rain caused damage to Manawa Energy Limited's Coleridge generation schemes in Canterbury in July 2021. The cost to repair is $1,558,000 which has been fully paid to Manawa Energy as at balance date, with $298,000 still to be received from reinsurers. As such, no insurance claim has been accrued, and a reinsurance recovery of $298,000 is carried at 31 March 2024.

A cyclone caused damage to Manawa Energy Limited's Esk generation schemes in Januay 2023. The cost to repair has been estimated at $4,968,000, a progress payment of $1,000,000 has been made and the balance will be settled after balance date, as such a $3,968,000 insurance claim liability has been recognised and a reinsurance recovery of $1,518,000 is carried at 31 March 2024.

Property insurance contracts are subdivided into four risk groups: fire, business interruption, material damage and theft. The insurance risk arising from these contracts is currently confined to the operations of the parent entity and subsidiaries in New Zealand only.

(b) Sources of uncertainty in the estimation of future claim payments
Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analysed separately. Non-subsidence claims can be estimated with greater reliability and the estimation processes to be used by the Company reflect all the factors that influence the amount and timing of cash flows from these contracts.

3.2 Financial Risk
The Company is exposed to a range of financial risks through its financial assets, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk and credit risk.

3.3 Credit Risk
The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. These risks are managed in accordance with the guidelines of the Treasury Policy applying to the Manawa Energy Limited group of companies.

At 31 March 2024, the maximum exposure to credit risk from reinsurance contracts is $1,816,000, there is no credit risk in respect of insurance contracts. There is also a credit risk relating to the intercompany loan of $15,926,000 with Manawa Energy Limited, the risk is considered low as the parent company has adequate liquidity levels.

3.4 Liquidity Risk
Liquidity risk is the risk that the Company will be unable to meet its obligations when they fall due as a result of IFRS 7(33),(39)(c) policyholder benefit payments, cash requirements from contractual commitments or other cash outflows. Such outflows would deplete available cash resources for insurance and investment activities. In extreme circumstances, lack of liquidity could result in reductions on the balance sheet or potentially an inability to fulfil policyholder commitments. The Company’s liquidity management process, as carried out within the Company and monitored by the Company, is managed by monitoring future cash flows to ensure that requirements can be met, and monitoring the liquidity ratios of the consolidated balance sheet against internal and regulatory requirements. In general, sufficient cash is generated from operating activities and in the event that a shortfall arises, the Company may draw on funds from related parties.

MANAWA ENERGY INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

NOTE 4: INSURANCE SERVICE EXPENSES

	2024 $000	2023 $000
Incurred claims	**3,313**	1,589
Other insurance service expenses	**106**	102
Total insurance service expenses	**3,419**	1,691

NOTE 5: INVESTMENT INCOME

	2024 $000	2023 $000
Interest received from Manawa Energy Limited	**339**	172
Total interest received	**339**	172

NOTE 6: OTHER OPERATING EXPENSES

	2024 $000	2023 $000
Audit fees and expenses	**29**	15
Fees paid for other audit related services provided by the auditors*	**14**	13
Other administration costs	**8**	3
	51	31

* Other audit related services provided by the auditors relates to a reasonable assurance engagement of the annual Solvency Return.

NOTE 7: INCOME TAX (EXPENSE)/BENEFIT

	2024 $000	2023 $000
Profit/(Loss) before income tax	**1,235**	(1,600)
Tax @ 28%	**346**	(448)
	346	(448)
Represented by:		
Current tax	**346**	(448)
	346	(448)

NOTE 8: SHARE CAPITAL

	2024 $000	2023 $000
Authorised and issued ordinary shares at beginning of year	**1,000**	1,000
Issue of share capital on 8 February 2024	**9,700**	-
Authorised and issued ordinary shares at end of year	**10,700**	1,000

	2024	2023
	No. of shares	
Authorised and issued ordinary shares at end of year	**10,700,000**	1,000,000
	10,700,000	1,000,000

All shares rank equally with one vote attached to each share, have no par value and are fully paid.

