Statement of Corporate Intent

For the Year Ending 31 March 2018

Version: Publish

This document is the governing agreement between Top Energy Limited (the Group) and the Top Energy Consumer Trust (the Shareholder). Responsibility for compliance with the content, and the achievement of the Objectives and Performance targets in respect of the financial and service levels set out in this Statement, rests with the Directors of Top Energy Limited.

TOP ENERGY LIMITED

STATEMENT OF CORPORATE INTENT

A. OBJECTIVES

To operate a successful, multi-faceted business to maximise the long term value of the Group for its Shareholders by having due regard to each of the following:

A1	• providing a safe environment for staff, contractors and the public and promoting a health and safety culture, while developing and utilising staff skills and the Group's intellectual property. • operating in accordance with the principles of environmentally sustainable management.

A2	• achieving target network service quality standards, acceptable to the community and deliverable from future maintainable earnings of the Network business. • maximising the development and long term benefits of the Ngawha geothermal resource. • achieving the Financial Performance targets set out in Section G . • adopting appropriate risk management policies to ensure preservation of capital • investing in business activities which: - reflect the Group's capabilities and competencies such as owning and managing infrastructural assets, related contracting services, service industry based activities, power generation and local distributed generation, - enhance the security of power supply in the Far North District, - support initiatives to achieve economic development in the Far North District by the provision of quality infrastructure. • making distributions to the Shareholder in line with the Distribution Policy set out in Section J.

A3	• acting responsibly and co-operatively in the community and adopting a responsible approach to social and cultural issues. • having consideration of and promoting awareness of energy efficiencies.

B. NATURE AND SCOPE OF ACTIVITIES

The Group operates and maintains the electricity supply network within its area of geographical operation and provides related construction and maintenance services. Through its subsidiaries, the Group also operates as an electricity generator, owns a dairy farm which is managed by a 50:50 share milking arrangement and is a landowner. Other activities may be considered if they meet the Objectives of the Statement of Corporate Intent.

C. ASSET MANAGEMENT PLAN

The Asset Management Plan is the defining document for the Group's Network business and sets out 10 year capital and maintenance expenditure levels estimated to be required to ensure the Network is managed in a sustainable way. The plan also includes the Group's Network performance targets, areas of Network business focus and development and the Group's approach to risk management and contingency planning.

The Asset Management Plan is a public document prepared in compliance with Requirement 2.4 of the Electricity Distribution Information Disclosure Determination 2012. The current plan covering the period from 1 April 2017 to 31 March 2027 was adopted and released on 28 March 2017.

D HEALTH & SAFETY

Health and Safety continues to be our number one priority throughout the Group, ensuring a safe working environment is provided and promoting a health and safety culture as envisaged by the Health and Safety at Work Act 2015.

The key measures adopted by the Group, using generally accepted industry standards include:

- Lost Time Injury (LTI)
    - An injury which results in at least one full work day being lost after the day on which the injury occurred. The time off as a result of an injury does not necessarily have to occur immediately after the incident, the injured employee may experience complications that lead to the loss of a full shift at some time after the initial injury was sustained.
- Medical Treatment Injury (MTI)
    - Injuries that do not result in lost work days but require medical treatment (including restricted work).
- Average Lost time Rate (ALTR) (severity)
    - The average number of days lost per LTI, indicating the severity of the injury

There has been a significant drive in encouraging the reporting of injuries over the past few years along with specific focus on the culture of staff towards safety. This focus on reporting of injuries will continue.

After several years running the Orange Umbrella safety programme creating an improvement in the safety culture, a new safety initiative is being planned for FY18 which will assist in maintaining the focus on safety.

	Actual for Y/E 31 March 2017	Target for Y/E 31 March 2018	Target for Y/E 31 March 2019	Target for Y/E 31 March 2020
Lost Time Injury (LTI)	3	2	2	2
Medical Treatment Injury (MTI)	2	4	4	4
Average Lost time Rate (ALTR)	7	8	8	8

NOTES:

(i) The targets are set after reviewing the EEA Safety Performance Indicators Report for the Electricity Supply Industry. In all cases, targets are either at or below industry benchmarks.

