TOP ENERGY
Te Puna Hihiko

ANNUAL REPORT

2017 / 2018

25 YEARS
SERVICE TO THE FAR NORTH

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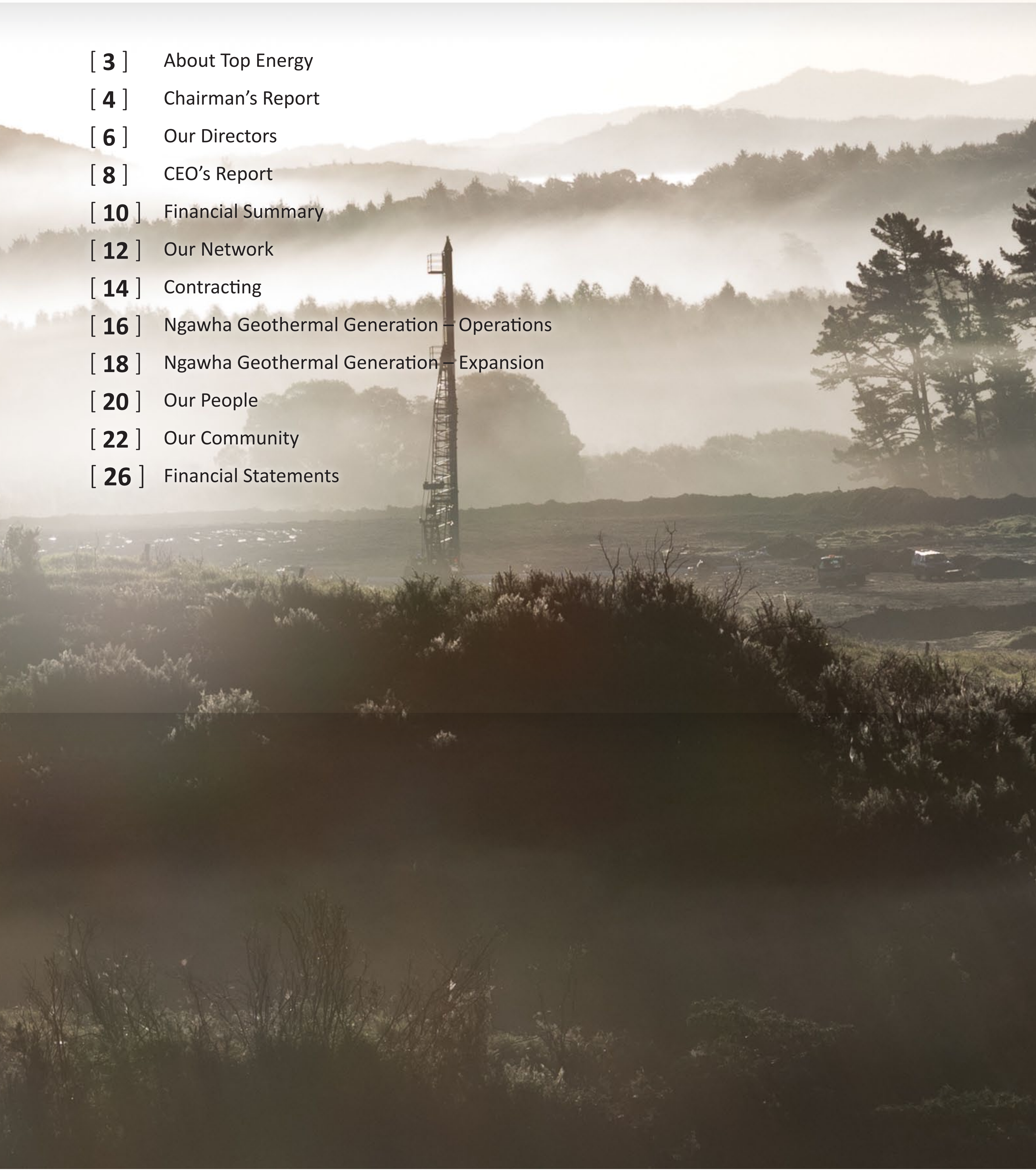


ABOUT TOP ENERGY

25 YEARS SERVICE TO THE FAR NORTH

Top Energy is the electricity generation and lines network Group which distributes power to the consumers of the Far North.

On 3 May 1993, the Bay of Islands Electric Power Board's business was transferred to Top Energy Ltd at a valuation of $25m. In the 25 years since then, the company has continued to serve the Far North community, including paying out dividends and discounts amounting to $92.7m and producing a Group now worth $197.7m.

With operations throughout the Far North, the Group is progressive and technically driven with interests in:

ELECTRICITY **GENERATION** THROUGH OUR GEOTHERMAL POWER PLANT

TRANSMISSION AND DISTRIBUTION LINES **NETWORK**

ELECTRICAL RETICULATION **CONTRACTING**

We are one company with a clear vision: ***From generation to the light switch, providing secure and reliable energy to Far North customers.***

31K

Top Energy is owned by the Top Energy Consumer Trust, on behalf of 31,000 power consumers connected to the company's network.

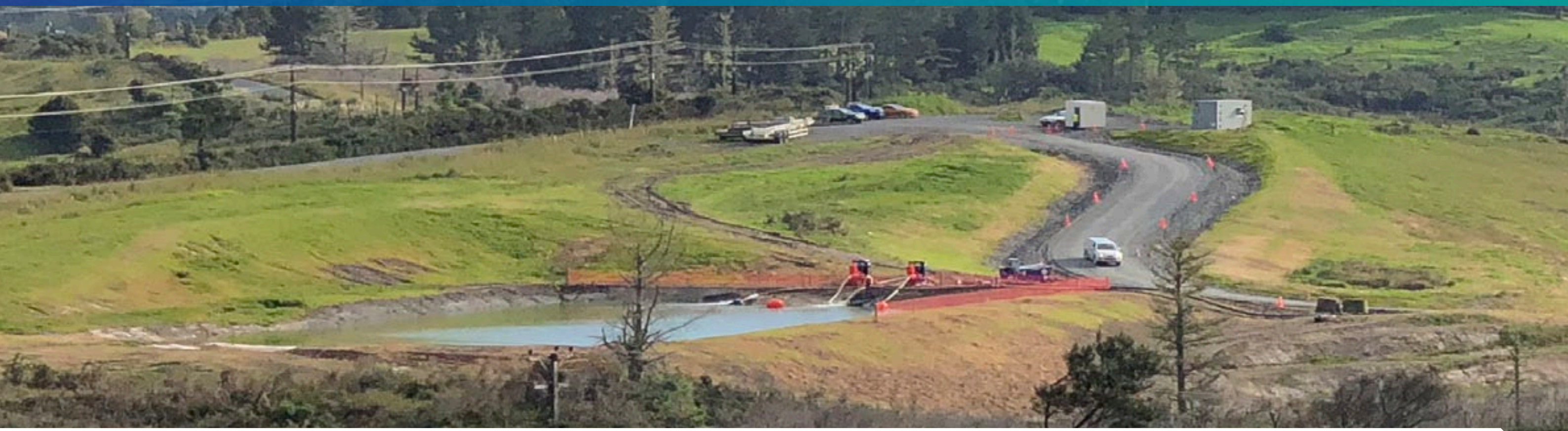
400m

The Group manages assets of more than $400 million.

150

The Group employs over 150 staff.

CHAIRMAN'S REPORT



The 2017/18 financial year saw the completion of a significant milestone for the Board and the Top Energy Consumer Trust (Top Energy's shareholder).

Commitment has been made (subject to successful drilling), to more than double the size of the Ngawha geothermal generation plant.

Making this commitment followed a rigorous process to ensure that the expansion will deliver benefits for the company and our community, with manageable risks.

I am pleased to report that our underlying earnings, as measured by EBITDAF, improved from last year by $0.25m, even after a one-off impairment charge was accounted for in relation to resource consenting work. The generation business was the strong performer this year, increasing revenue by $2.5m (16.9%), benefiting from higher wholesale spot prices and plant availability. Our profit for this year has been negatively impacted by a number of non-cash fair value adjustments in relation to financial assets. These adjustments reflect an ongoing reduction in interest rates, particularly in the early part of the year, and increases in power offtake contracts in the latter part of the year as the lake levels dropped during mid to late summer.

It is delivery of electricity to consumers that has been a real challenge during these last 12 months. We have had more storms than has been usual and the severity of those storms has also been greater. Unfortunately, as a result, we have exceeded our own target for SAIDI (system average interruption duration index) minutes and also the regulatory SAIDI minutes target. I can assure you that the Board and management are acutely focused on ensuring that we deliver a reliable service, and this remains a focus for our asset management activities.

$34.3
MILLION EBITDAF

$5.7
MILLION PROFIT

0
LTIs

Earnings and Cashflows

Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Movements (EBITDAF) was $34.3m, an increase of $0.25m over last year. The EBITDAF financial result has been maintained during a period when a number of adjustments have been brought to account, as we move forward with the Ngawha expansion project. The one-off impairment charges, reflecting costs incurred in obtaining the resource consents associated with the Ngawha generation activities, have been included in Operating Expenses.

Profit for the year was $5.7m, which is a decrease against last year. This result was impacted by the adjustment mentioned earlier and also by a $1.1m increased depreciation charge as a result of the upward revaluation of the Ngawha plant last year.

Ngawha Expansion

Following a number of years during which we worked through our feasibility investigations, sought resource consents, bought land and determined the financial credibility and funding requirements to expand the existing Ngawha power generation project, we were finally able to present the Business Case for the proposed expansion. Funding for the project is being sourced through Top Energy Ltd, then on-

lent to Ngawha Generation Ltd, which is undertaking the project. These transactions constituted Major Transactions for Top Energy, and hence the shareholder of the Company, the Top Energy Consumer Trust, was required to consider the proposal. Having fully considered the proposed expansion, the trustees of the Top Energy Consumer Trust were satisfied that the expansion was in the best interests of the Company, and duly approved it on 5 November 2017.

The most material risk to the project, which needs to be closely managed, is whether the wells, a major part of the project, will be productive. We have undertaken extensive ground testing and modelling, however, the only way we can know that there is a useable geothermal resource under the ground is to drill a number of wells. The Board has therefore structured the expansion project by making major decisions/contracts subject to successful drilling.

Health & Safety

An outstanding result has been achieved, with a year with no lost time injuries (LTIs). This is the first time since we have adopted LTIs as a major performance measure of success.

Industry Issues

Electricity wholesale prices have been depressed for a number of years, in part due to uncertainty in relation to the future of the Tiwai smelter. There has also been considerable debate about the impact that alternative technologies will have on national demand. Recently Tiwai announced that they were to re-open their 4th pot line and the discussion around technologies has now expanded to include the increased demand that will arise from the rapid expansion of electric vehicles. Both these situations give us confidence in the future outlook for wholesale prices, supporting our decision to proceed with the additional generation capacity at Ngawha.

The Electricity Authority has yet to announce what it intends to do in relation to determining a new and different Transmission Pricing Methodology to be used by the national grid operator to charge for their services. Early drafts of this work indicate an unfavourable outcome for the Far North, and we have been actively engaged to mitigate a potential increase in transmission charges to our region. The current delay means that we continue to have the threat of major cost redistribution hanging over us. Similarly, the Authority's work to reconsider how transmission benefits from local generation should be valued and charged has been delayed. This matter is of particular importance to us, as Ngawha Generation continues to provide transmission benefits, and hence should be able to receive a share of these benefits.

Thanks

As mentioned previously, this has been a milestone year in reaching the decision to proceed with the biggest capital investment the Far North has seen for many years. I would like to thank the management team, staff, and my fellow Directors for their significant effort in achieving this milestone.

During the year, the previous Chairman, Murray Bain, resigned from his position, due to his significant other commitments. Murray led Top Energy through the Ngawha expansion approvals, for which the Board records its appreciation.

Richard Krogh
Chairman

OUR DIRECTORS

The electricity industry continues to operate in an environment of great uncertainty.

In last year's Annual Report we talked about the technology changes that are coming and how directors are focused on assessing the impacts these are expected to have on the business.

Some of these impacts will probably reduce demand for electricity but others will definitely increase demand. This issue has been referenced by the national grid owner and operator Transpower in its 'Te Mauri Hiko - Energy Futures' report which predicts that electricity demand is likely to double by 2050 – driven in part by the uptake of electric vehicles.

How the capacity to handle our consumers requirements and the related services that are required, are the challenges we face as the local electricity distribution company. Previously, we have noted that one of the industry regulators has proposed to review and change the charging regimes relating to transmission of power across the national grid and how avoiding costs for the national grid operator, can be recovered.

Both these issues have material impacts on the profitability of the Group and the costs that are recovered from Far North power consumers. Unfortunately, neither of these significant projects have been resolved, and without this certainty from the regulator it is difficult to develop our strategies to deal with the issues.

We accept that some uncertainty is unavoidable, which we deal with as part of our normal business processes. However, uncertainty arising from legislated and regulated issues are unnecessary, wasteful and should not be occurring. We continue to await the necessary information on these matters.

It is disappointing to have to report that we have still not been able to secure all the required land rights for the 110kV line between Wiroa (Kerikeri) and Pamapuria (Kaitaia). With over a hundred individual agreements required we are now down to the last few, but these are proving difficult to

Richard Krogh

Richard Krogh was appointed as Chair 1 March 2018. Richard is a chartered professional director, holding directorships in a number of energy related organisations including First Gas Ltd and Gas Services NZ Ltd, as well being the Deputy Chair of the Port of Taranaki Limited. Richard is an electrical engineer and was previously the Chief Executive of Powerco Limited, New Zealand's second largest lines company. Richard has also served as the chair of the Electricity Networks Association, and was a member of the expert advisory panel that assisted with the review of the regulatory control provisions of the Commerce Act.

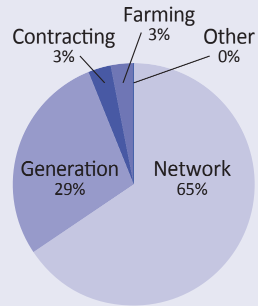
Greg Steed

Greg is a qualified CA, has been a director since October 2011 and was appointed Chairman of the Audit & Risk Committee in May 2014.

Greg's past experience includes a number of senior finance and management roles as well as being a previous Chair of the NZ Shippers Council.

Simon Young

Simon is currently the General Manager of Opunake Hydro and is also a director of the Lines Company Ltd. Simon has been a director since June 2014.