NOTE 9: RETAINED EARNINGS

	2024 $000	2023 $000
Balance at beginning of year (restated)	**771**	1,923
Profit/(Loss) for the year	**889**	(1,152)
	1,660	771

NOTE 10: CASH AND CASH EQUIVALENTS

	2024 $000	2023 $000
Cash at bank	**157**	972
	157	972

NOTE 11: INSURANCE AND REINSURANCE CONTRACTS

	2024 $000			2023 $000		
Insurance contracts	**Liabilities for remaining coverage**	**Liabilities for incurred claims**	**Total**	**Liabilities for remaining coverage**	**Liabilities for incurred claims**	**Total**
Opening assets	-	-	-	-	-	-
Opening liabilities	(3,142)	(3,299)	(6,441)	(2,115)	(1,735)	(3,850)
Net opening balance	(3,142)	(3,299)	(6,441)	(2,115)	(1,735)	(3,850)
Changes in the statement of comprehensive income						
Insurance revenue						
Contracts	5,432	-	5,432	4,100	-	4,100
Insurance service expenses						
Incurred claims and other insurance service expenses	-	(3,313)	(3,313)	-	(1,589)	(1,589)
Amortisation of insurance acquisition cash flows	(106)	-	(106)	(102)	-	(102)
	(106)	(3,313)	(3,419)	(102)	(1,589)	(1,691)
Total changes in the statement of comprehensive income	5,326	(3,313)	2,013	3,998	(1,589)	2,409
Cash flows						
Premiums received	(5,931)	-	(5,931)	(5,132)	-	(5,132)
Claims and other insurance service expenses paid	-	2,644	2,644	-	25	25
Insurance acquisition cash flows	107	-	107	107	-	107
Total cash flows	(5,824)	2,644	(3,180)	(5,025)	25	(5,000)
Net closing balance	(3,640)	(3,968)	(7,608)	(3,142)	(3,299)	(6,441)
Closing assets	-	-	-	-	-	-
Closing liabilities	(3,640)	(3,968)	(7,608)	(3,142)	(3,299)	(6,441)

	2024 $000			2023 $000		
Reinsurance contracts	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**	**Assets for remaining coverage**	**Assets for incurred claims**	**Total**
Opening assets	2,564	400	2,964	1,727	1,285	3,012
Opening liabilities	-	-	-	-	-	-
Net opening balance	2,564	400	2,964	1,727	1,285	3,012
Changes in the statement of comprehensive income						
Allocation of reinsurance premiums paid	(4,353)	-	(4,353)	(3,416)	-	(3,416)
Amortisation of insurance acquisition cash flows	-		-	151		151
	(4,353)	-	(4,353)	(3,265)	-	(3,265)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	-	3,287	3,287	-	(885)	(885)
Net expenses from reinsurance contracts	(4,353)	3,287	(1,066)	(3,265)	(885)	(4,150)
Total changes in the statement of comprehensive income	(4,353)	3,287	(1,066)	(3,265)	(885)	(4,150)
Cash flows						
Premiums paid	4,989	-	4,989	4,102	-	4,102
Amounts received	(220)	(1,871)	(2,091)	-	-	-
Total cash flows	4,769	(1,871)	2,898	4,102	-	4,102
Net closing balance	2,980	1,816	4,796	2,564	400	2,964
Closing assets	2,980	1,816	4,796	2,564	400	2,964
Closing liabilities	-	-	-	-	-	-

Insurance contract liabilities are discounted as required under IFRS 17 unless payment is expected within 12 months.

Except as disclosed above, there have been no claims notified to the Company in the period under review. The Company is not aware of any events that have been incurred but not reported.

Prepaid reinsurance is the amount of those premiums paid in advance to reinsurers as at balance date.
Reinsurance premiums have been paid by the Company until 15 November 2024.

Sensitivity analysis
Claims are infrequent and therefore set by ultimate case estimates. It is possible at reporting date that estimates could have varied as shown in the table below:

Impact on profit or loss/equity ($'000)

	Movement in assumption	March 2024	March 2023
Gross case estimate	10%	497	330
	-10%	-452	-300
Reinsurance	10%	497	250
	-10%	-452	0
Net	10%	0	-80
	-10%	0	300

No changes in assumptions have been made since last year.

NOTE 12: FINANCIAL INSTRUMENTS BY CATEGORY

	Other financial assets at amortised cost	
	2024	2023
Assets per the statement of financial position	**$000**	$000
Cash and cash equivalents	**157**	972
Advance to Manawa Energy	**15,926**	4,350
	16,083	5,322

	Other financial liabilities at amortised cost	
	2024	2023
Liabilities per the statement of financial position	**$000**	$000
Trade and other payables	**912**	74
	912	74

All liabilities are expected to mature in less than one year from balance date.

NOTE 13: TRADE AND OTHER PAYABLES

	2024	2023
	$000	$000
Trade payables and accrued expenses	**911**	74
	911	74

All trade payables and accrued expenses are current liabilities.