E. ACCOUNTING POLICIES

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 2013. From the period commencing 1 April 2007 the financial statements have been prepared in accordance with New Zealand equivalents of the International Financial Reporting Standards (NZ IFRS)

The Accounting Policies to be applied in respect of the year commencing 1 April 2017 are attached as APPENDIX 1.

F. RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS

The ratio of consolidated Shareholder's Funds to Total Assets will not be greater than 1:3.0, and is projected to be:

	Actual for Y/E 31 March 2017	**Budget for Y/E 31 March 2018**	**Target for Y/E 31 March 2019**	**Target for Y/E 31 March 2020**
Shareholder's Funds to Total Assets	1:2.33	1:2.24	1:2.14	1:2.03

Shareholder's Funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves, excluding any minority interests, excluding any effect of the revaluation of derivatives. Total Assets of the Group comprise all the tangible and intangible assets of the Group at their current book values as defined in the Group's Statement of Accounting Policies, excluding the effect of any asset revaluations.

The improvement in this ratio is reflective of the Group retaining funds to invest in the future growth opportunity of expanding Ngawha Generation from the existing 25MW to the recently consented 75MW.

This ratio is relevant with the present ownership, but any change in the future may lead to this being reviewed.

G. FINANCIAL PERFORMANCE TARGETS

It has been agreed between the Company and the Trust that the Company will provide various administrative services for the Trust, at no cost to the Trust. These services will include, but will not be limited to, provision of routine secretarial services, administration of the distribution of any dividend paid to the Trust and administration of the periodic Ownership Review.

The following financial performance targets have been set;

Targets	Actual for Y/E 31 March 2017	Budget for Y/E 31 March 2018	Target for Y/E 31 March 2019	Target for Y/E 31 March 2020
Network Business				
Earnings before Interest and Tax as a percentage of Total Tangible Assets	7.5%	6.3%	8.0%	9.0%
Net Profit After Tax, as a Percentage of Average Shareholder Funds	8.4%	6.1%	8.5%	9.5%
Return on Investment	7.0%	6.1%	7.2%	7.8%
Non-Network Business				
Earnings Before Interest and Tax as a percentage of Total Tangible Assets	6.3%	7.4%	7.5%	7.6%
Net Profit After Tax, as a percentage of Average Shareholder Funds	4.9%	8.4%	8.3%	8.1%
Group				
Net Profit After Tax, as a percentage of Average Shareholder Funds	7.4%	7.0%	8.1%	8.3%
Return on Investment	6.2%	5.8%	6.6%	7.1%

NOTES:

(i) Revenue of the Network business is controlled under the Commerce Act.

(ii) The Group's ability to achieve the profit performance targets agreed above could be materially affected by changes in Government Policies, Legislation and Regulations.

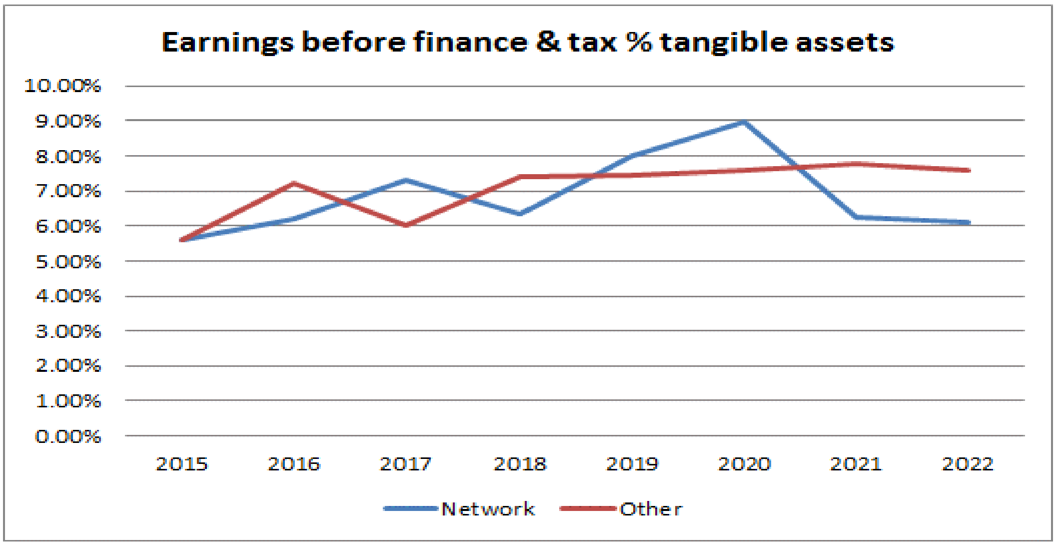
(iii) The above performance targets are before any unrealised gains or losses from derivatives are taken to account and exclude the effect of any asset revaluations.