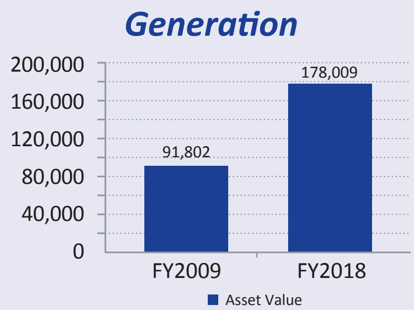


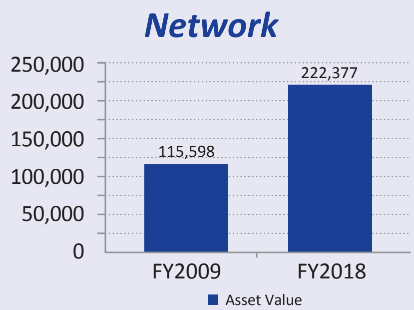
finalise. Unfortunately, we have had to resort to the Public Works Act provisions to compulsorily acquire some land rights (these are to allow construction of the lines and poles, the land owners continue to have use of the land itself).

The result of the delay in completing this project is that consumers supplied from the Kaitaia substations (about 10,000 customers) continue to be exposed to a single supply line, with only minimal backup in the case of outages from the Taipa generators. The Board has therefore approved a project to install a number of additional distributed generators, as a measure to improve the security of supply for these affected consumers, until we are in a position to build the line as originally intended.

At the time of writing, the owners of Tiwai Point aluminium smelter have announced the re-opening of their 4th pot line, having a material impact on national demand. In addition, the recent government announcements in relation to carbon emissions, the increase in renewable power generation and support for new technologies such as electric vehicles, all confirm our decision to further develop the Ngawha geothermal power generation project.

Top Energy directors are committed to supporting initiatives that contribute to the Far North's energy independence





Paul White

Paul is a consultant providing a range of management, organisational and Maori development services. He is Chairman of Te Rarawa's asset holding company.

Previously Paul was CEO of the Ngai Tahu Development Corporation and has held other directorships, including with Housing New Zealand.

Paul has been a director since May 2010.

James Parsons

A director since April 2015, James also chaired both the New Zealand Meat Board and Beef + Lamb New Zealand.

James grew up and ran a sheep and beef farming business in the north Hokianga until 2013 and currently farms near Dargaville.

Robert Kirkpatrick (Dr)

Robert is the independent director on the Ngawha Generation Ltd Board. He teaches Engineering and Business at Auckland University, including design to chemical engineers.

Robert also conducts his own consulting practice, reflecting his more than 40 years experience in the refining and petrochemical industries.

CEO'S REPORT

In recent years' annual reports, I have always started with my comments about our safety record. This is because safety is the first and most important aspect of what we do. This year I am very pleased to be able to report that the Top Energy Group had no lost time injuries.

This has got to vindicate all of the time and attention all of the staff have paid to this issue. When we come to work, we have every right to expect to go home at night, in the same condition.

AND THIS YEAR, EVERYONE DID, EVERY DAY.

Group EBITDAF has been maintained this year, with both the Network and Ngawha generation businesses performing well above budget. There were 545 new connections on the Network during the year, the highest amount in 10 years. This contributed to an 0.8% increase in consumption and 2.2% growth in peak demand following several years of flat demand growth. We continue to struggle with the profitability of the Contracting business, mainly influenced by the difficulty with recruiting sufficient staff to complete the work we need to do.

The dairy farm has performed well. This is the result both of production levels being slightly higher than last year and of the milk payout per kgMS settling at $6.75 at year end. During the year we re-assessed the strategy for us continuing to hold the farm. Initially, the properties were purchased to support our resource consent applications and to retain options for future generation. Considerable effort was also put into developing an energy park concept for the property, to create employment opportunities in and around Kaikohe. These factors are no longer as relevant for the group and the decision was made to dispose of the property. Disposal is being worked through presently but, as we have made the fundamental decision to dispose of the property, the financial statements are disclosing it as assets available for sale.

This year's annual report focuses heavily on the Ngawha expansion project. Arranging the required funding and the

approval of the Major Transactions have taken a lot of our time this year. Towards the end of the reporting year we started the civil works to prepare the platform for drilling the production wells. The well drillers have since arrived on site and this is just the beginning of a very busy 3 years, as we drill wells, build the power station and construct the pipelines that will carry geothermal fluid from the production wells to the new 28MW power station and back to be re-injected under the ground.

Despite much of our focus being on the Ngawha expansion, we have still delivered the capital investment programme on the electricity network. In addition to refurbishing a number of our zone substations, we have built and commissioned a new 33kV/11kV zone substation at Kaeo, strengthening the supply to the areas on the east coast, north of Kerikeri and south of Taipa.

One of the major performance measures that we operate with is that of maintaining supply to our customers, as reliably as we can. For a number of years we have been successful in steadily reducing the outages that consumers experience. In part, this has been as the result of the capital investments we have been making. However, the one thing we have limited control over is the weather and this has been a real challenge this year.

We would normally expect to have a couple of significant storms come through each year. This year we had 5 tropical cyclones in just the last 3 months of the year.

The result: not only did we breach our own service level targets but also the target set by the Regulator. Our planned investment in distributed generation across the system will assist in addressing the challenges these events present, but an overhead system such as ours, combined with the number of trees which impact on those lines, will make this an ongoing issue for us.

A part of the health, safety and wellness tripartite which is often not given the focus it deserves, is the last one – wellness. Towards the end of the 2017/18 financial year we started to develop an expanded wellness programme for all our staff and their families. We each have to take responsibility for our own wellness, but the Company will be doing everything we can to encourage and motivate the staff to get involved in these wellness programmes.

I want to express my thanks to our staff for their contributions as we continue to deliver the capital works programme required to future-proof our network, to those who responded to the numerous storms that have caused outages across the district and to those engaged in planning for the future of the Group in a changing technological industry.

Russell Shaw
Chief Executive

Top Energy CEO Russell Shaw signs the contract with Ormat's Israel marketing manager Hilel Legmann for the design, build and supply of the new Ngawha power station

FINANCIAL
SUMMARY

The Group's financial performance (EBITDAF) improved by $0.2m, (+0.73%) from 2017 and exceeded the year's targets.

Revenue growth of 3.1% ($2.0m) was achieved with strong performance from the generation and network areas of the Group. Generation revenue improved by $2.5m, benefiting from higher wholesale spot prices and 97% plant availability. Network revenue grew $0.5m with overall electricity consumption growing by 0.8%. Contracting revenue was down 34%, representing the strategic change at the end of last year not to seek revenue from the Pacific region but to focus purely on the delivery of local work in the Far North.

Farming income was consistent to last year with the remainder of the Group's pine plantations harvested. Milk production continued to increase, up 1% to achieve another record year with milk prices 40 cents higher.

A 5.5% increase in operating expenses was driven by tree harvesting costs and one-off impairment charges, predominately relating to the Ngawha resource consenting agreements. Employee expenses were 3% lower as a result of the contracting restructure that was announced at the end of last year. Transmission charges were also marginally lower.

Depreciation and amortisation costs were increased by $1.5m, of which $1.1m was attributed to the higher generation asset value following the revaluation last year. The Network commissioned $19.7m of new assets, in line with our asset management plan. Interest expense decreased 1.7%, however total interest costs increased by 0.4% with an increase in capitalised interest as we commenced the investment in the Ngawha expansion. Lower cost of debt was achieved with overall debt increasing by $11.3m over the period.

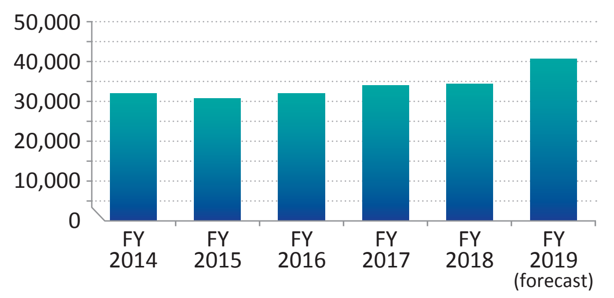
A negative fair value adjustment on financial derivatives of $1.5m was recorded against the Group's hedging strategy. Both interest rates and energy prices were unfavourable, against the prior year's fair value. However this was partially offset by a favourable position taken on foreign currency for the Ngawha expansion project.

Overall, a successful year, achieving profit after tax of $5.7m, and improving the equity position of the Group to $197.7m.

Operating cash flows improved by $2.5m to $28.5m, with an increase in network construction and generation expansion activity in March leading to a $3.3m increase in trade creditors. Additions to the Group's PP&E and Intangible assets of $39.9m were made, with the additional cash required being provided from the Group's debt facilities, increasing by $50m during the year. A total of $4.2m of assets were classified as 'held for sale' with the pending sale of the dairy farm.

It is anticipated that EBITDAF for 2019 will grow by 18%, primarily driven by the Network's regulated price path. No significant change is expected to the Groups operations however subsidiaries are expected to be consolidated after the transactions with the assets being held for sale have been completed.

EBITDAF *($'000)*



3.1% REVENUE GROWTH

$2.5m GENERATION REVENUE GROWTH

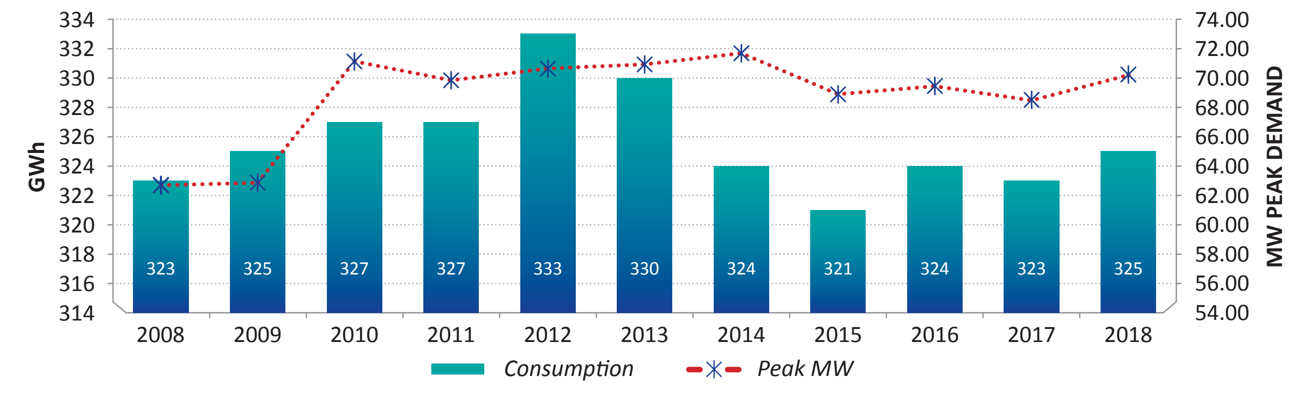
$0.5m NETWORK REVENUE GROWTH

$5.7m PROFIT AFTER TAX

$28.5m OPERATING CASHFLOW

2.2% NETWORK PEAK DEMAND INCREASE

Total energy sold 2008 to 2018



During 2018, we experienced an increase of 0.8% in Network consumption, following the 0.4% decline in 2017. Consumption increased across the residential and commercial consumer groups, with only large industry being lower than last year. Peak Demand increased 2.2%, after being relatively flat for several years. The average temperature across the year was 0.4 degrees higher than the 10-year average, although marginally (0.1 degrees) cooler than last year. Work has continued on our future pricing strategy to ensure that consumers have cost reflective pricing and it is expected that new pricing options will start to be available from 2019.

Report on performance indicators contained within the Statement of Corporate Intent *(SCI)*

FINANCIAL PERFORMANCE TARGETS FOR:	**Actual** *31.03.2018*	Target *31.03.2018*	Actual *31.03.2017*
Electricity network business			
(i) Profit before finance and tax as a percentage of total tangible assets	6.2%	6.3%	7.5%
(ii) Net profit after tax as a percentage of average shareholder's funds	6.4%	6.1%	8.4%
(iii) Return on investment	6.1%	6.1%	7.0%
Other non-network business			
(iv) Profit before finance and tax as a percentage of total tangible assets	7.6%	7.4%	6.3%
(v) Net profit after tax as a percentage of average shareholder's funds	9.3%	8.4%	4.9%
Group			
(v) Net profit after tax as a percentage of average shareholder's funds	7.3%	7.0%	7.4%
(vii) Ratio of shareholder's funds to total assets	1:2:39	1:2:24	1:2.33
(viii) Return on investment	5.8%	5.8%	6.2%

(i)-(viii) *The performance targets and actual results are before any unrealised gains or losses from derivatives are taken into account and exclude the effect of any asset revaluations.*
(iii) & (viii) *Return on Investment is defined as after-tax Earnings before Interest, Discounts and Derivative fair value adjustments over total tangible assets.*

NETWORK QUALITY STANDARDS*	**Actual** *31.03.2018*	Target *31.03.2018*	Actual *31.03.2017*
(i) System Average Interruption Duration Index (SAIDI). *The average duration of high voltage outages (including planned) per customer (minutes)*	483	345	401
(ii) System Average Interruption Frequency Index (SAIFI). *The average number of outages (including planned) per year for any customer*	4.9	4.9	4.8

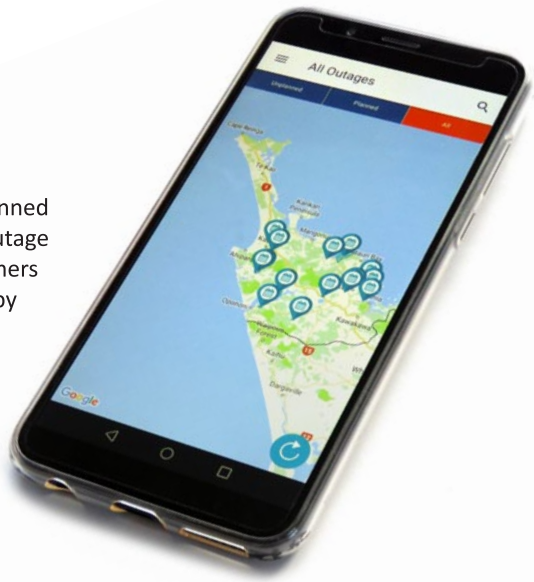
** Items i & ii are measured using the reporting requirements of the Commerce Commission.*

HEALTH AND SAFETY	**Actual** *31.03.2018*	Target *31.03.2018*	Actual *31.03.2017*
(i) Lost Time Injury (LTI)	0	2	3
(ii) Medical Treatment Injury (MTI)	2	4	2
(ii) Average Lost Time Rate per Lost Time Injury *Number of days lost due to the Lost Time Injury*	0	8	7

OWNERSHIP : The company is owned by the Top Energy Consumer Trust. The income and capital beneficiaries of the Trust are the people connected to the Company's network

OUR NETWORK

Latest technology improving customer communication



We have been exploring new ways to keep our customers up to date about planned and unplanned outages on the network. The company launched our web based Outage Centre in July 2017, featuring an interactive map, displaying latest updates. Customers can subscribe to receive outage text notifications affecting their property, by providing their 15 character ICP number, found on their power bill.

