TOP ENERGY
Te Puna Hihiko

Annual Report

2021-2022

CONTENTS

ABOUT US

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

With operations throughout the Far North, the Group is progressive and technically driven with interests in the areas of electricity generation and distribution

Top Energy is owned by the Top Energy Consumer Trust, on behalf of **33,000 power consumers connected to the company's network**

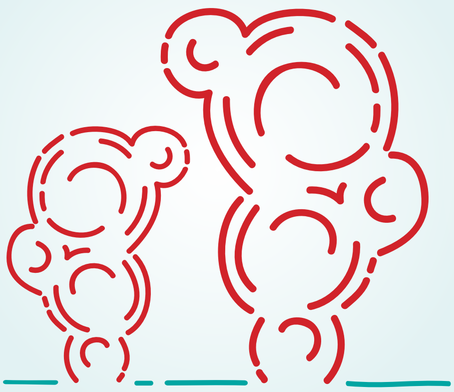
160

The Group employs **over 160 staff**

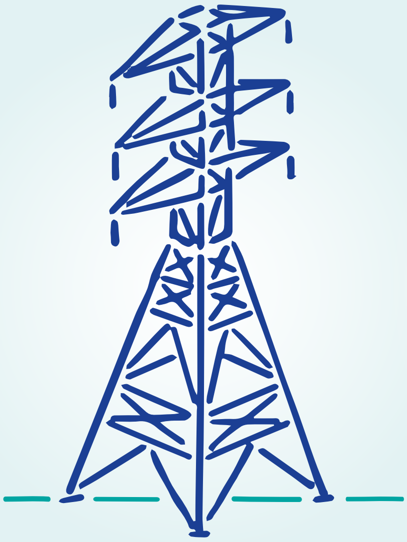
688.5
MILLION ($)

The Group manages assets of **more than $688.5 million**

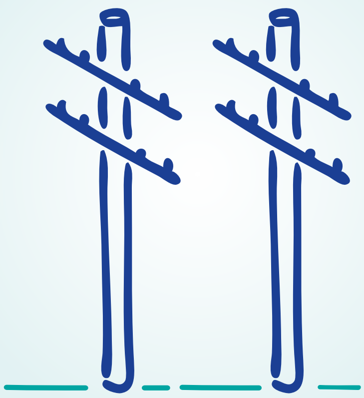
We are one company with a clear vision: powering growth in the Far North providing energy which meets the needs of our consumers



Geothermal electricity **generation** through our 100% owned subsidiary Ngāwhā Generation



Transmission and distribution lines **network**



Electrical reticulation **contracting**


ISUZU
0800 TOP ENERGY
FDL84

CHAIRMAN'S REPORT

'Lowering the total delivered cost of electricity for our consumers'

Business Performance

1
Lost time injury

92.9 MILLION ($)
Operating income

55.4 MILLION ($)
EBITDAF

688.5 MILLION ($)
Total assets

Rau rangatira mā, mai Te Hiku o Te Ika tae atu ki Wharekauri tēnā koutou.

I runga i ngā tini kaupapa o te wā, e mihi ana, e mihi ana, kua tau rā āku mihi.

Safety

The safety, health and wellbeing of our staff continues to be a significant focus, particularly with the ongoing presence of COVID-19 creating uncertainty and the changing face of the working environment. Some of our staff can work from home but many are out in the field, maintaining the network and ensuring a safe and reliable supply of electricity for those in our community who are working from home or isolating under COVID-19 restrictions.

Unfortunately, we had one lost-time injury (LTI) event, with a staff member off work for four days. This was the first staff LTI since 2017. We are pleased that it has been 18 months since our last contractor LTI. However, one LTI is still one too many, and the Board remains dedicated to promoting a high standard of safety.

Operating Earnings

It was our first full financial year following the commissioning of our 32MW geothermal expansion at Ngāwhā. In May 2021, after 5 months of operation, we experienced an early-life turbine bearing failure. Early-life failure of bearings is common, due to the immense stress that they are placed under during the commission tests that are required by the system operator. As this was a known risk, we had taken cover to mitigate this; however, this expired two weeks prior to the failure. The plant was out for 27 days, which coincided with very high wholesale prices, contributing to a $5.9m revenue loss. It was nevertheless even more impressive that EBITDAF for the year was $55.4m, exceeding budget by $2.0m.

Net profit after tax (NPAT) was $32.7m, a $77.1m improvement on last year. The fair value reporting of derivatives at balance date which impacted the last year results were partially unwound this year by $24.7m (net of tax).