(iv) Return on Investment is defined as Net Profit after tax, plus interest and Discounts, less tax shield, over total assets. The Weighted Average Cost of Capital (WACC) for the Group is 6.9% and for the Network alone is 6.2%. The methods used to calculate these figures are based on generally adopted methodologies rather than any specific method set out in the network price control and information disclosure regimes.

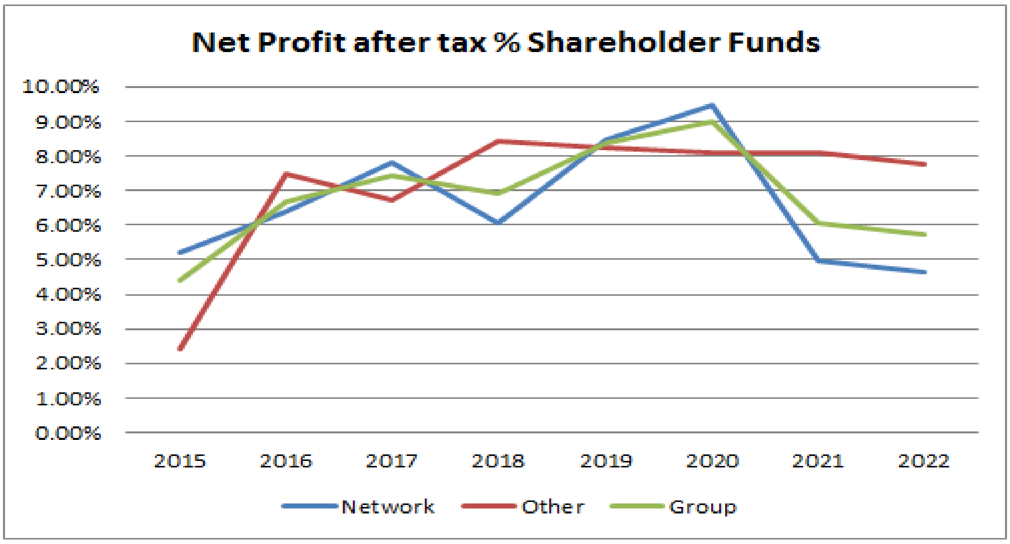
H FINANCIAL OUTLOOK

The Group prepares a long term financial outlook after considering the objectives identified in section A. Adding long term value to the Group identifies the success the Group has achieved. The returns that are presented in section G are below the Groups weighted average cost of capital (WACC). A key factor in setting these levels of returns is considering the objectives set out in A3, ensuring that the company adopts a responsible approach to social issues. This is primarily relevant in the setting of Network line charges, as while these prices are controlled by the Commerce Commission; consumer affordability is a key consideration as to whether all price increases are passed through.

The financial returns for the prior 2 years, and the next 5 years, expanding on the performance targets contained in section G are shown below.



Network returns show a continual improvement as revenue is aligned with the Commerce Commissions price path for the 2016 – 2020 period. During this period, allowable revenue increases by CPI + 7% each year which is required to fund the Network investment programme. From 2021, it is anticipated that the price path will reduce due to the removal of the historical revenue clawback. Other Non-Network Business performance improves, subject to future wholesale electricity prices and remains fairly steady across the period, the returns reflective of a non-regulatory business.