Building on the success of the Outage Centre, a mobile app, compatible with Apple and Android devices, is now available, offering the same functionality as the Outage Centre, with the added convenience of providing information on the go. Both initiatives provide convenient and easy to access customer outage information and complement other channels such as our call centre. This information also helps prevent calls queuing during high peak call times, such as storms and unplanned outages.

Planning for a distributed energy system

The Group has a long term strategy to create a self-reliant and sustainable energy network and power supply in the Far North. While the expansion of the Ngawha geothermal power station is a key element of this strategy, over the last year, we have continued our investigations of alternative sources of power, such as generators and batteries, to improve the cost and service of the network.

This strategy, which places energy supplied from local resources closer to our customers, means a reduced need for investment in powerlines, which ultimately benefits all our stakeholders.

By using generation as an alternative line solution – as distinct from just being an energy solution – we have a more flexible and diverse mix of solutions to deliver the best outcomes, such as improved resilience during major storms and other events, improved load management, and reducing our use of transmissions assets and their associated costs.

In addition to the two existing 2MW back-up diesel generators installed at the Taipa substation, we have purchased three 1MW generators and will increase our total generation (excluding Ngawha), distributed throughout the network, to 15MW. This initiative provides cost effective back up during outages and can defer investment in peak capacity without compromising security of supply to our customers. This is a good outcome for our consumers because it reduces the future price increases that we would need to pass on.

The company will continue to explore the viability of micro distribution networks such as solar, batteries and other generation, to provide service to areas of the network that are presently connected to our network but are very challenging to us, due to their remote location and restricted customer numbers. These areas would operate as standalone networks.

In the Far North, there is a high level of interest in solar as an alternative source of energy, as more people choose to invest in systems that reflect their energy needs. Top Energy has the second highest penetration of solar installations of all lines companies with 600 customer connections (ICPs) with solar creating a total of 2MW of embedded solar generation.

This uptake of solar generation, partnered with batteries, is beneficial as it could provide a degree of flexibility in how we manage our network during peak loads – for example on cold evenings when everyone is turning their heaters on. Households drawing their power from stored energy batteries help ‘smooth’ network demand. These can also provide a backup during power outages.

Upgrades and maintenance

Our network is predominantly rural, characterised by a low number of consumers per kilometre of line and an average consumption per consumer that is the second lowest in the country. Despite these characteristics, the resilience of the network has benefited from an investment programme to improve security of supply and the customer experience. During the last year our capital works programme has delivered a number of key projects and major upgrades, including the following:

- Continued upgrading of the structures on the Kaikohe to Kaitaia 110 kV line, the transmission line purchased from the national grid operator in 2012.
- Completion of the new Kaeo substation at a cost of $7m.
- Completion of the next stage of the 33 kV line upgrade from Kaitaia to Pukenui.
- Continued upgrading of the Taipa 33 kV line

The new 33kV to 11kV Kaeo substation is a key connection in Top Energy's electricity network. Completed in March 2018, the substation will boost the reliability of the power supply to customers in the coastal belt north of Waipapa. Presently these are some of our worst affected customers.

Tree maintenance

Trees growing into the power lines create a number of public safety hazards and often impact on network reliability. Trees are generally private property and there are significant limits to Top Energy's powers to manage them so they don't interfere with the power supply. We are, after all, a lines company, not a tree management service. The responsibility for keeping trees out of lines has always rested with the tree owners.

Top Energy's primary responsibility is managing safety. Our work programmes target serious hazards, such as trees that we find burning in the lines. Our long term strategies are targeted at supporting tree owners to make good decisions regarding hazard elimination and meeting their compliance obligations. People who don't manage their trees in proximity to our power lines, create widespread outages and long delays in power restoration, for which they potentially carry liability.

During the last year, the company has invested over $1.8 million in its vegetation management programme. This is a cost ultimately borne by power consumers. This year our programme has focused on identifying and removing all instances of trees burning in our lines. Our staff are available to advise tree owners of their responsibilities and to ensure the tree cutting work is safe and effective. We ask that if you see a tree growing into power lines, please contact us on 0800 867 363.

Trees getting into lines pose a serious public safety risk

Summer storms

The start of the current year was beset with high winds and heavy rain and the MET Service issued related weather warnings for the Northland region. Our network held up reasonably well but, as usual, the biggest issue causing outages and hampering restoration efforts was trees getting into, or falling across, the lines – frequently from some distance away. Tree owners need to be aware of the condition and stability of large trees growing on their properties, which naturally grow to become hazardous.

When these sorts of storm events occur, our focus is firstly on restoration of supply across the backbone of the network, to get as many people back on supply, as quickly as possible. Once this is achieved we then move onto the feeder lines that supply individual consumers. Land owners keeping their trees away from our lines not only helps us, but also themselves and their neighbours, as they avoid damage to the power lines supplying them.

CONTRACTING
MAINTAINING OUR NETWORK

Top Energy's in-house Contracting team supports the company's provision of a safe and reliable electricity network through construction, maintenance and vegetation management services.

The technicians, line staff, electrical inspectors and vegetation team have been focused on delivering a suite of construction projects and maintenance programmes to reinforce the reliability and security of the electricity network. Based in purpose-built depots in Kaitaia and Puketona, Contracting Services provide the expertise required to operate and maintain Top Energy's electrical distribution infrastructure. This includes a variety of essential plant and equipment including the fifteen zone substations across the distribution network.

Pole replacement Kaikohe substation

Over the last year, Contracting have completed some large construction projects:

Joyces Road feeder reconfiguration

Russell township now has a backup power supply from Haruru and Kawakawa substations, following the upgrade of the Joyces Road 11kV feeder.

This arrangement reinforces the power supply and minimises the impact and duration of planned and unplanned power outages.

Kaeo Substation feeder lines reconfiguration

Construction of a new 33kV to 11kV substation in Kaeo will boost the reliability of the power supply to customers in the coastal belt north of Waipapa.

The new substation has enabled a diversity of supply with five new electricity feeders supplying Totara North, Omaunu Road, Matauri Bay, Orotere and Whangaroa. These areas were previously supplied by only one feeder from the substation at Waipapa.

South Road feeder upgrade

Over the last couple of years, we have been upgrading the South Road Feeder to improve the reliability of supply into North Hokianga, including the Mitimiti, Pungaru and Broadwood areas, by installing remote switching units.

This enables Top Energy to manage network outages and restore power from its control room in Kerikeri, providing improved fault response and restoration times with better customer outcomes.

Ongoing projects:

Wiroa-Waipapa fibre installation

Electrical distribution systems, such as Top Energy's network, involve many remote applications and substations.

Monitoring and controlling these sites can be difficult and an automated system known as SCADA (supervisory control and data acquisition) is used to feed information back to a centralised network control.

We have been installing a SCADA fibre optic network between our 33kV substations to enhance network control and visibility. The work on the Wiroa-Waipapa fibre installation completes this project.

Pole replacement programme

As part of our regular inspection programme, we replaced 94 wooden poles between April 2017 and March 2018. A staged pole replacement project is underway with the major upgrade of the Kaitaia-Pukenui 33kV line. Over the next 10 years, the approximately 1600 remaining wooden poles on our network will be replaced with concrete poles.

Taipa feeder rebuild

Upgrading of the Taipa 33kV line is ongoing with the replacement of wooden poles, cross arms, insulators and conductor as required.

NGAWHA GEOTHERMAL GENERATION OPERATIONS

New safety regulations well in force

Under the Health and Safety at Work (Major Hazard Facilities) regulations that came into effect in April 2016, the power station is designated as an "upper tier, Major Hazard Facility" (MHF), requiring specific duties relating to safety.

This classification is based on the inventory held on site of the working fluid, n-pentane. The plant uses geothermal energy to heat and vaporise the n-pentane, which is used to drive the turbines for electricity generation.

Meeting the new requirements is a rigorous process. Over the last 18 months we have worked closely with representatives from WorkSafe to develop our Safety Case for the existing plants: mandatory for their continued operation.

This involved studies and assessments to provide written demonstration that Ngawha Generation Ltd has the ability to effectively control hazards which could cause a major incident. The Safety Case provides assurance to staff and contractors, emergency services, the community and others that the potential for major incidents has been systematically assessed and effective controls are in place.

The Safety Case will continue to be reviewed and updated as the Ngawha expansion project progresses.

Full functioning of the power station

The Ngawha power station typically operates to a monthly target of 98.8% availability, except for the month of the planned shutdown.

This level of availability has often been exceeded throughout the year, testament to the reliability of the plant and the skill of our operators.

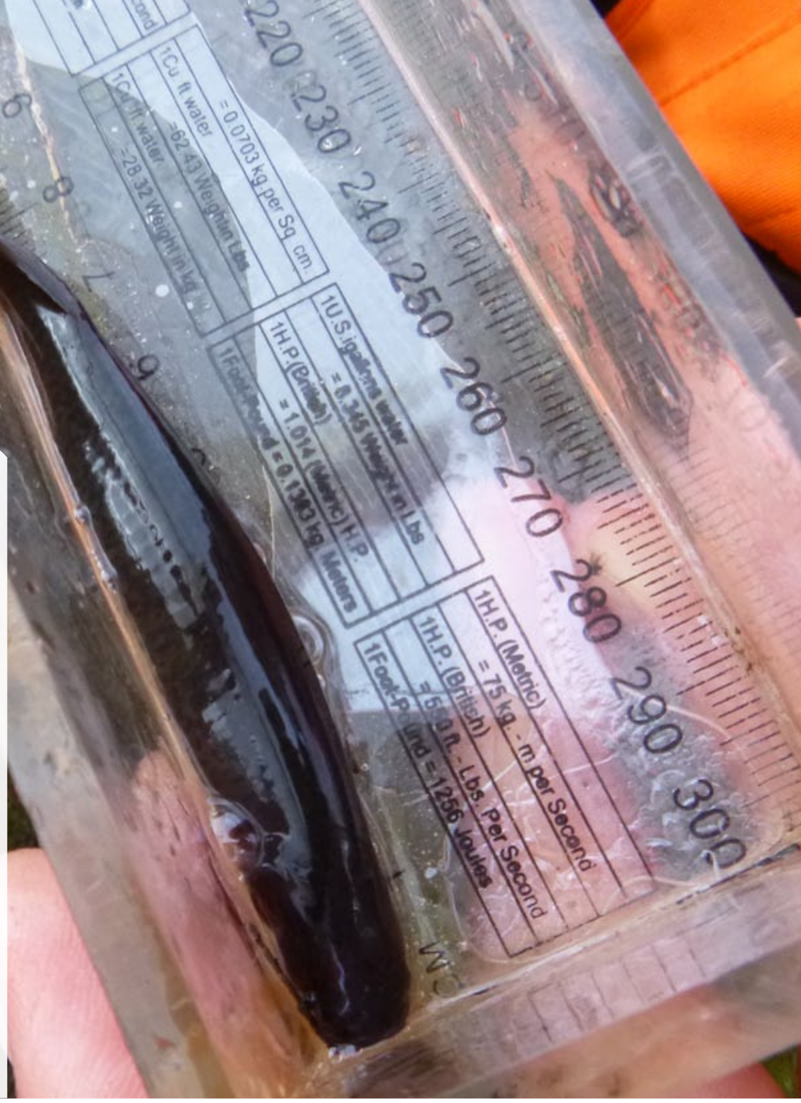
For the last financial year, the availability, including the planned shutdown, maintenance activities and statutory checks, was planned to be 95.97%. The actual availability was 96.76%.

96.76

% ACTUAL AVAILABILITY

3,476

DAYS WITH NO LTIs



Good numbers (107) of mudfish were found in the August 2017 survey

Environmental reporting

Routine, six-monthly environmental monitoring, is undertaken to ensure there are no adverse impacts from operations on the wetland surrounding the power station. These monitoring conditions were updated with a Cultural Indicators Monitoring Plan as part of the 2017 resource consents for the expansion of the power station.

Additional monitoring includes consideration of the impact of operations on the health of significant flora and fauna.

Amongst other requirements, there is the additional monitoring of habitat health to cover kuta, manuka and mudfish. A Kaitiaki advisor has been appointed to assist in implementing the plan.

Exemplary safety record

We are exceptionally proud of our demonstrable ongoing commitment to safety. Power station staff have achieved 3,476 days with no lost time injuries (LTIs). This is an outstanding record and is representative of the wider safety culture of Top Energy, which celebrated one year without a single LTI.

The Ngawha operation also maintained their accreditation under the Public Safety Management System (NZS 7901:2008) and the Quality Management System (ISO 9001:2015).

Projects and shutdowns

A key focal point for the year was the annual shutdown in October 2017, which confirmed that everything was in fine working order after 11 months of continuous and uninterrupted operation.

Visitor Centre

Interest in developments at Ngawha remains unabated and we continue to host a number of site tours for local schools, universities, media, local iwi, industry representatives and international geo-scientists.

An at-risk-orchid, Caladenia alata, found in the Cumber Road wetland.

NGAWHA GEOTHERMAL GENERATION EXPANSION

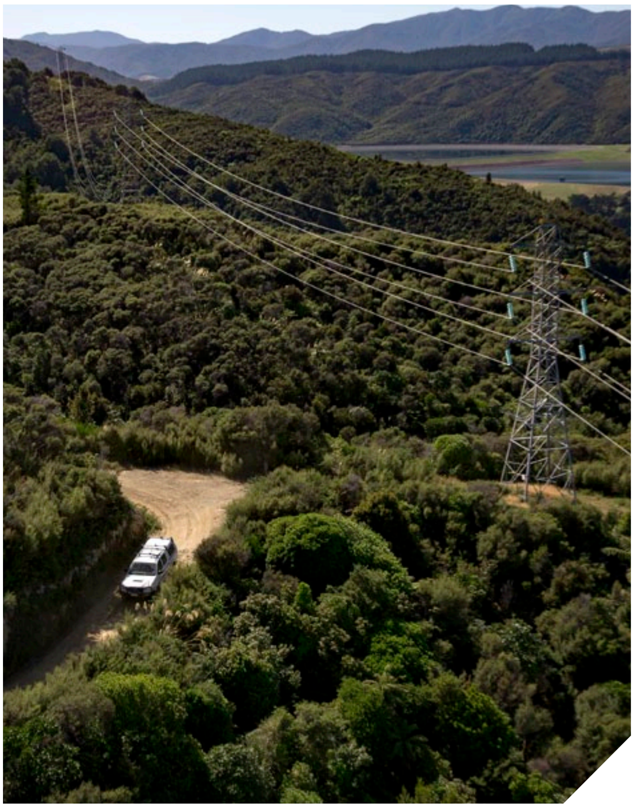
A **game changer** for Northland

The Ngawha geothermal power station expansion is one of the largest construction projects to be undertaken in the Far North.