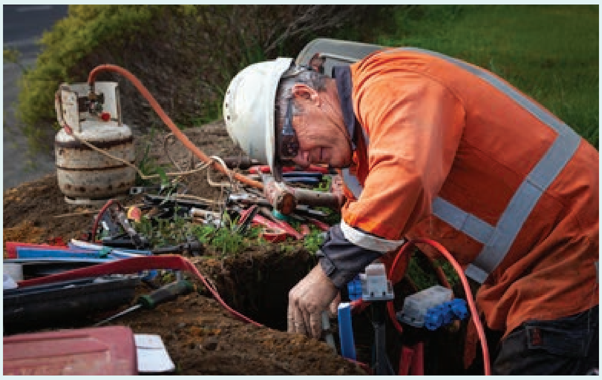
The largest contributor was the improvement in interest rate swaps with the recent interest rate increases. Electricity forward contracts remained at similar levels, with continual volatility and elevated prices in the electricity wholesale markets. The significant volatility in these non-cash numbers highlight the importance of the robust risk management practices we have adopted to provide certainty of future underlying profitability.

Industry Issues

In last year's report, it noted that we were seeking a longer-term exemption to own and operate the diesel generation assets to provide network support for the single line of supply to our Kaitaia consumers. The Electricity Authority has granted a further five years exemption, after which another market review of viable alternatives will be required.

After more than 12 years, and just prior to writing this report, the Electricity Authority released its final decision on the Transmission Pricing Methodology (TPM) which is to be implemented by Transpower on 1 April 2023. The final decision confirms that the Far North will now pay more for using the transmission assets, even with OEC4 commissioned. The final impact will be determined later this year; however, initial reports show that prices from 1 April 2022 would have been $4.2m (188%) higher under this new methodology if it had been implemented earlier. There is now a lot of work required to incorporate this into future pricing and to fairly allocate across all consumers.

Wholesale electricity prices continued to be high throughout most of the year, placing significant pressure on prices paid by our consumers. Of particular note was the absence of smaller retailers challenging the more dominant players and therefore reducing consumer opportunities to shop around. Higher prices are expected by the market for some time, with the continual gas uncertainty and the risk of a dry year. The Tiwai Smelter is likely to continue past 2024, which means that this surplus electricity will no longer be available in the market.



The push for more renewable energy has seen a significant opportunity arise for Northland, with Transpower consulting on Renewable Energy Zones (REZ) and the potential for a Northland pilot. With Northland having more than 2GW of new renewable generation enquiries, there is a unique opportunity to open up the transmission constraints and cater to the energy needs of 375,000 homes. We have been actively working with Transpower and Northpower and eagerly await the outcome of the consultation process.

Governance

With significant core electricity infrastructure assets that have an important role to play now, and in the future, the Board is committed to being transparent in our approach to governance.

Our annual review of the Board's Governance Code is included and is supported by a separate Sustainability Report. Our sustainability journey began when we adopted the United Nations Sustainable Development Goals in 2020.

We hope our first Sustainability Report gives our shareholders and stakeholders confidence that we have an exciting future as we, and the electricity sector, support the country's decarbonisation goals.

Looking Forward

The Board and management reviewed our future strategy during the year and updated our vision to "Enabling Northland to contribute to the decarbonisation challenge". I am pleased to report that the electricity network is in good shape, with capacity to support electrification.

The geothermal generator also has several opportunities to take part in increasing renewable generation. With these valuable assets, and by working closely with our shareholder, we continue to assess how we can best lower the total delivered cost of electricity for our consumers.

A Word of Thanks

It has been another challenging but successful year as we navigated a changing environment and increasing pressures. Regulatory uncertainty and the constant presence of COVID-19 have been overcome for another year. On behalf of the Board, I would like to thank all our team for their efforts and an excellent result.