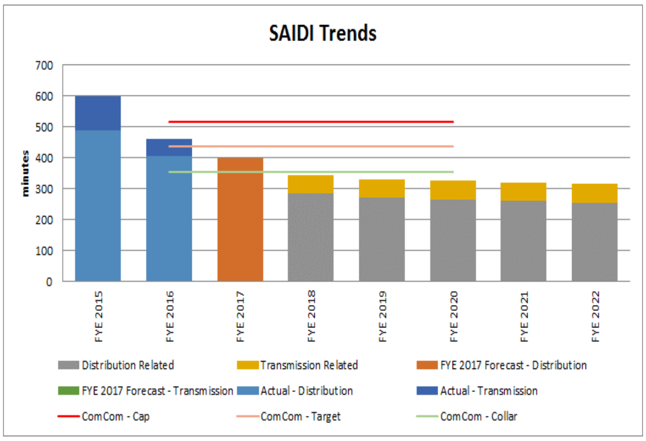
I. NETWORK QUALITY STANDARDS

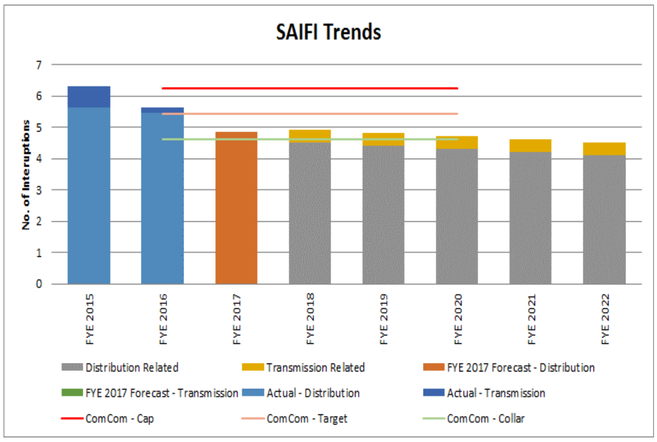
The Group has set the following service quality performance target.

The guiding principles are:

1. Network service quality standards should continue to improve over time, and
2. The Network SAIDI performance standard should achieve the mean of the rural network peer group which, at the date of this document, is forecast to be 315 SAIDI minutes by 2022.

The historical and future trends for SAIDI and SAIFI are shown in the below graphs;





The quality standards have been calculated in line with the requirements of the Electricity Distribution Services Default Price-Quality Path Determination 2015 which came into effect on 1 April 2015.

	Actual for Y/E 31 March 2017	**Budget for Y/E 31 March 2018**	**Target for Y/E 31 March 2019**	**Target for Y/E 31 March 2020**
SAIFI System Average Interruption Frequency Index. (Refer Notes (i) to (vi)).	4.8	4.9	4.8	4.7
Commerce Commission Measures (Refer Note (v)				
Target	*5.4*	*5.4*	*5.4*	*5.4*
Collar	*4.6*	*4.6*	*4.6*	*4.6*
Cap	*6.2*	*6.2*	*6.2*	*6.2*
SAIDI System Average Interruption Duration Index. (Refer Note (ii) to (iv)).	401 minutes	345 minutes	330 minutes	325 minutes
Commerce Commission Measures (Refer Note (v)				
Target	*435*	*435*	*435*	*435*
Collar	*354*	*354*	*354*	*354*
Cap	*516*	*516*	*516*	*516*

NOTES:

(i) SAIFI – the average number of outages (including planned) per year for any customer.

(ii) SAIDI – the average number of high voltage outage (including planned) minutes per customer.

(iii) Items are measured using the methodology requirements of the Commerce Commission.

(iv) These performance levels do not include any faults arising on the Transpower system. They will therefore not agree with the performance statistics published in the New Zealand Gazette. The Company has limited control over Transpower outages although the impact of these outages is included in the published performance statistics.

(v) These measures are set by the Commerce Commission at the commencement of the regulatory period, being 1 April 2015 to 31 March 2020. A quality incentive is receivable between the target and collar, and a quality disincentive is payable between the target and cap. If the cap is exceeded, a breach has occurred and could result in an investigation by the Commerce Commission.

J. DISTRIBUTION POLICY

Subject to compliance with the solvency requirements, the Company will declare an annual dividend to the Trust to cover the operational costs of the Trust for that period.

Any decision for the Company to pay an additional dividend, for distribution to beneficiaries, will be made by the directors and will reflect the trading performance and the financial position of the Group.