Resource consent approvals in July 2017 provided the certainty Top Energy management needed to support the major investment required and commit to the expansion programme.

Major transaction approval from the Top Energy Consumer Trust and the Top Energy Board in November 2017 cleared the project to proceed and bank funding for the multi-million dollar project was secured.

These were the last hurdles the company needed to pass and contracts could then be awarded to Whangarei based United Construction for civil works, Iceland Drilling for well drilling services. Power plant design and manufacture was awarded to Israeli geothermal plant construction experts ORMAT, who had built the previous two stages of the development.



Excess power from Ngawha will be exported on to the National Grid

Initial construction got underway in late 2017 and over the next three summer periods more than 700,000 cubic meters of dirt will be excavated; a massive undertaking.

Previous geological testing has provided compelling data for the location of the best geothermal locations. Production well drilling, scheduled to be completed in September 2018 will confirm the geothermal resource that will support the development of another 28MW of geothermal generation.

Once the viability of the resource is confirmed, Ngawha Generation will finalise the contracts for the transmission connection, the supply of the station and the fluid conveyance system, to be on target for a 2021 commissioning of the new power station, which, with the existing generation, will produce 53 megawatts of geothermal generation in the Far North.

Commissioning of the station will radically improve the security and reliability of the power supply and significantly reduce Northland's reliance on the National Grid, which transports power from the south.

It is expected that 90% of the time, excess power from Ngawha will be exported on to the National Grid, to consumers south of the Top Energy network.

This is a major step towards the Group's vision of a self-reliant network based, in part, on geothermal generation, providing clear benefits for local consumers with a renewable and lower cost source of power. It also contributes to the Government environmental targets of 90 percent of electricity in New Zealand to be generated from renewable sources by 2025.

The well drilling rig arrived in New Zealand in April.

Project Timeline

2017

July 2017 : Final resource consents for the expansion granted

November 2017 : Major transaction approval granted by Top Energy Consumer Trust and Top Energy Board

November 2017 : United Civil begin enabling works onsite

December 2017 : United Civil awarded contract to construct drilling pads and foundations for power station

December 2017 : Contracts awarded to Iceland Drilling and geothermal plant construction experts ORMAT

2018

January to April 2018 : Construction of drilling pad (production well), water storage pond and settlement ponds completed

January to April 2018 : First stage of construction of the power station platform. Ongoing over two more summer periods – completion 2020

April to May 2018 : Iceland Drilling Company set up site compound

End April 2018 : HH-220 Drillmec rig transported to site

May 2018 : Iceland Drilling begin well drilling

September 2018 : Viability of geothermal resource determined

2019

Formation of a hardstand platform for construction of the power station completed

2020

April 2020 : ORMAT begin assembling power station on site

2021

Power station 1, OEC4 commissioned

OUR PEOPLE

We have a strong commitment to a staff culture that focuses on safety and efficiency across all activities in which we are engaged.

We acknowledge the tremendous efforts and service our people make to our Group and through that, to the Far North community.

Safety Differently

After running the Orange Umbrella safety programme for several years, which has successfully improved safety performance, we are taking a different approach to safety.

Part of this is to move from focusing on negative issues (incident driven) and compliance with the “rules” in an attempt to ensure safety, to a focus on enabling high performance without unwanted outcomes.

The first stage of this new approach was an “Embedded Discovery” process which explored work carried out on field work sites, identifying the assumptions and critical conditions that contribute to everyday challenges and how people adapt and overcome these challenges. This process provides a picture of what actually happens, not what we think should happen.

In the year ahead, the next stage in developing this new environment will be to take these learnings, and the resulting suggestions for change, and complete an “Appreciate Improvements” process, engaging all stakeholders in self-determined change. The aim being to build, or rebuild, teams and their focus around what works; rather than trying to solely fix what doesn’t.

Wellbeing

Employee wellbeing has been a focus for many years, through the provision of annual wellness checks, flu vaccinations, employee assistance programmes, medical insurance and participation in sporting events. We have stepped this up this year with a Wellness Programme, launched in conjunction with Synergy Health, called "Tracksuit-Inc".

The idea is to create long term behaviour change through awareness, education, motivation and reward. Behaviour change is focused on 10 healthy habits, providing challenges, expert articles and is available to employee's families to join in on the fun. It is early days, but it is positive to see over 50% of our staff registered for the programme.

Long Service Recognition

Four employees were recognised for achieving significant long service milestones, accumulating 120 years of experience between them.

Ron Attwood, Darryl Norman, John Williams and Tony Smallman all achieved 30 years' service to the company, an outstanding achievement!

Reward and Recognition

Several years ago, we launched the "Applaud" programme through which managers can formally recognise, encourage and reward high performance by individuals and teams.

There are three categories: Display, Achieve and Exceed. During the year, under the Display category, we acknowledged 77 staff who demonstrated positive actions/behaviours, 35 who successfully reached stretch targets and 26 for an outstanding achievement that had a successful outcome for the business as a whole.

There was a strong focus this year linking our Values to the Applaud Programme. Employees were specifically recognised for behaviours that demonstrated our Values.

Quality and Safety Management Systems

We continue to maintain our quality focus under the ISO 9001 standard and this year achieved an upgrade from our existing ISO9001:2008 registration to the new ISO9001:2015 standard. This was a fantastic achievement and demonstrated the focus around the business on continuous improvement. Our public safety management systems also continue to be assessed as being "effective" against the NZS7901 standard.

Our Information Security Risk Management Committee (ISRMC) has achieved a significant improvement with our information systems, as we continue to improve the security necessary in the ever-changing cyber security risk environment.

Fatigue Management

Fatigue is more than feeling tired and drowsy. In a work context, fatigue is a state of mental and/or physical exhaustion which reduces a person's ability to perform work safely and effectively. It can reduce a person's capability to an extent that may impair their strength, speed, reaction time, coordination, decision making or balance. With the challenges of everyday work, combined with unplanned weather events occurring, significant effort has been made over the past year to improve our awareness of fatigue, as part of ensuring that our people remain safe and return home each day.

Staff Development

We are committed to upskilling our staff and supporting them with their continuing professional development.

In the last year, staff have completed a range of industry qualifications:

- Level 5 National Diploma in Electricity Supply
- Level 2 National Certificate in Electricity Supply (Electrical) with strand in Electricity Supply Electrician

A number of other staff have also continued their multiyear training towards their industry qualifications:

- Level 3 National Certificate in Electricity Supply (Electrical) with strand in Electricity Supply Electrician
- Level 4 National Certificate in Electricity Supply (Electrical) with strand in Electricity Supply Electrician
- Level 4 New Zealand Certificate in Electricity Supply (Line Mechanic Distribution)
- Level 4 Utility Arborist
- Level 6 New Zealand Diploma in Infrastructure Asset Management

Participants included industry trainees as well as experienced staff seeking to develop their existing skills and pursue other opportunities across the Company.

OUR COMMUNITY

Tasty Tio: Left to right – Pepi Griffiths (Kaitaia College), Rawiri Manuera, Kahi Elliot (both from Te Rangi Aniwaniwa), Maeana Panapa Thurlby (Kaitaia Abundant Life School)

The core of our community and sponsorship programme comes from a keen awareness that the Company is owned by the people of the Far North.

We look to support local growth and opportunities through a range of initiatives that foster excellence in business and education, as well as helping our young people flourish.

Business Development Grant taking businesses to the next level

Since 2014, we have supported local businesses with our twice yearly $30k Business Development Grants. The grants include six months of business mentoring.

Selection of winners is a competitive process and applications are judged against the potential the business has to grow or diversify the Far North economy.

Last year, in total we received 28 applications for the two selection streams. Choosing the winners from the creative and entrepreneurial business plans presented was tough – but in the end, there were two clear standouts.

Maria Kire from Whispering Trails, a Hokianga based eco-tourism business, was awarded the grant in July. Whispering Trails is based on an invitation for people to experience traditional hunting and gathering practices and to embrace a cultural experience that is far removed from mainstream tourism.

The grant enabled the company to really test its business plan and identify what was needed to get fully established.

Media coverage provided a welcome boost not only in attracting new customers but also by establishing Whispering Trails as a serious contender in the local and international tourism sectors.

Maria, Joe and family

Jonny Martin from Paihia Mountain Bikes

The most recent recipient of the grant is Jonny Martin from Paihia Mountain Bikes, who has tapped into the growing enthusiasm for cycling in Northland with the opening of the Waitangi Mountain Bike Park and the Twin Coast Cycle Trail. Prior to this, it was slim pickings for people on bikes wanting to pack their bags and get in the saddle to explore the region.

Paihia Mountain Bikes offers quality bike hire, transport services and all-inclusive accommodation packages. The aim is to be a sustainable, community focused, world class mountain bike service that embraces Northland's rich cultural heritage.

Both companies continue to flourish and contribute to the local economy.

The Business Development Grant is either awarded in full to a single stand-out idea or, in smaller amounts, to several initiatives dependant on the number, quality and merit of the applications received.

Tomorrow's engineers

This year's winner of the Top Energy Engineering Scholarship found his calling when converting an old oven into a fish smoker.

A subsequent school trip to Auckland University confirmed his desire to become an engineer and he applied himself to science and maths at school.

Craig Nelder, a graduate of Okaihau College, is now well underway on his first year of engineering study at Waikato University, largely enabled by the scholarship.

This is the second year the Top Energy Engineering Scholarship has been run and aims to assist Far North students wishing to study an engineering (honours) degree and who have an excellent academic record. It provides $8000 per year of study, for a maximum of four years.

Five applications were received this year, all of which demonstrated a high level of talent and skill across a number of disciplines – making it a tough and competitive selection process.

A key determining factor in the final selection is that the student must have a genuine passion for engineering and intend to continue working in engineering upon completion of their study.

We are looking forward to the next group of applicants in October 2018 and encourage all budding engineers to apply.

Learning to excel in a competitive market

Our involvement with the Young Enterprise Scheme (YES) and the Far North Science and Technology Fair are focused on maximising the potential of our future leaders, by fostering curiosity and innovation.

In partnership with The Lion Foundation, YES Northland encourages year 11–13 students to form start-up companies, become directors and develop products and services. The students then prepare business plans to market and sell those products or services. They even pay real tax on their profits.

This year three students from Springbank School earned the top spot at the YES Northland Regional Awards for their company Hopu Ahurea, which connects local artists with a market. They sell framed, authentic, culturally inspired artwork created by Northlanders, using locally sourced materials.

YES Northland Top Energy Company of the Year 2017 – Hopu Ahurea (Springbank School). Left to right – Wilson Baker, Aimee Larkan and Kurtis Foster with Top Energy Board member James Parsons

Other winners included Tasty Tio, a team of six students doing YES under the Papa Taiao banner and representing Te Rangi Aniwaniwa, Kaitaia Abundant Life School and Kaitaia College who won one of only 14 available National Excellence Awards.

The Far North Science and Technology Fair gives year 7–13 students the opportunity to develop imaginative exhibits and demonstrate investigative and problem-solving life skills. The fair is well supported by the students of the Far North, and the standard of exhibits is high.

Jamie Struthers from Kerikeri High School receiving his prize from Top Energy Chief Executive Russell Shaw for his work on the allopathic properties of Totara extract.

Helping to save lives

The challenges of attending a medical emergency in Northland can be hampered by difficult terrain and poor access.

Many of our roads are unsealed and people live over a widespread area - making Northland's Rescue Helicopter service so essential.

Top Energy is proud to continue its joint sponsorship of the Northland Rescue Helicopters (NRHs) with fellow lines company Northpower. Together, we help provide a service of enormous benefit to Northland communities.

From April 2017 to March 2018 the helicopters were called to 918 jobs, with 311 of these over the summer period and involved 18 winch jobs.

The weather, in many instances, posed a challenge and the service was thankful for the Sikorskys' range and capability, which is capable of operating in conditions which would have grounded all other rescue helicopters.

It was a very successful fundraising year which raised $307,000 which is the highest amount since the sponsorship was set up. This tells us very clearly that our communities place very high value on this service and are committed to making sure it continues.

Both sponsoring companies match public donations dollar for dollar up to $150,000 to keep this essential emergency service flying.

Safety around water

In our coastal environment we all need to be alert to the risks around water and to ensure that children are taught what they should do if they get into difficulties.

Drownings are preventable and water safety programmes help save lives. We are proud of our long standing relationship with Sport Northland and the WaterSafe programme, which for more than two decades has taught water safety skills to primary school children in our District.

KEY FACTS

280	153	3,992	13,346	4,631	254	17,977
TEACHERS RECEIVED DRY-LAND SESSIONS	TEACHERS RECEIVED PROFESSIONAL DEVELOPMENT POOLSIDE	STUDENTS WERE ENROLLED IN THE PROGRAMME	SWIMMER LESSONS WERE DELIVERED	DRYLAND LESSONS DELIVERED	STUDENTS RECEIVED BOAT EDUCATION CERTIFICATES	**TOTAL SWIMMING LESSONS** WERE GIVEN FOR THE 2017/18 SEASON

226,659 *The running total of swimmer lessons since the inception of the programme*

R. Tucker Thompson Te Tai Tokerau Tall Ship Challenge

Our commitment to individual's confidence and safety around water continues with sponsorship of two Far North schools to compete in the R. Tucker Thompson Te Tai Tokerau Tall Ship Challenge, a safety-at-sea competition.

The week-long challenge takes place on board the tall ship R. Tucker Thompson, and participants complete a variety of tasks ranging from physical challenges to tests of creativity, skill, leadership and teamwork. The winner of the challenge this year was Huanui College, in Whangarei.

Keeping homes sustainable and warm

Top Energy continues its support of Healthy Homes - Northland's biggest installer of the Warm Up New Zealand, Healthy Homes insulation programme.

Healthy Homes is bringing environmentally friendly insulation and energy efficiency to Northland homes and businesses.

Other Community Events

We regularly attend the region's agriculture and pastoral shows with a team of staff volunteers to highlight many of the activities that we are involved in. The most popular part of our stalls are the rides for kids in the cherry pickers.

These community events are a great opportunity to talk about safety around our network and the issues caused when trees get into the lines. We received great responses from shows at Waimate North, Kaitaia and Kaikohe.

TOP ENERGY GROUP
SUMMARY FINANCIAL STATEMENTS

Summary financial report for the year ended 31 March 2018

Directors' Statement

The Directors present the annual report of the Top Energy Limited Group, incorporating the financial statements and the auditor's report, for the year ended 31 March 2018.

With the agreement of the shareholder, the Group has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised the financial statements presented on pages 27 to 63 for issue on 12 June 2018.