NOTE 14: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS

	2024	2023 Restated
	$000	$000
Profit/(Loss) after tax attributable to the shareholders of the Company	**889**	(1,152)
Items classified as investing/ financing		
Interest received	**(339)**	(172)
	(339)	(172)
Non-cash items		
Advance to Manawa Energy Limited	**354**	(448)
	354	(448)
(Increase)/Decrease in working capital		
Current assets	**(1,743)**	7
Current liabilities	**2,024**	2,648
	281	2,655
Net Cash from Operating Activities	**1,185**	883

NOTE 15: SOLVENCY REQUIREMENTS

Solvency requirements were introduced under the Insurance (Prudential Supervision) Act 2010 enacted on 7 September 2010. The methodology and bases for determining the Solvency Margin are in accordance with the Solvency Standard for Captive Insurers Transacting Non-life Insurance Business published and the Interim Solvency Standard (2023) published by the Reserve Bank of New Zealand.

	2024 **$000**	2023 $000
Actual solvency capital	**12,360**	**1,771**
Prescribed capital requirement	**4,765**	**1,285**
Solvency capital margin excess	**7,595**	**486**
Solvency Ratio	**259%**	**138%**

The comparative figures provided are calculated based on the solvency standard in force as at 31 March 2023.

NOTE 16: CONTINGENT LIABILITIES, LEASE COMMITMENTS, AND SUBSEQUENT EVENTS

The Company is not aware of any other material contingent liabilities as at balance date (2023: nil).

The Company is not party to any material lease commitments at balance date (2023: None).

The Company is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

NOTE 17: RELATED PARTY TRANSACTIONS

The Company is ultimately owned by Manawa Energy Limited which is controlled by Infratil Limited (incorporated in New Zealand) which owns 51.0% of Manawa Energy Limited's voting shares. Of the remaining Manawa Energy Limited shares, TECT Holdings Limited owns 26.8% and the residual 22.2% are widely held.

During the year insurance premiums of $5,432,000 (2022: $4,101,000) were received from the parent entity and subsidiaries of the parent entity. These premiums relate to the period 15 November 2023 to 15 November 2024.

The impact of transactions with the parent entity and subsidiaries of the parent entity on the profit of the Company is detailed below.

	2024 **$000**	2023 $000
Insurance premium revenue earned	**5,432**	4,100

The Company invests surplus funds in the parent entity with an interest rate charged on the funds of OCR + 2%, compounded 6 monthly. The terms of the funding arrangement is payable on demand.

The impact of this investment in the parent company is shown below.

	2024 **$000**	2023 $000
Advance to Manawa Energy Limited	**15,926**	**4,350**
Interest on advance	**339**	**172**

During the 2022 financial year a claim arose regarding a weather event at the Coleridge scheme which was fully paid in the 2024 financial year.

During the 2023 financial year a weather event at the Esk scheme has occurred resulting in a claim payable of $4,968,000 to Manawa Energy. During the year an advance was paid for $1,000,000 with a provision for $3,968,000 remaining. These claims are detailed in note 11.

Except as noted above, no transactions took place with related parties during the year. All transactions with related parties take place on an arms length basis. No related party debts were forgiven or written off during the year.

NOTE 18: CREDIT RATING

As the Company is a captive insurer, the sections of the Insurance (Prudential Supervision) Act 2010 requiring a credit rating do not apply.

KPMG

Independent Auditor's Report

To the Shareholder of Manawa Energy Insurance Limited

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Manawa Energy Insurance Limited (the 'Company') on pages 3 to 15 present fairly, in all material respects, the Company's financial position as at 31 March 2024 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 issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2024;
- the statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including material accounting policy information.

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 Company 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 financial statements* section of our report.

Our firm has also provided other services to the Company in relation to a reasonable assurance engagement over the Company's Annual Solvency Return as at 31 March 2024. Subject to certain restrictions, partners and employees of our firm may also deal with the Company on normal terms within the ordinary course of trading activities of the business of the Company. These matters have not impaired our independence as auditor of the Company. The firm has no other relationship with, or interest in, the Company.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the Company's major activities in the financial year ended 31 March 2024. During the year ended 31 March 2024 there was no significant change to the Company's operations, the most significant change from a financial reporting perspective was the transition to NZ IFRS 17 *Insurance Contracts.*