If a Dividend is declared, the calculation of any amount to be paid out (the Distribution Amount) will be based on free cash flows, being the amount of the Net Profit After Tax, plus depreciation and any other non-cash items, less capital expenditure.

All of the distribution amount derived from the Group's Network business activities will be distributed in any particular year, subject to any requirements the Group's Network business may have for working capital funds to implement the operational plan for the following year and to meet the capital requirements of the Asset Management Plan and the investment strategy.

Of the remaining business activities of the Group, up to 50% of the distribution amount may be paid to the Shareholder.

In the event of a dividend distribution, the Board of Directors will include within the report provided to the shareholder, a statement setting out the amount which this policy would produce as a distribution together with a recommendation as to the Distribution Amount and whether any particular distribution will be by way of dividend or some other means.
The Group presently has no separately identified capital reserves.

It is intended that distributions in relation to any particular financial year ended 31 March will be made as a single payment during the last two months of the same calendar year as the year end.

It is noted that, should the Group overcharge its customers, in total or any particular group or class of customers, it may return such overcharge by way of rebate or discount. Such a rebate or discount is not a distribution of profits, subject to the policy set out in Section J.

K. INFORMATION TO BE PROVIDED TO THE SHAREHOLDER

The Group will provide a Quarterly Shareholder Report which will outline the performance for the quarter against the Statement of Corporate Intent Key Performance Areas:

(i) Asset Management Plan

(ii) Health & Safety

(iii) Network Quality Standards

(iv) Financial Performance

The report will also include other areas of interest as relevant, including but not limited to, Investments, Environmental issues, Preservation of Capital, Staff Details (number and turnover) and Distributions.

The Group will provide information that meets the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992.

A half-year report will be delivered to the Group's shareholder within three months after the end of each half-year. The report will comprise:

(i) A report from the Chairman covering the Operations and achievement of SCI Objectives (including the metrics in section F,G and H) for the half year period, and

(ii) the information required to be included by the Group's Statement of Corporate Intent.

An Annual Report will be delivered to the Group's Shareholder within three months of the end of each financial year and will comprise:

(i) A report from the Chairman covering the Operations and achievement of SCI Objectives (including the metrics in section F,G and H) for the year, and

(ii) audited, Consolidated Financial Statements for the financial year in respect of the Group, and

(iii) an auditor's report on the Financial Statements.

The Group's audited Consolidated Financial Statements will comprise the following:

- A Report on the Performance Indicators contained within the Statement of Corporate Intent
- A Statement of Comprehensive Income
- A Statement of Financial Position
- A Statement of Changes in Equity
- A Cash Flow Statement
- Such other statements as may be necessary to fairly reflect the financial position of the Group.

Any event that is defined as a Major Transaction in the Company's Constitution must be approved by the Shareholder. In addition, the Company will bring to the attention of the Trustees, any transaction or decision that is deemed significant.

To assist in defining a significant event, where the value of the event is 10% or more of;

- the asset base of the Group, or
- the revenue derived by the Group, or
- any other event the Company deem the Trustees may have an interest in,

The Company will inform the Trustees of such an event in a timely manner.

A draft Statement of Corporate Intent will be delivered to the Group's Shareholder within one month of the end of each financial year.

L. REPORTABLE INTRA-GROUP TRANSACTIONS AND TRANSACTIONS WITH CERTAIN OTHER PARTIES

Transactions between related Companies within the Group and with certain other parties, that are anticipated to occur during the three year period to 31 March 2020, are set out in APPENDIX 2.

M. PROCEDURES FOR AN INVESTMENT OR ACQUISITION OF SHARES IN A COMPANY OR OTHER ORGANISATIONS

Where a Group company identifies a potential investment or business acquisition, appropriate due diligence work is to be undertaken and a report prepared for consideration by the Directors. Any decision to proceed with the proposed investment or acquisition requires approval by a majority of the Directors.

Investments or acquisitions will be made only when the interest acquired will add value to the Group within a period not exceeding 10 years.

Non-network investments or acquisitions should achieve a minimum post tax rate of return at least to maintain or improve the Groups earnings.