For and on behalf of the Board.

R Krogh
Director

G Steed
Director

12 June 2018

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	Notes	**2018** **$'000**	2017 $'000
Operating revenue	4	69,064	67,003
Operating expenses	5	(34,761)	(32,949)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**34,303**	**34,054**
Depreciation and amortisation	5	(16,903)	(15,423)
Finance costs		(8,367)	(8,513)
Earnings before tax and fair value movements of financial assets (EBTF)		**9,033**	**10,118**
Fair value gains (losses) on financial assets	6	(1,538)	6,410
Profit before income tax		**7,495**	**16,528**
Income tax expense	7	(1,776)	(4,536)
Profit for the year		**5,719**	**11,992**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of generation plant	16	–	26,474
Reversal of revaluation surplus on disposal of revalued assets	16	–	(1,849)
Income tax relating to revaluation of non current assets	7	–	(6,895)
		–	**17,730**
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available for sale financial assets	19	(24)	15
		(24)	**15**
Other comprehensive income for the year, net of tax		**(24)**	**17,745**
Total comprehensive income for the year		**5,695**	**29,737**
Profit is attributable to:			
Equity holders of Top Energy Limited		5,719	11,992
		5,719	**11,992**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		5,695	29,737
		5,695	**29,737**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 March 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	150	83
Trade and other receivables	9	7,915	7,577
Inventories	10	302	366
Current tax benefit	11	27	101
Available for sale financial assets	12	830	–
Intangible assets	13	361	158
Derivative financial instruments	14	1,999	1,529
Non current assets classified as held for sale	15	4,170	–
Total current assets		**15,754**	**9,814**
Non-current assets			
Property, plant and equipment	16	402,536	384,954
Intangible assets	17	10,746	9,770
Biological assets	18	–	1,138
Available for sale financial assets	19	–	719
Investment properties	20	–	380
Derivative financial instruments	14	558	363
Deferred tax assets	21	36	–
Total non current assets		**413,876**	**397,324**
TOTAL ASSETS		**429,630**	**407,138**
LIABILITIES			
Current liabilities			
Trade and other payables	22	12,652	8,391
Interest bearing liabilities	23	1,688	1,576
Current tax liabilities	24	1,470	686
Derivative financial instruments	14	879	404
Provisions	25	384	478
Total current liabilities		**17,073**	**11,535**
Non-current liabilities			
Interest bearing liabilities	26	155,100	143,760
Derivative financial instruments	14	11,082	9,356
Deferred tax liabilities	27	48,664	50,341
Total non current liabilities		**214,846**	**203,457**
TOTAL LIABILITIES		**231,919**	**214,992**
NET ASSETS		**197,711**	**192,146**
EQUITY			
Contributed equity	29	25,267	25,267
Reserves	30	63,894	67,212
Retained earnings	30	108,550	99,667
Total equity		**197,711**	**192,146**

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 31 March 2018

	Notes	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2017		**25,267**	**67,212**	**99,667**	**192,146**
Comprehensive income					
Profit for the year		–	–	5,719	5,719
Fair value gain (loss) on available for sale financial assets, net of tax	*19*	–	(24)	–	(24)
Depreciation on revalued assets transferred to retained earnings	*30*	–	(3,294)	3,294	–
Total comprehensive income		–	**(3,318)**	**9,013**	**5,695**
Transactions with owners					
Dividends	*31*	–	–	(130)	(130)
Total transactions with owners		–	–	**(130)**	**(130)**
Balance as at 31 March 2018		**25,267**	**63,894**	**108,550**	**197,711**
Balance as at 1 April 2016		**25,267**	**49,467**	**87,840**	**162,575**
Comprehensive income					
Profit for the year		–	–	11,992	11,992
Gain on revaluation of generation plant		–	26,474	–	26,474
Reversal of revaluation surplus on disposal of revalued assets		–	(1,849)	–	(1,849)
Fair value gain on available-for-sale financial assets, net of tax		–	15	–	15
Income tax relating to components of other comprehensive income		–	(6,895)	–	(6,895)
Total comprehensive income		–	**17,745**	**11,992**	**29,737**
Transactions with owners					
Dividends	*31*	–	–	(165)	(165)
Total transactions with owners		–	–	**(165)**	**(165)**
Balance as at 31 March 2017		**25,267**	**67,212**	**99,667**	**192,146**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

For the year ended 31 March 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		68,951	66,628
Payments to suppliers and employees (exclusive of goods and services tax)		(29,469)	(30,203)
		39,482	**36,425**
Interest received		4	3
Interest paid		(8,367)	(8,513)
Income taxes paid		(2,631)	(1,926)
Net cash inflow from operating activities	39	**28,488**	**25,989**
Cash flows from investing activities			
Purchases of property, plant and equipment		(41,208)	(19,963)
Proceeds from sale of property, plant and equipment		918	43
Disposals of biological assets		682	116
Purchases of available for sale financial assets		(135)	(107)
Increase / (repayment) of loan from parent		(22)	108
Net cash inflow / (outflow) from investing activities		**(39,765)**	**(19,803)**
Cash flows from financing activities			
Proceeds from (repayment of) borrowings		11,340	(5,850)
Dividends paid to the Group's shareholders	31	(130)	(165)
Net cash inflow / (outflow) from financing activities		**11,210**	**(6,015)**
Net increase (decrease) in cash and cash equivalents		(67)	171
Cash at bank and on hand at the beginning of the financial year		83	(88)
Cash and cash equivalents at end of year	8	**16**	**83**

The above cash flow statement should be read in conjunction with the accompanying notes.

1 : General information

Top Energy Limited (the Company) provides electricity line function, electrical construction and other services. The Company and its subsidiaries (together, the Group) operate geothermal power stations and provide other goods and services to customers principally in New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. Its registered office is at Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri. The Company is not listed on any stock exchange.

These financial statements were approved for issue by the Board of Directors on 12 June 2018.

2 : 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 2017.

At the 31 March 2018 reporting date certain non-current assets held by a Group company were reclassified as either non-current assets held for sale or available-for-sale financial assets, in both cases within the category of current assets. The relevant comparative amounts at 31 March 2017 are included within non-current assets, in accordance with the basis on which they were held at that time.

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 2018 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 balance date. The Group intends to sell its holding of Fonterra Co-operative Group shares to the purchaser of other non-current assets currently held for sale by a Group company. Consequently, at the 31 March 2018 reporting date, those available-for-sale investments have been classified as current assets.

(e) Biological assets

At the beginning of the current reporting period the Group owned biological assets, comprising a quantity of trees, which were carried in the statement of financial position at fair value less costs to sell. During the reporting year ended 31 March 2018 the Group disposed of all of its biological assets.

(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.

Where network capital contributions have been received in respect of contract work and the work has not commenced by the reporting date, the total of such contributions held on account are included in trade payables, not deducted from the total value of contract work in progress. This accounting treatment was applied within this reporting period, and adopted in respect of the comparative period presented in these financial statements.

(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 and 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 and electricity Contract For Differences are 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.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(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, and the value of the liabilities for which they will have to be surrendered, are calculated on a first in first out basis. The total value of units held is allocated between current and non-current intangible assets. The basis of allocation is that the carrying value of units which equals the current amount accrued as an ETS liability is treated as a current intangible asset. 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.

Where the Group owns a building that ceases to be used as an owner-occupied property and becomes an investment property, or vice versa, the property is transferred between the respective categories at its fair value. For an investment property whose use changes to being an owner-occupied property, that fair value is treated as deemed cost.

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. At 31 March 2018 the Company's available-for-sale financial assets were re-classified as current on the basis that they are intended to be sold.

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 gains/(losses) – 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) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

(x) 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.

The Group owns one building that has undergone a change of use from investment property to owner-occupied property. The property was transferred between the respective categories at its fair value, which is treated for accounting purposes as being deemed cost.

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.

(y) 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.

(z) 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.

Sales of biological assets are recognised when the Group finalises a contract for sale with the purchaser.

(aa) 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.

Included in trade payables are amounts of contract liabilities. These represent payments received from customers of the Group's Contracting Services division prior to the commencement of the work contracted for. In the event that the customer were to cancel the contract prior to the commencement of work, the advance payment would become repayable to the customer.

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.

(ab) 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'.

(ac) Changes in accounting policies
All accounting policies have been applied on a basis consistent with those applied during the previous reporting period.

(ad) 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 has reviewed the timing of its recognition of revenues arising from its contracts with customers under the provisions of IFRS 15 Revenue from Contracts with Customers, which will apply from the accounting period beginning 1 April 2018. It is anticipated that, whilst there will be an effect on the timing of recognising some items of contracting revenue, the amounts will not be material and the delay in recognising those items of revenue and costs will rarely exceed one annual reporting period.

The Group is currently assessing the expected impact of NZ IFRS 16 Leases, which will apply from the accounting period beginning 1 April 2019.

3 : Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts, interest rate swaps and electricity Contract For Differences (CFDs) to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by senior management under policies approved by the Board of Directors. Management identifies and evaluates relevant financial risks and acts to manage these where possible within the parameters set out by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

During the reporting period ended 31 March 2018 the Group has entered into contracts to acquire materials and equipment that are denominated in US dollars. In order to limit the effect of currency exposure, prior to the reporting date the Group entered into a series of forward foreign currency contracts for amounts equal to its total US dollar exposure. At the current reporting date, the Group had a total of US$32,585,000 of forward foreign currency contracts, to manage exposure relating to the expansion of the Ngawha generation plant. The values of these contracts were translated into New Zealand dollars at the exchange rate applying on 31 March 2018 and adjusted for credit risk. This has created an unrealised profit for the period which has been credited to profit or loss and included in the statement of financial position.

Of the foreign currency contracts in force at 31 March 2018, US$12,810,000 mature prior to the Group's next annual reporting date and the remainder during the year ending 31 March 2020.

The Group did not enter into any new forward foreign exchange contracts during the year ended 31 March 2017.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from an investment in Fonterra Co-operative Group Ltd shares held by the Group and classified in the statement of financial position as available for sale.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Throughout the years ended 31 March 2018 and 2017, the Group's borrowings at variable rate were denominated in New Zealand dollars.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts, calculated by reference to the agreed notional principal amounts.

Interest rate risk arises in respect of the portion of the Group's borrowings that is not covered by interest rate swaps. The element of Group borrowings at the reporting dates presented in these financial statements is sufficiently small such that, if interest rates had changed by +/- 1% (=100bp) from the average period rate of 2.7% (2017: 2.9%) with all other variables held constant, the effect on post-tax profit for the year in respect of that element of total borrowings would have been immaterial.

If the above sensitivity calculation were applied to the total of interest rate swaps entered into by the Group at the reporting date, the effect of a change of +/- 1% (=100bp) in the floating rate element of those swaps would result in a reduction / increase in the fair value derivative loss recognised at the reporting date of +$12,997,000/ -$14,449,000 respectively (2017: +$5,615,000 / -$6,022,000).

(iv) Energy market risk

The Group has entered into a Power Purchase Agreement (PPA), effective from 1 July 2017, to sell 100% of the electricity generated from the Ngawha plant. Under the PPA, physical ownership of the energy is transferred from Ngawha Generation Ltd to the counterparty. In return, 100% of the generation spot revenue is paid to Ngawha Generation Ltd along with the settlement amount of any hedges. The hedges are in the form of electricity Contract For Differences (CFDs), which have been accounted for separately as derivatives.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum Standard & Poor's credit rating of 'A' (or equivalent) are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and any other relevant factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Customers' credit limits are regularly monitored by management.

Two customers comprised 50% of the Group's total trade accounts receivable as at 31 March 2018 (2017: 47% of the Group's total trade accounts receivable). Subsequent to the reporting dates, the amounts then due were cleared. The Group does not expect the non-performance of any material obligations as at the reporting date.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At 31 March 2018 there were unrealised gains on forward foreign currency contracts of $863,000 (2017: none) and unrealised gains on electricity CFDs totalling $1,346,000 (2017: $1,811,000). There were no unrealised gains on interest rate swaps at 31 March 2018 (2017: $81,000).

The Group undertakes all of its transactions in foreign exchange and interest rate contracts with trading banks that are registered with the Reserve Bank of New Zealand.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group's management aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements on the basis of expected cash flow.

The table below analyses the Group's financial liabilities, excluding derivative financial instruments (which are shown separately), into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest to maturity.

	Less than 1 year *$'000*	**Between 1 & 2 years** *$'000*	**Between 2 & 5 years** *$'000*	**Over 5 years** *$'000*
At 31 March 2018				
Bank overdrafts and loans	4,890	33,965	128,809	–
Other loans	1,639	–	–	–
Trade and other payables	12,652	–	–	–
At 31 March 2017				
Bank overdrafts and loans	3,845	33,722	90,339	29,016
Other loans	1,658	–	–	–
Trade and other payables	7,737	–	–	–

The table below analyses the Group's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. For the purposes of calculating the undiscounted contractual cashflows on the interest rate swaps, it has been assumed that the base rate driving the floating portion will remain the same throughout the term of each contract.

		Less than 1 year *$'000*	**Between 1 & 2 years** *$'000*	**Between 2 & 5 years** *$'000*	**Over 5 years** *$'000*
At 31 March 2018					
Interest rate swaps (held for trading)	– inflow	–	–	–	–
	– outflow	(5,860)	(5,296)	(12,165)	(14,509)
Electricity CFDs (held for trading)	– inflow	1,636	70	–	–
	– outflow	–	(185)	(173)	–
At 31 March 2017					
Interest rate swaps (held for trading)	– inflow	–	–	–	–
	– outflow	(4,534)	(3,594)	(7,107)	(3,374)
Electricity CFDs (held for trading)	– inflow	1,529	278	4	–
	– outflow	–	–	–	–

Cash flow forecasting is performed in aggregate by the Group. The Group monitors rolling forecasts of its liquidity requirements, to ensure it has sufficient cash to meet its operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Group does not breach its borrowing limits or covenants (as applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, where applicable, external regulatory or legal requirements (for example, currency restrictions).

(d) Fair value estimation

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 the relevant reporting date. Quoted market prices or dealer quotes for similar instruments are used as the basis for valuing interest rate swaps, electricity CFDs and forward foreign exchange contracts. Additional credit and debit value adjustments are made to the market prices in order to arrive at fair values as defined by NZ IFRS 13 Fair Value Measurement. The Group employs specialist independent valuers to calculate these valuations.

The carrying value, less impairment provision, of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Group applies the provisions of IFRS 7 Financial Instruments: Disclosures for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of financial instruments traded in active markets 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. These instruments are included in level 1. Instruments included in level 1 comprise equity investments quoted on a recognised stock exchange that are classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.
– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

The following table presents the Group's assets and liabilities that are measured at fair value. Refer to note 16 for disclosures of generation plant that is measured at fair value.