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $122,000 determined with reference to a benchmark of Company Net Assets. We chose the benchmark because, in our view, this is a key measure of the Company's financial strength.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholder 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 financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Transition to NZ IFRS 17 *Insurance contracts*	
Refer to Note 2.5 to the financial statements. The Company transitioned to NZ IFRS 17 on 1 April 2022. The Company has applied NZ IFRS 17, including any consequential amendments to other standards, from 1 April 2022. These standards have brought changes to the accounting for insurance and reinsurance contracts. The transition to NZ IFRS 17 required changes to the measurement of insurance and reinsurance transactions and balances, introduced new areas of judgement and estimation, as well as changing the presentation of the primary financial statements and introducing more granular disclosures. The application of NZ IFRS 17 to the Company's insurance and reinsurance contracts requires significant management judgement including the determination of new accounting policies and determining the appropriate valuation methodology and assumptions. The Company's financial statements for the year ended 31 March 2024 are the first set prepared under the new standard.	Our audit procedures included: • We obtained management's NZ IFRS 17 technical paper and evaluated the appropriateness of management's conclusions. • We assessed whether the judgements applied by management in determining their accounting policies were in accordance with NZ IFRS 17 and reviewed the new accounting policies, choices and assumptions against the requirements of the standard. • We evaluated the appropriateness of the Company's use of the Premium Allocation Approach for its insurance and reinsurance contracts. • We evaluated the methodology applied to identify facts and circumstances that might indicate whether there are any onerous contracts at initial recognition, and the methodology and assumptions applied to test contracts for onerousness. • We assessed the reasonableness of the methodology in determining the amount of the insurance contract liabilities (liability for incurred claims plus liability for remaining coverage). • We assessed the reasonableness of the new and restated disclosures in the financial statements against the requirements of NZ IFRS 17. *Our procedures did not identify any material issues.*

The key audit matter	How the matter was addressed in our audit
Valuation of insurance contract liabilities and associated reinsurance contract assets	
Refer to Note 11 to the financial statements. Insurance contract liabilities consist of the liability for incurred claims (LIC) and the liability for remaining coverage (LRC). Reinsurance contract assets consist of the asset for incurred claims (AIC) and asset for remaining coverage (ARC). We consider the valuation of the LIC and AIC as a key audit matter. These are key audit matters because judgement is exercised in determining the quantum of the LIC and the AIC, they are material in nature, and there is uncertainty over both the amount which will ultimately be received and paid and the timing thereof.	Our audit procedures included: • Obtaining an understanding of the Company's assessment of the LIC and the associated AIC through discussions with key management personnel, inspecting the Company's analysis and supporting documents including underlying contracts; • Involving our actuarial specialists, to assist the audit team in assessing the valuation of the LIC and AIC, including challenging key judgements and assumptions made by management and the Company's Appointed Actuary in deriving these estimates; • Recalculating the Company's estimate of the AIC based on management's estimate of the LIC; • Assessing the recoverability of the AIC by reference to the reinsurer financial strength credit ratings; and • Evaluating the financial statement disclosures. *Our procedures did not identify any material issues.*

Other information

The Directors, on behalf of the Company, are responsible for the other information included in the Company's Annual Report. Other information includes the Directors' Responsibility Statement. Our opinion on the 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 financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholder as a body. Our audit work has been undertaken so that we might state to the Shareholder 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 Shareholder 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 financial statements

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

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a 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 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 financial statements.

A further description of our responsibilities for the audit of these 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-2/

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

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

For and on behalf of

KPMG

KPMG
Auckland

30 July 2024

Davies Financial and Actuarial Limited

30th July 2024

To: The Directors
Manawa Energy Insurance Limited

From: Peter Davies
Appointed Actuary

Re: Manawa Energy Insurance Limited ("the Company"): Report as at 31st March 2024 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for the Company as at 31st March 2024. "Actuarial information" includes the following:

   - claim provisions and unexpired risk / unearned premium provisions;
   - balance sheet and other information allowed for in the calculation of the company's solvency position; and
   - disclosures regarding the methodology and assumptions used for calculating claim provisions, unexpired risk provisions, and other disclosures.

2. No limitations have been placed on my work.

3. I am independent with respect to the Company as defined under professional standard ISA (NZ) 620 of the External Reporting Board.

4. I have been provided with all information that I have requested in order to carry out this review.

5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.

6. The Company's position as at 31st March 2024 under the RBNZ Interim Solvency Standard (2023) can be summarised as follows:

	Mar 2024	March 2023
Solvency capital	12,359,985	1,771,000
Calculated minimum requirement:	4,765,061	1,297,530
Minimum requirement per Standard:	4,765,061	1,297,530
Solvency Margin:	7,594,924	473,470
Solvency Coverage Ratio:	259%	136%

The Company is projected to meet the requirements of this Standard at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely

Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary

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