APPENDIX 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

Statutory base

Top Energy Limited is registered under the Companies Act 1993.

These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Energy Companies Act 1992.

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for entities that fall within the Tier 1 for-profit category.

Entities reporting

The consolidated financial statements for the 'Group' are for the economic entity comprising Top Energy Limited and all its subsidiary companies.

The Directors have taken advantage of the provisions of the Financial Reporting Act 2013 and the Financial Reporting (Amendments to Other Enactments) Act 2013 and have not provided separate financial statements for the Parent as part of the Group financial statements.

All Group companies are designated as profit-oriented entities as defined in External Reporting Board Standard A1: Application of the Accounting Standards Framework.

Historic cost convention

These financial statements have been prepared under the historic cost convention, as modified by the following:

- the revaluation of financial assets and liabilities (including derivative instruments) and investment properties, which are adjusted to fair value through profit or loss; and
- the revaluation of certain classes of property, plant and equipment and available-for-sale financial assets, which are adjusted to fair value through other comprehensive income.

Comparative figures

To ensure consistency with the current period, comparative figures have been restated where appropriate in accordance with NZ IFRS requirements. There have been no material restatements in these financial statements in respect of the year ended 31 March 2016.

Functional and presentation currency

Items included in the financial statements of each Group company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). These financial statements are presented in New Zealand dollars, which is the parent entity's functional and presentation currency.

All financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

(b) Accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in the relevant accounting policies or notes, as appropriate.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including future events, the expected outcomes of which, are believed to be reasonable under the circumstances.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Energy Limited (the 'Company' or 'parent entity') as at 31 March 2017 and the results of all subsidiaries for the year then ended. Top Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date when control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss component of the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation. If applicable, amounts reported by subsidiaries are adjusted to ensure consistency with the Group's accounting policies.

(d) Available for sale investments

Available-for-sale investments, comprising marketable equity securities, are initially recognised at fair value plus transaction costs. After initial recognition, available-for-sale investments are carried at fair value.

All of the Group's available for sale investments are traded in active markets and accordingly, fair value is determined by reference to Stock Exchange quoted bid prices.

Unrealised gains and losses arising from changes in fair value are recognised through other comprehensive income. When securities classified as available-for-sale are sold or impaired, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss component of the statement of comprehensive income.

Available-for-sale investments are classified as non current assets, unless they are expected to be realised within twelve months of the reporting date.

(e) Biological assets

The Group's biological assets comprise a quantity of trees, which are carried in the statement of financial position at fair value less costs to sell.

(f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are recognised in the profit or loss component of the statement of comprehensive Income, in the period in which they are incurred.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and bank overdrafts. These items are readily convertible with known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are included within the total of interest bearing liabilities, in current liabilities, in the statement of financial position.

(h) Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Cost includes all expenses directly related to specific contracts and an allocation of general overhead expenses incurred by the relevant Group company's contracting operations.

(i) Derivatives

Derivatives are recognised initially at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The resulting gain or loss is recognised in profit or loss, as the Group has decided not to apply hedge accounting.

(j) Dividend distributions

Dividend distributions to the Parent Company's shareholder are recognised as a liability in the Group's financial statements in the accounting period in which the distribution is declared by the Directors.

(k) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service gratuity

The liability for retirement gratuity payments due to eligible long-serving employees is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee departures. Expected future payments are discounted to present value using the rate on New Zealand government bonds.

(iii) Retirement benefit obligations

The Group makes contributions to defined contribution pension schemes on behalf of some employees. The Group’s legal or constructive obligation is limited to these contributions. Contributions are recognised as an expense when employees have rendered service entitling them to the contributions.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

(m) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss component of the statement of comprehensive income.

(n) Goods and Services Tax (GST)

The statement of comprehensive income and items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(o) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(p) Income tax

The tax expense or benefit for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in items of other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as applicable.

The income tax expense or benefit for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance, except where the movement in deferred tax is attributable to a movement in reserves.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not offset within the Group as there is currently no legally enforceable right to offset current tax assets against current tax liabilities.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's (or Company's) share of the net identifiable assets of the acquired business or entity at the date of acquisition. Goodwill on acquisitions of businesses and subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, it is tested for impairment annually, or more frequently if circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (typically, three years).