	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*	Total balance *$'000*
At 31 March 2018				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - electricity CFDs	–	1,693	–	1,693
– Trading derivatives - forward FX contracts	–	864	–	864
Available-for-sale financial assets				
– Equity securities	830	–	–	830
Total assets	**830**	**2,557**	–	**3,387**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	11,614	–	11,614
– Trading derivatives - electricity CFDs	–	347	–	347
Total liabilities	–	**11,961**	–	**11,961**
At 31 March 2017				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	81	–	81
– Trading derivatives - electricity CFDs	–	1,811	–	1,811
– Biological assets	–	1,138	–	1,138
– Investment properties	–	380	–	380
Available-for-sale financial assets				
– Equity securities	719	–	–	719
Total assets	**719**	**3,410**	**–**	**4,129**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	9,760	–	9,760
Total liabilities	**–**	**9,760**	**–**	**9,760**

There were no transfers between levels 1, 2 and 3 during the above years.

(e) Financial instruments by category

FINANCIAL ASSETS as per balance sheet	Loans and receivables $'000	Assets at fair value through through profit or loss $'000	Available for sale financial assets $'000	Other $'000	Total $'000
At 31 March 2018					
Available for sale financial assets	–	–	830	–	830
Derivative financial instruments - electricity CFDs	–	1,693	–	–	1,693
Derivative financial instruments - forward foreign exchange contracts	–	864	–	–	864
Trade and other receivables	6,879	–	–	–	6,879
Other financial assets	–	–	–	2,257	2,257
Cash and cash equivalents	150	–	–	–	150
	7,029	**2,557**	**830**	**2,257**	**12,673**
At 31 March 2017					
Available for sale financial assets	–	–	719	–	719
Derivative financial instruments - electricity CFDs	–	1,811	–	–	1,811
Derivative financial instruments - interest rate swaps	–	81	–	–	81
Trade and other receivables	6,809	–	–	–	6,809
Other financial assets	–	–	–	2,387	2,387
Cash and cash equivalents	83	–	–	–	83
	6,892	**1,892**	**719**	**2,387**	**11,890**

FINANCIAL LIABILITIES as per balance sheet	Financial liabilities at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
At 31 March 2018			
Borrowings	–	156,788	156,788
Derivative financial instruments - interest rate swaps	11,614	–	11,614
Derivative financial instruments - electricity CFDs	347	–	347
Trade and other payables	–	9,794	9,794
	11,961	**166,582**	**178,543**
At 31 March 2017			
Borrowings	–	145,336	145,336
Derivative financial instruments - interest rate swaps	9,760	–	9,760
Trade and other payables	–	6,302	6,302
	9,760	**151,638**	**161,398**

4 : Revenue

From continuing operations	**2018** $'000	2017 $'000
Electricity line revenue	50,906	50,319
Network line charge discount	(5,245)	(5,191)
Capital contributions	1,205	1,017
Electricity sales	17,494	14,968
Contracting services	2,445	3,687
Farming income	1,895	1,857
Other revenue	364	346
Total revenue from continuing operations	**69,064**	**67,003**

There were no discontinued operations during the periods reported in these financial statements.

5 : Expenses

	2018 $'000	2017 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	4,738	3,027
Employee benefits expense	14,469	14,879
Other expenses	9,810	9,839
Transmission charges	5,156	5,204
Impairment charges	588	–
	34,761	**32,949**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	7,564	7,278
Generation plant	7,472	6,361
Resource consents	167	167
Plant and equipment	760	705
Vehicles	630	663
Buildings	111	109
Total depreciation	**16,704**	**15,283**
Amortisation		
Software	199	140
Total amortisation	**199**	**140**
Total depreciation and amortisation	**16,903**	**15,423**
Net loss (gain) on disposal of property, plant and equipment	**118**	**1,371**
Rental expense relating to operating leases		
Minimum lease payments	1,070	1,018
Employee benefit expense		
Wages and salaries, including restructuring costs and termination benefits	13,660	14,206
ACC levies and employee medical insurance	404	274
Pension costs - defined contribution plans	405	399
	14,469	**14,879**

Auditors' fees

The following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2018 $'000	2017 $'000
Audit services		
Audit of the financial statements - Deloitte Limited	123	125
Total remuneration for audit services	**123**	**125**
Other assurance services		
Audit of regulatory statements - Deloitte Limited	59	58
Audit of Unique Emissions Factor - Deloitte Limited	–	15
Total remuneration for other assurance services	**59**	**73**
Total remuneration for assurance services	**182**	**198**

6 : Fair value gains / (losses) on financial assets

	2018 $'000	2017 $'000
Net (loss) gain on interest rate swaps	(1,936)	4,594
Net (loss) gain on electricity Contract For Differences	(465)	1,811
Net gain on forward foreign currency contracts	863	–
Fair value adjustment to investment property	–	5
	(1,538)	**6,410**

(a) Revaluations of investment property

The investment properties were revalued as at 31 March 2017. The Group ceased to hold investment properties during the reporting period ended 31 March 2018. Further information is provided at note 20.

7 : Income tax expense

(a) Income tax expense

	2018 *$'000*	2017 *$'000*
Current tax		
Current tax on profits for the year	3,478	2,252
Adjustments in respect of prior years	11	131
Total current tax	**3,489**	**2,383**
Deferred tax		
Origination and reversal of temporary differences	(1,698)	9,054
Exclude: element arising on fixed asset revaluation	–	(6,895)
Under (over) provided in prior years	(15)	(6)
Total deferred tax	**(1,713)**	**2,153**
Income tax expense / (benefit)	**1,776**	**4,536**
Income tax expense is attributable to:		
Profit from continuing operations	1,776	4,536
Aggregate income tax expense	**1,776**	**4,536**
Deferred income tax expense (benefit) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 21)	(970)	–
Increase (decrease) in deferred tax liabilities (note 27)	(743)	2,153
	(1,713)	**2,153**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 *$'000*	2017 *$'000*
Profit from continuing operations before income tax expense	7,495	16,528
	7,495	**16,528**
Tax at the New Zealand tax rate of 28% (2017: 28%)	2,099	4,628
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenditure	18	68
Income not subject to tax	(337)	(285)
Other reconciling items		
Adjustment in respect of prior years	(4)	125
Income tax expense	**1,776**	**4,536**

(c) Tax charge relating to components of other comprehensive income

The tax charge relating to components of other comprehensive income is as follows:

	Before tax $'000	Tax (expense) / benefit $'000	After tax $'000
31 March 2018			
Fair value gains:			
Changes in fair value of available for sale financial assets	(24)	–	(24)
Other comprehensive income	**(24)**	**–**	**(24)**
31 March 2017			
Fair value gains:			
Revaluation of generation plant	26,474	(7,413)	19,061
Reversal of revaluation surplus on disposal of revalued assets	(1,849)	518	(1,331)
Changes in fair value of available for sale financial assets	15	–	15
Other comprehensive income	**24,640**	**(6,895)**	**17,745**

8 : Current assets – Cash and cash equivalents

	2018 *$'000*	2017 *$'000*
Cash on hand	1	1
Bank balances	2	82
Deposits at call	147	–
	150	**83**

(a) Reconciliation to cash at the reporting date

Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:

	2018 *$'000*	2017 *$'000*
Balances as above	150	83
Bank overdrafts (note 23)	(134)	–
Cash and cash equivalents	**16**	**83**

(b) Deposits at call

The deposits at call represent amounts set aside under the Construction Contracts Amendment Act 2015 to settle retention liabilities at various future dates.

9 : Current assets – Trade and other receivables

	2018 $'000	2017 $'000
Net trade receivables		
Trade debtors	7,454	7,345
GST receivable	214	–
Provision for doubtful receivables	(575)	(536)
Net trade receivables	**7,093**	**6,809**
Prepayments		
Sundry prepayments	734	693
Accrued income	88	75
	822	**768**
Total current receivables	**7,915**	**7,577**

(a) Impaired receivables

	2018 $'000	2017 $'000
Movements in the provision for impairment of trade receivables are as follows:		
At 1 April	536	331
Provision for impairment arising during the year	–	170
Provision for impairment released in the year	(8)	–
Charge (credit) to profit and loss during the period	47	35
At 31 March	**575**	**536**

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The other classes within trade and other receivables do not contain impaired assets.

(b) Foreign exchange and interest rate risk

A summarised analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk can be found in note 3.

(c) Fair value and credit risk

Due to the short term nature of trade receivables, their carrying value is assumed to approximate to their fair value.

10 : Current assets – Inventories

	2018 $'000	2017 $'000
Raw materials		
Raw materials at cost	1,267	985
Construction work in progress		
Contract costs incurred and recognised profits less recognised losses	245	208
Progress billing	(1,210)	(827)
	302	**366**

11 : Current assets – Current tax benefit

	2018 *$'000*	2017 *$'000*
Tax benefit of losses	27	101
	27	**101**

12 : Current assets – Available for sale financial assets

	2018 *$'000*	2017 *$'000*
At 1 April	–	–
Reclassification of non current available-for-sale financial assets	830	–
At 31 March	**830**	**–**

The available-for-sale financial assets at 31 March 2018 comprise 140,473 shares in Fonterra Co-operative Group Ltd ('Fonterra'). Fonterra's shares are quoted on the New Zealand stock exchange. It is a requirement of the supply contract with Fonterra that the supplier holds sufficient Fonterra shares in order to be able to supply the contracted volume of milk. The Group has made further purchases of shares during the years ended 31 March 2018 and 2017 in order to meet its obligations. However, as a result of the intended sale of a Group company's property, plant and equipment, these available-for-sale financial assets have been reclassified as current.

13 : Current assets – Intangible assets

	2018 *$'000*	2017 *$'000*
Emission Trading Scheme Units	361	158
	361	**158**

The Emission Trading Scheme Units have been purchased to settle the Group's liabilities under the Scheme and are held in the Group's account at the Registry. They will be surrendered in the May following the end of the calendar year in which the liability arises.

The Units are held at cost on the grounds that it is not the Group's intention to dispose of them other than in settlement of its ETS liabilities.

The Group entered into forward contracts for the purchase of 150,000 NZUs, with a value of $3,504,000, during the reporting period ended 31 March 2018. Settlement of these contracts is due in April 2021.

14 : Derivative financial instruments

	2018 $'000	2017 $'000
Current assets		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	368	–
Electricity Contract for Differences - see below ((a)(iii))	1,631	1,529
Total current derivative financial instrument assets	**1,999**	**1,529**
Non-current assets		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	496	–
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	–	81
Electricity Contract For Differences - see below ((a)(iii))	62	282
Total non-current derivative financial instrument assets	**558**	**363**
Total derivative financial instrument assets	**2,557**	**1,892**
Current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	879	404
Total current derivative financial instrument liabilities	**879**	**404**
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	10,735	9,356
Electricity Contract For Differences - see below ((a)(iii))	347	–
Total non-current derivative financial instrument liabilities	**11,082**	**9,356**
Total derivative financial instrument liabilities	**11,961**	**9,760**
Net (liabilities) in relation to derivative financial instruments	**(9,404)**	**(7,868)**

For further information refer to note 2(i)

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

During the year ended 31 March 2018 Top Energy Ltd entered into a series of forward foreign exchange contracts denominated in US Dollars in respect of future capital equipment purchases by the Group to manage the exposure relating to the expansion of the Ngawha generation plant. The original principal amounts totalled US$33,127,000 which, at the committed contract exchange rates, equated to NZ$44,847,000. When translated at the closing spot rate on 31 March 2018, the NZ Dollar equivalent of the remaining US Dollar commitment (US$32,585,000) was NZ$44,116,000. The remaining contracts mature during the years ending 31 March 2019 and 2020.

The difference arising from exchange rate movements, which has been adjusted for the credit risk arising in the Group from these transactions, is included in 'fair value gains and losses on financial assets' in the profit or loss component of the statement of comprehensive income. These contracts are subject to the same risk management policies as all other derivative contracts. See note 3 for details.

(ii) Interest rate swaps

Top Energy Ltd has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates in respect of the notional principal amount of each contract. At 31 March 2018 the notional principal amount of current contracts totalled $286,000,000 (31 March 2017: $168,000,000). At 31 March 2018 the Parent had committed to enter into 12 (31 March 2017: 7) contracts, with a total notional principal value of $156,000,000 (2017: $38,000,000), to replace future maturing contracts.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

(iii) Electricity Contract for Differences

The Group has entered into electricity Contract For Differences (CFDs) under which it receives a fixed amount based on a notional quantity of electricity generation. At 31 March 2018, the notional amount of current contracts totalled $29,256,000 (31 March 2017: $22,123,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month. The contracts are settled on a net basis under a Power Purchase Agreement as described in note 3(a)(iv).

(b) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. Details of the Group's exposure to credit risk are given at note 3(b).

15 : Current assets – Non current assets classified as held for sale

	2018 *$'000*	2017 *$'000*
Land	3,210	–
Buildings	700	–
Plant and equipment	260	–
Total	**4,170**	**–**

The above assets are the subject of a sale and purchase agreement that was being negotiated at the 31 March 2018 reporting date. A further group of assets, with a carrying value of $402,000 at 31 March 2018, were reclassified as held for sale at that date, at a fair value equal to their contractual disposal price of $1. The purchaser is not a related party to any entity within the Group.