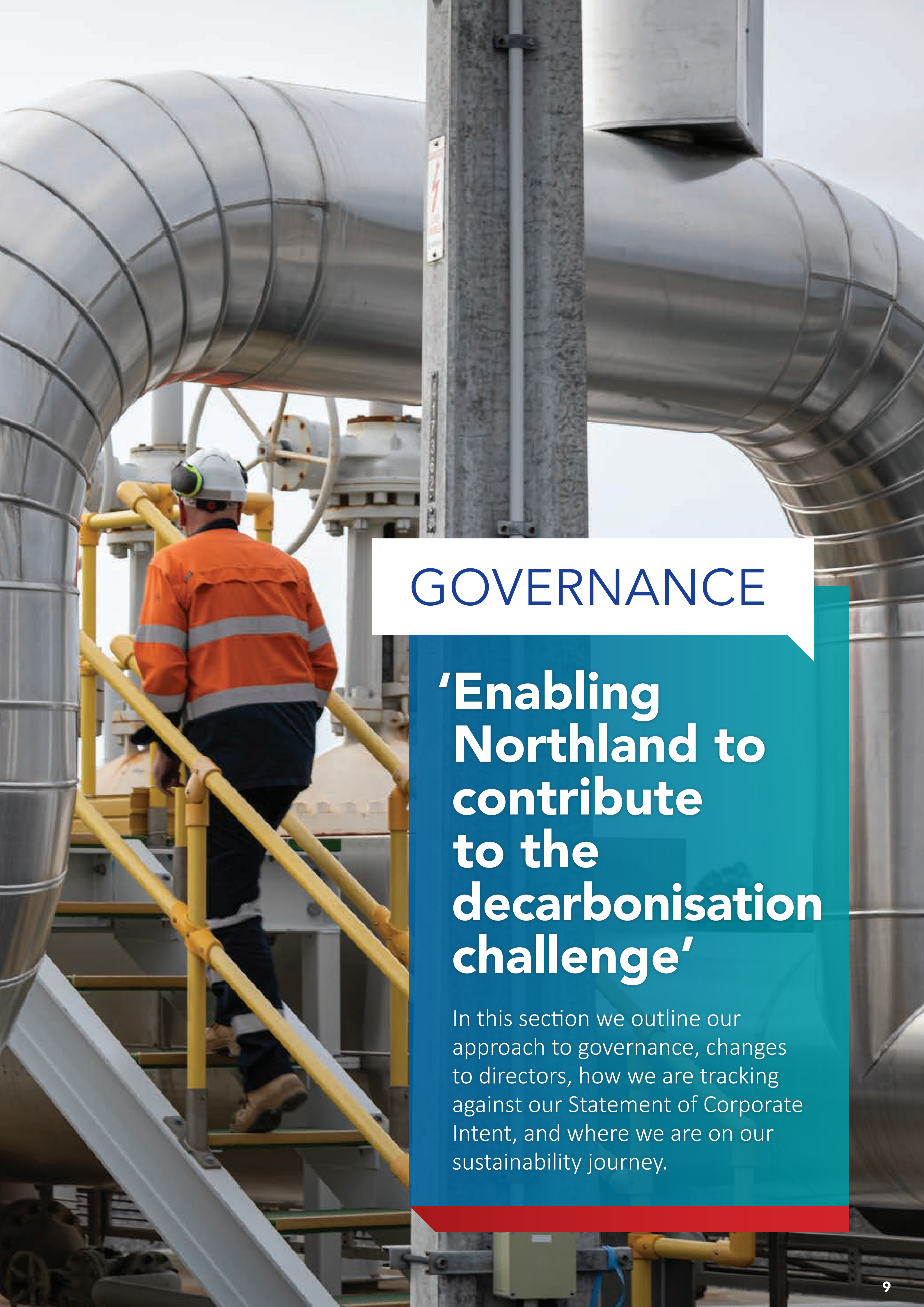
I would also like to take this opportunity to thank Richard Krogh for his contribution to Top Energy over the past nine years, the last four as Chairman. Richard stepped down as Chairman on 31 May 2022 and will retire from the Board on 30 June 2022, having contributed significantly to the growth of Top Energy and its geothermal generation capability.

As the Deputy Chair since October 2021, I became the Chairman of Top Energy Limited effective 1 June 2022.

I would like to thank my fellow directors and senior management team for their support and commitment to Top Energy.

Ko ngā tini manaakitanga ki runga i a tātou katoa, Nāku nā.

David Sullivan
Chairman



GOVERNANCE

‘Enabling Northland to contribute to the decarbonisation challenge’

In this section we outline our approach to governance, changes to directors, how we are tracking against our Statement of Corporate Intent, and where we are on our sustainability journey.

Director Changes

RETIREMENTS

After more than 9 years as a director, including 4 as Group Chair, Richard Krogh will retire at the Company's AGM in June 2022. During Richard's tenure he has enhanced the Group's governance disciplines and provided strong leadership that has enabled significant asset growth, growing distribution assets by 63% and generation assets by 480%. These investments will provide future cashflows, enabling the Group to deliver improved distributions to consumers, which have already increased by 25% in recent years.

The shareholder (the Top Energy Consumer Trust) and his fellow directors record their appreciation to Richard for his considerable service to the Group and the future prosperity of the Far North.

Jason McDonald resigned in December 2021 after 2.5 years as an independent director of Top Energy. Jason's experience in new technologies supported the Company to navigate an increasingly complex field of distributed generation growth in the Far North, making sure that the appropriate processes are in place to enable the continual growth across the network.