(iii) Emission Trading Scheme assets

Carbon emission units are recognised at their initial cost less any accumulated impairment losses. For the purpose of impairment testing, carbon emission units are allocated to the cash generating unit to which they relate.

The carrying value of the units are allocated between current and non-current intangible assets. The basis of allocation is that the carrying value of units that will be surrendered at 31 May immediately following the reporting date (i.e. those covered by the annual declaration to the previous 31 December) are treated as current assets. The carrying value of all other units is treated as a non-current intangible asset.

(iv) Easements

Easements are perpetual rights over land owned by others. The Group obtains easements in order to protect access to its network assets where these are sited on or pass over privately owned land.

Easements are deemed to have an indefinite useful life as the grants do not have a maturity date and the Group expects to use and have benefit from each easement indefinitely. Therefore the Group does not amortise the cost of easements acquired. The Group reviews the carrying value of easements annually for impairment, and writes down the carrying value if any are found to be impaired.

(r) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost.

Borrowings are classified as current liabilities unless the relevant Group company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(s) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of weighted average cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(t) Investment property

The Group has acquired a small number of investment properties which do not currently contribute to the Group's activities and are let to third parties to defray costs.

Investment property is measured initially at cost, including transaction costs. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Group obtains regular open market valuations of the investment properties from suitably qualified independent valuers. Changes in fair values are recorded in the statement of comprehensive income within profit or loss as a constituent of fair value gains or losses on financial assets in the period in which they arise.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss on derecognition of the property is included in profit or loss in the period in which the property is derecognised.

(u) Investments and other financial assets

Classification

The Group classifies its financial assets into the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss component of 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 Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss component of the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss component of the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss component of the statement of comprehensive income as 'gains and losses from investment securities'.

Dividends on available-for-sale equity instruments are recognised in the profit and loss component of the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value, using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss component of the statement of comprehensive income on a straight-line basis over the period of the lease.

(w) Property, plant and equipment

Property, plant and equipment, including the distribution network

Except for generation assets, all property, plant and equipment is shown at cost, less subsequent depreciation. Cost includes the amounts of revaluation surpluses that arose prior to the Group's transition to NZ IFRS and which were treated as deemed cost at the date of transition.

Generation assets

Effective 31 March 2014, the Group has accounted for its generation assets at fair value. Valuations are undertaken at sufficiently regular intervals so that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Additions made subsequent to a periodic revaluation are carried at cost less accumulated depreciation until the date of the next revaluation of the asset class, at which point they are included in the updated valuation total.

A periodic revaluation of the generation assets was undertaken as at 31 March 2017 and the resulting values have been incorporated into these financial statements.

Other property, plant and equipment

All other property, plant and equipment is stated at historic cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Fit-outs to leasehold buildings are depreciated on the straight-line basis over the term of the underlying lease. It is assumed that leases will terminate at their next renewal date unless management has already planned to extend the lease beyond that date, in which case the term for depreciation purposes runs to the intended termination date.

Depreciation on other assets is calculated using either the straight line or diminishing value methods to allocate their cost, net of their residual value, over their estimated useful life, as follows:

Straight Line basis	Years
Distribution system	15-60
Generation plant	5-50
Resource consents	35-41
Plant and equipment	3-20
Freehold buildings	50
Freehold building fit-outs	5-10
Diminishing Value basis	Rate
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss component of the statement of comprehensive income.

(x) Provisions

Provisions are recognised when all of the following conditions are met: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(y) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating all material transactions between members of the Group on consolidation. Revenue is recognised as follows:

(i) Electricity line and generation revenue
Electricity line revenue is recognised in profit or loss on the basis of amounts received and receivable by the Parent for line function services supplied to customers in the ordinary course of business. Electricity line revenue is based on actual and assessed meter readings and includes an allowance for unread meters at the reporting date.

Electricity generation income is recognised as electricity is generated and sold.

Critical judgements in applying this accounting policy
Part of the network charges are based on normalisation, where consumption is estimated by the retailers who supply the consumer, to the end of the billing period based on historical actual electricity usage. Occasionally, historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue.