16 : Non-current assets – Property, plant and equipment

	Distribution system $'000	Capital work in progress $'000	Generation plant $'000	Resource consents $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Buildings $'000	Total $'000
Year ended 31 March 2017									
Opening net book amount	196,803	9,705	153,276	5,667	2,264	2,858	12,138	2,243	384,954
Additions	14,547	23,992	42	–	1,298	435	2	344	40,660
Disposals	(196)	–	–	–	(20)	(406)	(527)	(326)	(1,475)
Transfers and reclassifications	4,005	(4,801)	–	1	9	(4)	–	–	(790)
Depreciation charge	(7,564)	–	(7,472)	(167)	(760)	(630)	–	(111)	(16,704)
Depreciation released on disposals	71	–	–	–	16	321	–	31	439
Impairment adjustment (charge) recognised in profit and loss	–	–	–	–	128	–	(801)	85	(588)
Transfers to disposal group classified as held for sale	–	–	–	–	(260)	–	(3,210)	(490)	(3,960)
Closing net book amount	**207,666**	**28,896**	**145,846**	**5,501**	**2,675**	**2,574**	**7,602**	**1,776**	**402,536**
At 31 March 2018									
Cost	374,634	28,896	891	5,834	11,571	9,528	7,602	2,457	441,413
Valuation	–	–	152,427	–	–	–	–	–	152,427
Accumulated depreciation	(166,968)	–	(7,472)	(333)	(8,896)	(6,954)	–	(681)	(191,304)
Net book amount	**207,666**	**28,896**	**145,846**	**5,501**	**2,675**	**2,574**	**7,602**	**1,776**	**402,536**
At 1 April 2016									
Cost	341,950	9,661	6,085	5,335	9,883	9,315	11,992	2,765	396,986
Valuation	–	–	146,822	–	–	–	–	–	146,822
Accumulated depreciation	(152,260)	–	(16,953)	(329)	(7,544)	(6,242)	–	(524)	(183,852)
Net book amount	**189,690**	**9,661**	**135,954**	**5,006**	**2,339**	**3,073**	**11,992**	**2,241**	**359,956**
Year ended 31 March 2017									
Opening net book amount	189,690	9,661	140,960	–	2,339	3,073	11,992	2,241	359,956
Additions	8,044	8,296	1,067	–	610	506	146	112	18,781
Disposals	(169)	–	(1,578)	–	(25)	(315)	–	(1)	(2,088)
Transfers and reclassifications	6,454	(8,252)	(5,858)	5,834	24	–	–	–	(1,798)
Depreciation charge	(7,278)	–	(6,361)	(167)	(705)	(663)	–	(109)	(15,283)
Depreciation released on disposals	62	–	421	–	21	257	–	–	761
Revaluation of generation plant	–	–	26,474	–	–	–	–	–	26,474
Reversal of previous revaluation on disposals	–	–	(1,849)	–	–	–	–	–	(1,849)
Closing net book amount	**196,803**	**9,705**	**153,276**	**5,667**	**2,264**	**2,858**	**12,138**	**2,243**	**384,954**
At 31 March 2017									
Cost	356,278	9,705	849	5,834	10,561	9,505	12,138	2,876	407,746
Valuation	–	–	152,427	–	–	–	–	–	152,427
Accumulated depreciation	(159,475)	–	–	(167)	(8,297)	(6,647)	–	(633)	(175,219)
Net book amount	**196,803**	**9,705**	**153,276**	**5,667**	**2,264**	**2,858**	**12,138**	**2,243**	**384,954**

(a) Critical accounting estimates and assumptions

The Group considers annually whether the carrying values of its property, plant and equipment are supportable, based on their expected value-in-use or fair value as detailed below.

The carrying value of the distribution network at 31 March 2018 did not exceed its Regulatory Asset Basis value as defined in the Electricity Distribution Information Disclosure Determination 2012.

The external valuation of the generation plant was performed as at 31 March 2017 using an approach based principally on discounted predicted future cash flows over a 10 year period to 31 March 2027. The forecasts included estimates of future revenues, operating costs, capital expenditure, tax depreciation charges, working capital movements and tax payments.

In setting the expected useful lives of the assets that comprise the Ngawha power station, it has been assumed that the necessary resource consents, which have a fixed life, will be renewed prior to their expiry. Under the terms of a new resource consent and a subsequent variation issued in June 2017, the consent was granted for 35 years from the date of the variation, so will now expire in June 2052.

(b) Valuation of generation plant

Independent valuations of the Group's generation plant were performed by valuers to determine its fair value as at 31 March 2017. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 30).

The carrying amount of the generation plant that would have been recognised at 31 March 2018 had those assets been carried under the cost model is $60,044,000 (31 March 2017: $62,917,000).

(c) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Groupís generation plant assets. As at 31 March 2017, the fair values of the generation plant assets were determined by a specialist team within PricewaterhouseCoopers, Auckland.

The size and nature of the electricity generation plant is such that there have been no directly comparable disposals within New Zealand, consequently the valuations were performed using unobservable inputs. The principal factors as determined by the external valuers are set out in the following table.

(d) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 March 2017 *($'000)*	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Generation plant	152,427	Discounted cash flow	Projected Wholesale Price Path (revenue) taking into consideration ASX futures prices and the Ministry of Business, Innovation and Employment's November 2016 price path forecast. Consideration has also been given to the possibility of the Tiwai smelter closure.	The higher the revenue, the higher the fair value
			Operating Costs, taking into account management's experience and knowledge of the asset's condition and required maintenance plans.	The higher the operating costs, the lower the fair value
			Capital expenditure, taking into account management's experience and knowledge of the asset's condition.	The higher the capital expenditure, the lower the fair value
			Weighted average cost of capital, determined using a Capital Asset Pricing Model WACC of 7.9%.	The higher the weighted average cost of capital, the lower the fair value
			Terminal growth rate	The higher the terminal growth rate, the higher the fair value

Sensitivities

The valuation is most sensitive to a change in revenue driven by a change in the wholesale price path and WACC. A 5% movement in revenue and the WACC changes the mid-point valuation by approximately 8% and 7% respectively. The valuation is moderately sensitive to movements in operating costs. The average impact on the mid-point valuation of a movement of 5% in operating costs is 3%. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure. The average impact on the mid point valuation of a multiplicative movement of 5% in those variables is less than 1% on value.

(e) Capitalised borrowing costs

Capital work in progress during the periods reported above includes capital projects which have an expected cost in excess of $500,000 and a planned duration of longer than three months. Interest on borrowings raised to finance those projects has been capitalised. The amount capitalised by the Group during the year ended 31 March 2018 was $289,000 (2017: $107,000).

Interest capitalised was at the average rate of 2.7% for the year ended 31 March 2018 (2017: 2.9%).

17 : Non-current assets – Intangible assets

	Goodwill $'000	Computer software $'000	Easements $'000	Emission Trading Scheme units $'000	Total $'000
Year ended 31 March 2018					
Opening net book amount	811	322	6,408	2,229	9,770
Additions	–	196	515	–	711
Transfers from Capital work in progress	–	–	797	–	797
Reclassification between current and non-current ETS units	–	–	–	(333)	(333)
Amortisation charge	–	(199)	–	–	(199)
Closing net book amount	**811**	**319**	**7,720**	**1,896**	**10,746**
At 31 March 2018					
Cost	811	4,979	7,720	1,896	15,406
Accumulated amortisation	–	(4,660)	–	–	(4,660)
Net book amount	**811**	**319**	**7,720**	**1,896**	**10,746**
At 1 April 2016					
Cost	811	4,533	3,678	1,878	10,900
Accumulated amortisation	–	(4,321)	–	–	(4,321)
Net book amount	**811**	**212**	**3,678**	**1,878**	**6,579**
Year ended 31 March 2017					
Opening net book amount	811	212	3,678	1,878	6,579
Additions	–	250	932	–	1,182
Transfers from Capital work in progress	–	–	1,798	–	1,798
Reclassification between current and non-current ETS units	–	–	–	351	351
Amortisation charge	–	(140)	–	–	(140)
Closing net book amount	**811**	**322**	**6,408**	**2,229**	**9,770**
At 31 March 2017					
Cost	811	4,783	6,408	2,229	14,231
Accumulated amortisation	–	(4,461)	–	–	(4,461)
Net book amount	**811**	**322**	**6,408**	**2,229**	**9,770**

For further details of the Emission Trading Scheme units refer to note 13.

(a) Allocation of goodwill between cash-generating units

Goodwill is allocated to the following of the Group's cash-generating units (CGUs):

	Ngawha Generation Ltd $'000	Total $'000
At 31 March 2018		
Cost at 1 April 2017	811	811
At 31 March 2018	**811**	**811**
At 31 March 2017		
Cost at 1 April 2016	811	811
At 31 March 2017	**811**	**811**

(b) Impairment testing of goodwill

As described in Note 2(q), goodwill is tested at least annually for impairment. An impairment arises where the goodwill's carrying value exceeds its recoverable amount.

Critical accounting estimates and assumptions

The goodwill recoverable amounts are based on value-in -use calculations. Those calculations use cash flow and profit projections based on budgets approved by management to 31 March 2024, and a post-tax discount rate of 8.1% (2017: 7.9%). At 31 March 2018 and 2017 the calculations support the carrying amounts of recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculations would not cause the current carrying amount to exceed its recoverable amount.

18 : Non-current assets – Biological assets

Movements in the Group's biological assets are as follows:

	2018 *$'000*	2017 *$'000*
Carrying amount at 1 April	1,138	546
Disposals	(682)	(116)
(Loss) gain arising from changes in fair value less estimated costs to sell	(456)	708
Carrying amount at 31 March	**–**	**1,138**

At 1 April 2016 the Group's biological assets comprised 55 hectares of forestry plantation with an estimated market value of $546,000. Of this, 49 hectares were owned by Top Energy Ltd and 6 hectares were owned by Grazing North Ltd. During the year to 31 March 2017, Top Energy Ltd entered into a contract with NZ Forestry Ltd for the felling and sale of its forestry block. The work under that contract commenced in February 2017. The valuation of that block at 31 March 2017 was calculated by NZ Forestry Ltd by reference to the volume of timber cut and sold in the period up to the reporting date, and their estimate of the volume of timber remaining to be cut. The Grazing North Ltd forestry block was valued at 31 March 2017 at cost, on the grounds that this approximated to fair value.

During the year to 31 March 2018 NZ Forestry Ltd completed the felling and sale of the Top Energy Ltd forestry block. The Group then entered into a further contract with NZ Forestry Ltd, for the felling and sale of the Grazing North Ltd block. This work was completed in December 2017. Accordingly, the Group owned no biological assets at the 31 March 2018 reporting date.

19 : Non-current assets – Available-for-sale financial assets

	2018 *$'000*	2017 *$'000*
At 1 April	719	597
Additions	135	107
Net (loss) gain transferred to equity	(24)	15
Carrying value at 31 March 2018 reclassified as current assets	(830)	–
At 31 March	**–**	**719**

The available-for-sale financial assets at 31 March 2018 comprise 140,473 shares (2017: 118,592 shares) in Fonterra Co-operative Group Ltd ('Fonterra'). Fonterra's shares are quoted on the New Zealand stock exchange. It is a requirement of the supply contract with Fonterra that the supplier holds sufficient Fonterra shares in order to be able to supply the contracted volume of milk. The Group has made further purchases of shares during the years ended 31 March 2017 and 2018 in order to meet its obligations.

The shares are carried at fair value. In this context, fair value means the quoted market price at the reporting date. Gains or losses resulting from changes in fair value are included in other comprehensive income and transferred to equity.

As detailed in note 15, the Group is intending to sell its holding of Fonterra Co-operative Group shares to the same party that intends to purchase certain property, plant and equipment, at the market price prevailing 5 days prior to the date of settlement. Consequently, the conditions for treating the Fonterra shares as non-current available-for-sale financial assets cease to apply and the holding has been reclassified as a current asset. There is no effect on the fair value of the shareholding from this reclassification.

The maximum exposure to market risk at the reporting date is the carrying value of the securities classified as available for sale.

Critical judgements regarding impairment of available for sale equity investments

The Group follows the guidance of NZ IAS 39 Financial Instruments: Recognition and Measurement to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. It also evaluates the financial health of, and short-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $112,000 in its 2018 financial statements (2017: $88,000), being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the profit or loss component of the statement of comprehensive income.

20 : Non-current assets – Investment properties

	2018 $'000	2017 $'000
At fair value		
Opening balance at 1 April	**380**	**462**
Transfer (to) from inventories and owner occupied property	(170)	–
Net gain from fair value adjustment	–	5
Classified as held for sale or disposal	(210)	–
Disposals	–	(87)
Closing balance at 31 March	–	**380**

(a) Valuation basis

The investment properties were valued as at 31 March 2017 by Telfer Young, registered valuers and associates of the New Zealand Institute of Valuers, at a total value of $380,000. The valuers have recent experience in the location and category of the investments being valued.

The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

Effective 30 June 2017 the use of one of the two investment properties changed to being owner-occupied by the Group. Consequently it was transferred into the buildings category of property, plant and equipment at its fair value at the time. The value was reviewed by Telfer Young and was unchanged from its previously assessed market value at 31 March 2017.

The Group's investment property is part of the group of assets that is being held for sale. Consequently at 31 March 2018 it no longer fulfils the definition of an investment property. It has therefore been included in the pool of non-current assets held for sale at that date, at its agreed sale value.

(b) Leasing arrangements

At the 31 March 2018 reporting date the Group owned one property which was let for residential purposes on an open tenancy basis whereby the landlord can give 90 days' notice of termination to the tenant and the tenant can give 30 days' notice of vacation to the landlord.

At the 31 March 2017 reporting date the Group owned two investment properties. Those properties were let for residential purposes on the same basis as above. In all cases the rents charged have been at market rate throughout the periods presented in these financial statements. The rents charged are market rates.

21 : Non-current assets – Deferred tax assets

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Fixed assets	36	–
Total deferred tax assets	**36**	**–**
Movements		
At 1 April	–	–
Credited (charged) to the income statement	36	–
At 31 March	**36**	**–**
Expected settlement		
Deferred tax assets to be recovered within 12 months	36	–
	36	–

22 : Current liabilities – Trade and other payables

	2018 *$'000*	2017 *$'000*
Trade payables	8,392	4,669
GST payable	–	324
ACC levies, PAYE and other payroll taxes	291	200
Payroll creditors	1,111	1,109
Accruals	2,858	2,089
	12,652	**8,391**

Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated wholly in New Zealand dollars at both reporting dates. Consequently, the Group bears no foreign currency risk in this regard.

23 : Current liabilities – Interest-bearing liabilities

	2018 *$'000*	2017 *$'000*
Bank overdrafts	134	–
Total interest bearing bank borrowings	134	–
Loan from parent entity	1,554	1,576
Total other interest bearing borrowings	1,554	1,576
Total current interest bearing borrowings	**1,688**	**1,576**

The Group's borrowings are subject to negative pledges given to its bankers. Details are provided at note 26.

24 : Current liabilities – Current tax liabilities

	2018 *$'000*	2017 *$'000*
Income tax payable	1,470	686
	1,470	**686**

25 : Current liabilities – Provisions

	2018 *$'000*	2017 *$'000*
Employee benefits	384	478
	384	**478**

The provision for employee benefits relates to entitlements to retirement gratuity payments under a scheme that ceased to be available to new employees more than 20 years ago. The provision has been calculated as the present value of expected future payments to be made in respect of services provided by eligible employees up to the reporting date, using those employees' current wage and salary levels. The provision represents the full entitlement of those qualifying employees who have reached the age of 50 by the balance date, plus a percentage of the full entitlement of those employees who have not yet attained the qualifying age by the reporting date.