Jon Nichols

Steve Sanderson

APPOINTMENTS

On 1 March 2022, Jon Nichols was appointed as a common director on Top Energy and Ngāwhā Generation boards and Steven Sanderson was appointed as an independent director on the Top Energy Board.

Jon brings 15 years of governance experience as Chair and director on various boards in the government and private sector. Jon has a depth of understanding of the energy and infrastructure sectors through his board representation for Electra, Eastland Group Ltd, Hawke's Bay Airport Limited, Hawke's Bay Airport Construction Ltd, and others. In his consulting capacity he has prepared commercialisation opportunities for renewable generation and battery storage in the Pacific and strategic modelling for North Island generation investment.

Steve Sanderson, who replaces Jason McDonald as an independent director on the Top Energy Board, also comes with a strong background in energy and infrastructure, with senior executive roles including airports, electricity and ports. Steven was most recently the Chief Executive Officer of Wellington International Airport and has valuable experience working in regulated environments.

Statement of Corporate Intent (SCI)

The SCI is reviewed annually by the Company and discussed with the shareholder, the Top Energy Consumer Trust.

Finding alignment on the key deliverables has been an important part of the success that has been achieved across all five key objectives: safety, returns to shareholders, quality and security of supply, remain relevant to our customers, and lower cost to serve.

Sustainability

As signalled last year, a separate 2022 Sustainability Report has been published to share our journey towards meeting our vision of "Enabling Northland to contribute to the decarbonisation challenge".

The Sustainability Report builds on the work previously shown in the Sustainable Development Goals of our Annual Reports. It pushes us to manage our emissions by investing in new opportunities. It is a very exciting time to be in the energy industry, and we have an important role to play in improving New Zealand's net position.

Board Governance

The Top Energy Group is conscious that each Group company needs to operate in its best interests and ensure that all related transactions have independent thought and are on an arms-length basis.

To support this, both Top Energy and Ngāwhā Generation have two independent directors to confirm all transactions between the companies are fair and appropriate, and correct inquiry and judgements are made.

Top Energy Group has an established Corporate Governance Code, which is based on the Financial Markets Authority (FMA) guidance for corporate governance. A copy of the Corporate Governance Code is available on the Company's website.

The Corporate Governance Code calls for a review annually. This was completed in September 2021. No changes were proposed or made during the current reporting year.

Code of Ethics

- A review of compliance with the Code of Ethics has been undertaken by the CEO, which included an invitation for feedback from all employees and directors. A comment on one aspect of the Code relating to conflicts of interest was received and has been addressed. There were no other issues raised or concerns expressed in relation to the Code.
- There were no reported breaches made under the Protected Disclosures policy.
- There were no reports of loss, damage, misuse, waste or theft of Company assets.

Board Charter

- The Board met formally, through the annual general meeting with the shareholder and on two further occasions, to discuss strategy, the changes to the risk environment and how the Company was responding, and the drafting of a new SCI.
- The Chair and/or CEO met with the shareholder three times during the year to provide updates on general operations. The CEO provided copies of any staff communications relating to how the business was managing business continuity and staff safety, with COVID-19 increasingly present in the community.
- The Chair met the shareholder as a member of the shareholder's Director Nominations Committee to report on director performance and assist the committee in selecting two new directors.
- Interest registers have been maintained for all directors and reviewed and updated at each directors meeting. A conflict of interest was identified, and the director affected recused himself from the relevant discussion and any associated decision-making.
- No director has failed to attend a properly notified meeting without providing an apology and leave being granted.
- Director fees were considered during the year and a recommendation was made to the shareholder to increase fees to reflect the scale and complexity of the company following the commissioning of the new generation assets. It was noted that fees were not increased in the previous year due to the uncertainty caused by the COVID-19 pandemic. The fees proposed were benchmarked using an independent report. This recommendation was accepted by the shareholder.

Audit & Risk Committee

- The Committee met six times during the financial year.
- The Committee reviewed all major risks of the business. No significant changes or concerns were identified that weren't already being managed by the Group.
- The Committee reviewed all financial policies and satisfied themselves that there was full compliance with those policies and all legislative requirements.

Performance Planning and Review

- The Board has maintained an annual Work Plan and has ensured that all material items have been completed.
- The Board met with the CEO to assess his performance and that of senior management, and to ensure suitable remuneration arrangements are in place.

Stakeholder Engagement

- The Statement of Corporate Intent for the period to 31 March 2022 was provided to the shareholder within the statutory period required. All comments provided by the shareholder were considered but none necessitated amendment to the draft document provided. The Statement of Corporate Intent was adopted at the AGM on 29 June 2021 and published on the Company's website.
- All legislated disclosures and information were provided to the shareholder by the dates required.