(ii) Sales of services and other revenue
Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Other revenue is generally recognised in the accounting period in which it arises. Typically, this will be on completion of the underlying transaction.

(iii) Capital contributions
Funds received from customers, as a contribution towards the cost of uneconomic supply facilities, are recognised in profit or loss as soon as any obligations attaching to the contributions have been met. For contributions that are refundable, there is a period of 5 years from the date of receipt (10 years for contributions received prior to 1 September 2011) within which a part or all of the contribution may be refunded to the customer.

(iv) Contracting revenue
Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to costs incurred to date as a percentage of estimated total contract costs for each contract. Revenue from "cost plus" contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of revenue earned. The percentage of revenue earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Critical judgements in applying this accounting policy
Use of the percentage-of-completion method requires the Parent to estimate the total cost of the contracts in order to determine the proportion of costs to date to the total costs, which it uses as an approximation of the percentage completed.

(v) Farming income
The Group's entire output of milk is sold under a rolling contract to Fonterra Co-operative Group Ltd ("Fonterra"). Sales are accounted for on the basis of the component elements of the milk collected by Fonterra from the Group's property. Fonterra issues a self-billing invoice for milk collected each calendar month. The Group accrues for any further income receivable based on the difference between the latest indicative price for milk solids published by Fonterra for the season and the lower interim price which Fonterra applies in its monthly self-billing invoices and which Fonterra subsequently adjusts.

(z) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company or the Group prior to the end of the accounting period and which are unpaid at that date.

Provisions for the Group's obligations under the New Zealand Emissions Trading Scheme are recognised when the Group's liability is incurred under Scheme regulations. The liability is calculated in accordance with the prescribed regulations and is recognised at the cost value of the emission units acquired to meet the obligation.

Carbon emission units are surrendered on a first-in first-out basis.

(aa) Trade and other receivables

Trade receivables are amounts due from customers for services supplied or goods sold in the ordinary course of business.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The amount of the provision, plus any subsequent recovery of amounts previously written off, are recognised in the profit or loss component of the statement of comprehensive income within 'other expenses'.

(ab) Changes in accounting policies

All accounting policies have been applied on a basis consistent with those applied during the prior year.

(ac) Adoption status of relevant new financial reporting standards and interpretations

Standards, interpretations and amendments to published standards that came into effect during the reporting year

All mandatory Standards, Amendments and Interpretations have been adopted in the current accounting period. None has had a material impact on these financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group

There are a number of Standards, Amendments and Interpretations which have been approved. The Group expects to adopt these when they become mandatory.

The Group is currently reviewing the implications of NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases. No other recently approved Standards, Interpretations and Amendments are expected to result in a material impact on the Group's financial statements. The application dates of those standards are for accounting periods beginning on or after 1 January 2018 (NZ IFRS 15) and 1 January 2019 (NZ IFRS 16).

APPENDIX 2 – RELATED PARTY TRANSACTIONS

Transactions between related companies within the Top Energy Limited Group that are anticipated to occur during the period covered by this Statement of Corporate Intent are set out in the table below.

Provider	Recipient	Description of transaction	Actual value of transactions for the year ended $'000s	Budgeted value of transactions for the year ending $'000s		
			31 March 2017	31 March 2018	31 March 2019	31 March 2020
Top Energy Ltd	Top Energy Consumer Trust	Dividend	145	90	90	90
Top Energy Ltd	Ngawha Generation Ltd	Operating cost	1,458	1,488	1,518	1,548
Top Energy Ltd	Ngawha Generation Ltd	Cost of funding	2,784	2,158	2,186	1,780
Top Energy Ltd	Ngawha Generation Ltd	Injection Charges	79	60	61	62
Top Energy Ltd	Ngawha Generation Ltd	Connection Agreement	64	64	65	67
Top Energy Ltd	Grazing North Ltd	Operating cost	69	71	72	73
Ngawha Generation Ltd	Top Energy Ltd	Electricity Avoided Transmission	2,748	3,079	3,079	3,079
Top Energy Ngawha Spa Ltd	Grazing North Ltd	Land Rental - Grazing	42	50	50	50