26 : Non-current liabilities – Interest-bearing liabilities

	2018 *$'000*	2017 *$'000*
Bank loans	155,100	143,760
Total non-current interest bearing liabilities	**155,100**	**143,760**

(a) Liabilities subject to a negative pledges given over assets

Total liabilities (both current and non-current) in respect of which negative pledges have been given to the Group's bankers by all Group companies are as follows:

	2018 *$'000*	2017 *$'000*
Bank overdrafts and bank loans	155,234	143,760
Total liabilities covered by negative pledges	**155,234**	**143,760**

(b) Banking covenants

The bank loans and overdraft are subject to identical negative pledges given to both of the Group's banks. The pledges impose certain covenants on a "Guaranteeing Group". The Guaranteeing Group comprises all Group companies at 31 March 2018. Each negative pledge states that the Guaranteeing Group will not provide security over 5% or greater of its total tangible assets to a third party in preference to either the Bank of New Zealand Limited or the Australia and New Zealand Banking Group Ltd (as applicable) and will ensure that the following financial ratios are met:

(i) debt will not exceed 60% of the aggregate of the total debt plus shareholders' funds of the Group; and

(ii) borrowing costs will not exceed 40% of Group earnings before borrowing costs, taxation, depreciation and amortisation, and unrealised gains or losses from foreign exchange, interest rate swaps, futures and options ("EBITDAF"); and

(iii) total tangible assets of the Guaranteeing Group will not be less than 90% of the total tangible assets of the Group.

All of the above covenants were complied with throughout the year.

27 : Non-current liabilities – Deferred tax liabilities

	2018 *$'000*	2017 *$'000*
The balance comprises temporary differences attributable to:		
Property, plant and equipment	52,316	53,044
Intangible assets	(24)	(59)
Financial assets at fair value through profit or loss	(2,875)	(2,203)
Other temporary differences	(753)	(441)
Net deferred tax liabilities	**48,664**	**50,341**
Movements		
Balance at 1 April	50,341	41,293
Charged / (credited) to profit or loss	–	2,153
Tax charged directly to equity (note 7)	(1,677)	6,895
Closing balance at 31 March	**48,664**	**50,341**
Expected maturity of deferred tax liabilities		
Within 12 months	(570)	(126)
In excess of 12 months	49,234	50,467
	48,664	**50,341**

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2018 and 2017.

28 : Imputation credits

	2018 *$'000*	2017 *$'000*
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2017: 28%)	11,718	8,172

The above amounts represent the aggregate balances of the individual entities' imputation accounts as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax;
b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

29 : Contributed equity

(a) Share capital

	2018 Shares 000s	2017 Shares 000s	2018 $'000	2017 $'000
Ordinary shares				
Authorised, issued and fully paid	25,000	25,000	25,267	25,267
Total contributed equity			**25,267**	**25,267**

(b) Ordinary shares

The entire share capital of Top Energy Ltd is held by the current Chair of the Trustees of the Top Energy Consumer Trust, for the benefit of those electricity customers who are connected to the Company's distribution network.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, in order to continue to provide returns for shareholders and to maintain an optimal capital structure to minimise the Group's cost of capital.

In order to maintain or adjust the capital structure, Top Energy Ltd may adjust the amount of dividends paid to its shareholder, may return capital to the shareholder, and may sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

- Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents.
- Total capital is calculated as 'equity' as shown in the statement of financial position (excluding any minority interest) plus net debt. Total capital excludes the valuation of derivatives at the reporting date.

During the years ended 31 March 2018 and 2017 the Group's strategy was to maintain a gearing ratio of less than 60%.The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	2018 $'000	2017 $'000
Total borrowings	157,767	146,170
Less: cash and cash equivalents (note 8)	(150)	(83)
Net debt	**157,617**	**146,087**
Total equity	**197,711**	**192,146**
Exclude: derivatives at valuation	9,404	7,868
Exclude: available-for-sale financial assets cumulative valuation movement	112	88
Total capital	**364,844**	**346,189**
Gearing ratio	**43%**	**42%**

30 : Reserves and retained earnings

(a) Reserves

	2018 *$'000*	2017 *$'000*
Property, plant and equipment revaluation reserve	64,006	67,300
Available-for-sale investments revaluation reserve	(112)	(88)
	63,894	**67,212**
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	67,300	49,570
Revaluation - surplus before tax	–	26,474
Deferred tax on the revaluation surplus	–	(7,413)
Depreciation transfer - gross	(4,575)	–
Deferred tax on the amount released from reserve	1,281	–
Reversal of revaluation surplus on assets written off	–	(1,849)
Deferred tax released on write-down	–	518
Balance at 31 March	**64,006**	**67,300**
Available-for-sale investments revaluation reserve		
Balance at 1 April	(88)	(103)
Fair value gain (loss) in the year	(24)	15
Balance at 31 March	**(112)**	**(88)**

(b) Retained earnings

Movements in retained earnings were as follows:

	2018 *$'000*	2017 *$'000*
Balance at 1 April	99,667	87,840
Net profit for the year	5,719	11,992
Dividends	(130)	(165)
Net transfer from revaluation reserve	3,294	–
Balance at 31 March	**108,550**	**99,667**

31 : Dividends

(a) Ordinary shares

	2018 *$'000*	2017 *$'000*
Dividend of 0.52 cents per ordinary share paid on 27 March 2018	130	–
Dividend of 0.66 cents per ordinary share paid on 28 March 2017	–	165
Total dividends provided for or paid	**130**	**165**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 27 March 2018 and 28 March 2017 were not imputed.

32 : Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2018:

(i) Chairman – non-executive

- Mr Murray Bain (resigned as a non-executive director and as Chairman on 28 February 2018)
- Mr Richard Krogh (appointed as Interim Chairman on 28 February 2018, Chairman on 29 May 2018).

(ii) Other non-executive directors

- Mr James Parsons
- Mr Gregory Steed
- Mr Paul White
- Mr Simon Young

(iii) Directors of other Group companies

The directors of Top Energy Ltd are also directors of Ngawha Generation Ltd and of Top Energy Ngawha Spa Ltd. Details of the remuneration of each director of the Top Energy Limited Group are set out in the following tables.

The names of those who have served as directors of other Group companies and, where applicable, details of their remuneration, are also given in the tables below.

	Cash salary and fees *$'000*	Total *$'000*
Year to 31 March 2018		
Directors of Top Energy Ltd		
– M Bain (to 28.2.2018)	85,500	85,500
– R Krogh	63,925	63,925
– J Parsons	55,409	55,409
– G Steed	55,409	55,409
– P White	48,475	48,475
– S Young	48,475	48,475
Directors of other Group companies		
– S James*	–	–
– R Kirkpatrick	48,475	48,475
– R Shaw*	–	–
Total	**405,668**	**405,668**
Year to 31 March 2017		
Directors of Top Energy Ltd		
– M Bain (from 1.5.2016)	84,333	84,333
– P Byrnes (to 28.6.2016)	21,750	21,750
– R Krogh	47,363	47,363
– J Parsons	50,205	50,205
– G Steed	54,114	54,114
– P White	47,363	47,363
– S Young	47,363	47,363
Directors of other Group companies		
– S James*	–	–
– R Kirkpatrick	47,363	47,363
– R Shaw*	–	–
Total	**399,854**	**399,854**

The directors of various subsidiary companies whose names are marked with * are employees of Top Energy Ltd and are remunerated by that company.

(a) Directors' interests in other entities

Each company within the Group maintains a register of its directors' interests in other entities. No director has declared a conflict of interest in respect of their interests in other entities.

33 : Contingencies

As at 31 March 2018 a "Guaranteeing Group" had executed identical deeds of pledge in favour of Bank of New Zealand Limited and Australia and New Zealand Banking Group Ltd. The Guaranteeing Group comprises all Group companies. Each deed of pledge imposes a liability on each subsidiary company within the Group, whereby each subsidiary is liable to repay the total debt of the Group should the Parent, as primary borrower, fail to meet its obligations under the funding agreement. The deed of pledge in favour of Australia and New Zealand Banking Group Ltd was executed on 29 July 2015. The deed of pledge in favour of Bank of New Zealand Ltd has been in place for many years.

The Group has provided performance bonds and guarantee bonds to unrelated third parties in respect of the costs of existing and potential future obligations arising from its business activities. It has also received bonds from unrelated third parties in respect of the amounts of retention monies and potential remedial costs arising from any non-performance by those third parties of their obligations. At 31 March 2018 the total value of contingent obligations entered into by the Group was $623,000 (2017: $450,000) and the total value of contingent receivables from third parties was $3,135,000 (2017: $305,000).

The Group has entered into a new funding arrangement with Australia and New Zealand Banking Group Ltd to provide funding for the expansion of the Ngawha generation plant. This funding arrangement is contingent on the Company resolving to proceed with the project, determined by the results of the current drilling programme and confirmation of the major business case inputs.

34 : Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2018 *$'000*	2017 *$'000*
Property, plant and equipment	45,234	6,423
	45,234	**6,423**

Of the capital commitments, $42,977,000 (2017: $2,444,000) relate to the Ngawha Generation subsidiary. The increase is related to the contracts entered into for the expansion of the Ngawha generation plant.

(i) Operating leases

The Top Energy Ltd Group has operating lease commitments for property and office equipment rentals. Operating leases held over properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor. Commitments for aggregate minimum payments under non-cancellable operating leases are as follows:

	2018 *$'000*	2017 *$'000*
Within one year	930	889
Later than one year but not later than five years	2,541	2,281
Later than five years	3,453	3,293
Total	**6,924**	**6,463**

(b) Purchases of Carbon Credits

The Group entered into forward contracts for the purchase of 150,000 NZUs, with a value of $3,504,000, during the reporting period ended 31 March 2018. Settlement of these contracts is due in April 2021.

35 : Related party transactions

(a) Parent entity

Top Energy Ltd is wholly owned by the Top Energy Consumer Trust ("the Trust"). During the year, Top Energy Ltd processed transactions on an agency basis on behalf of the Trust in order to settle the latter's routine business dealings.

The Company paid a dividend of $130,000 to the Trust during the year ended 31 March 2018 (2017: $165,000). These dividends were to assist with the Trust's running costs. The Company continued to pay interest to the Trust on the balance of funds loaned, totalling $40,000 in the year ended 31 March 2018 (2017: $43,000).

As at 31 March 2018, a balance of $1,554,000 was owed by the Company to the Trust (31 March 2017: $1,576,000) and this has been included in current liabilities in the statement of financial position. All transactions between the Company and the Trust are made on normal business terms.

(b) Directors

The names of persons who were directors of the company at any time during the financial year are given at note 32.

(c) Key management personnel remuneration

	Short-term benefits *$'000*	Post-employment benefits *$'000*	Other long-term benefits *$'000*	Termination benefits *$'000*	Total *$'000*
Year ended 31 March 2018	**4,775**	**125**	**88**	**128**	**5,116**
Year ended 31 March 2017	4,671	108	68	271	5,118

There were no contracts for share-based payments during the years ended 31 March 2018 and 2017.

(d) Other transactions with key management personnel or entities related to them

There were no transactions with key management personnel or entities related to them, other than the payment of remuneration, during the year ended 31 March 2018 (2017: none).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 37. All transactions between the Parent and its subsidiaries are made on normal business terms and have been eliminated on consolidation.

(f) Loan from Parent – The Top Energy Consumer Trust

Movements in the loan were as follows:

	2018 *$'000*	2017 *$'000*
Balance due to the Trust at 1 April	1,576	1,468
Loan advanced from (repaid to) the Trust	(62)	65
Interest charged by the Trust	40	43
Balance due to the Trust at 31 March	**1,554**	**1,576**

(g) Guarantees

Details of negative pledges made by the Group to its bankers are given at note 26.

(h) Terms and conditions

Outstanding balances between Group entities are unsecured and are repayable on demand.

36 : Business combinations

(a) Amalgamation

On 10 March 2017 Ngawha Spa Ltd was amalgamated into Top Energy Ltd using the short-form amalgamation process under the Companies Act 1993. Until the date of amalgamation, Ngawha Spa Ltd had been a wholly owned subsidiary of Top Energy Ltd. Ngawha Spa Ltd had no assets or liabilities at any time prior to the amalgamation. Ngawha Spa Ltd has been removed from the New Zealand register of companies.

37 : Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2018:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by the Parent *(%)*
Grazing North Ltd	New Zealand	Farming	100
Ngawha Generation Ltd	New Zealand	Electricity generation	100
Top Energy Ngawha Spa Ltd	New Zealand	Landholding	100

The companies listed above are directly-held subsidiaries of Top Energy Ltd. All subsidiary undertakings are included in the consolidation. The proportions of the voting rights in the subsidiary undertakings held directly by the Parent company do not differ from the proportion of ordinary shares held.

38 : Events occurring after the reporting period

In the opinion of the Directors, there are no events occurring after the reporting date which require disclosure in these financial statements.

39 : Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 *$'000*	2017 *$'000*
Profit for the year	**5,719**	**11,992**
Adjustments made for:		
Depreciation and amortisation	16,903	15,423
Impairment of fixed assets	588	–
Net loss (gain) on sale of non-current assets	118	1,371
Fair value (gain) loss on biological assets	456	(708)
Movement in provision for doubtful debts	39	205
Fair value (gains) losses on other financial assets at fair value through profit or loss	1,536	(6,410)
Changes in working capital:		
Decrease (increase) in trade debtors	(109)	(372)
Decrease (increase) in inventories	64	60
Decrease (increase) in other operating assets	76	283
Increase (decrease) in trade creditors	3,288	1,589
Increase (decrease) in other operating liabilities	665	(53)
Increase (decrease) in income taxes payable	784	456
Increase (decrease) in provision for deferred income tax	(1,639)	2,153
Net cash inflow from operating activities	**28,488**	**25,989**

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOP ENERGY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

The Auditor-General is the auditor of Top Energy Limited Group (the Group). The Auditor-General has appointed me, Andrew Burgess, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 27 to 63, that comprise the statement of financial position as at 31 March 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 11.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 12 June 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the performance information

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

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Chairman's and CEO's Reports, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of regulatory assurance, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Andrew Burgess
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

DIRECTORY

Principal business	Electricity generation and lines distribution business	
Directors	– Mr Richard Krogh	BE (Hons) MEngNZ CMInstD - Chairman
	– Mr James Parsons	Dip Hort Mgt
	– Mr Gregory Steed	BCom CA MInstD
	– Mr Paul White	BArch DBA MBS
	– Mr Simon Young	BBS MSc Dip Hort Sc M Phil (Econ)
Officers	– Mr Russell Shaw	B Eng (Hons) MSc C Eng FIET MEngNZ MInstD – Chief Executive
	– Mr Steven James	ACA – General Manager – Corporate Services
	– Mr Paul Doherty	BBS, CA – General Manager – Finance
Registered office	Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri	
Auditor	Andrew Burgess of Deloitte Limited on behalf of the Auditor-General	
Bankers	– Bank of New Zealand, Kaikohe	
	– Australia and New Zealand Banking Group Ltd., Auckland	
Website	**www.topenergy.co.nz**