Risk Management

- After consideration of the report from the Audit & Risk Committee, in relation to the review of all material risks to which the Company is exposed, the Board confirms that there are no known risks that are expected to materialise that could impact on the business to an extent that the business could not address them as part of its normal business process and using its existing resources. The Board has paid particular attention to the risks in relation to decarbonisation and emissions, increasing carbon costs, energy hedging including the risks and opportunities associated with the volatile wholesale spot prices, and the upcoming funding facility renewal.

Group directors

DAVID SULLIVAN

David Sullivan was appointed a Director in August 2018. On 1 June 2022 he was appointed Board Chair, having been Deputy Chair since October 2021. He was previously Chair of the Audit & Risk Committee, changing to an ex-officio member on his appointment as Board Chair.

David is a qualified Chartered Accountant (CA), with many years of experience in director and senior executive finance roles, across a number of large and often listed companies, including chairing of the Audit Committee of a substantial finance company. David chairs both Audit and Risk Committees of the Group.

RICHARD KROGH

Richard Krogh was appointed a Director on 1 March 2018. He was Board Chair including an ex-officio member of the Audit & Risk Committee until 31 May 2022. He 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 as being Chair of Port Taranaki Limited and Chair of PKW Farms GP 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.

SIMON YOUNG

Simon Young has over 20 years' experience in the New Zealand electricity industry and associated financial markets.

He has previously been director of a number of electricity-related public and private companies including listed generator retailer TrustPower. As an executive Simon has been General Manager of Opunake Hydro, Managing Director of Alliant Energy New Zealand Limited and founding Managing Director of Empower Ltd, New Zealand's first independent electricity retailer.

JON NICHOLS

Jon Nichols was appointed a Director in March 2022 and Chair of the Audit & Risk Committee on 1 June 2022. He is an experienced director and business consultant with experience in a number of strategic growth, regulatory and performance-based initiatives for infrastructure-related businesses in New Zealand and the Pacific Islands.

Jon also serves on the board of the Eastland Group Limited and its subsidiaries, Electra Limited, and its subsidiaries and Hawkes Bay Airport Limited. Additionally, Jon is the independent chair of the Risk and Assurance Committee for Hastings District Council and the Audit and Risk Committee of Maungaharuru Tangitu Trust. He is a Fellow member of the Chartered Accountants Australia and New Zealand and a Chartered Member of the New Zealand Institute of Directors.

Top Energy Ltd independent directors

NICOLE ANDERSON

Nicole Anderson was appointed in April 2021 and is on the Audit & Risk Committee. Nicole is a chartered professional director with a background in accountancy, health, and business development.

She holds other directorships, including with Northland Inc., the International Accreditation Council, NorthTec, and the Ngapuhi Asset Holding Company.

STEVE SANDERSON

Steve Sanderson was appointed to the Top Energy Board in March 2022.

Steve has predominately a career background in infrastructure businesses including, CEO Wellington & Queenstown Airports, General Manager NZ/Australia at Powerco Limited, General Manager at Lyttelton Port Company, and Director at Pioneer Generation. Steve is a graduate of Monash University and a Member of the Institute of Directors.

Ngāwhā Generation Ltd independent directors

DR ROBERT KIRKPATRICK

Robert Kirkpatrick is an independent director on the Ngāwhā 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.

KEITH TEMPEST

Keith Tempest is an independent director on the Ngāwhā Generation Ltd board and is on Top Energy's Audit Risk Committee. Keith spent 23 years with electricity generator TrustPower Limited before resigning as Chief Executive in 2009. Since then he has progressed his career as a Professional Director across a range of companies and industries, including Crown Infrastructure Partners limited, Port of Tauranga Limited, Transpower NZ Limited, NZ Bus Limited, UltraFast Fibre Limited and Bay Venues Limited.

Keith has been directly involved in large-scale capital infrastructure projects across New Zealand and Australia. He is a Chartered Fellow of the Institute of Directors.

CEO'S REPORT

'In a strong position to deliver our future vision and strategy'

After operating for more than two years under the cloud of COVID-19, the Group has delivered another year of strong results. This reinforces the resilience that is embedded across the business, and is a testament to our committed staff.

Business Performance

$2.0 MILLION

EBITDAF above budget

71%

Revenue increase from power generation

Like many other businesses, we have had to continually adapt as COVID-19 requirements have evolved during the year – from alert levels to traffic lights, from vaccine mandates to new variants. This has kept many staff busy, on top of managing their day-to-day workloads.

Dealing with this changing work environment safely has been a key focus, both for our staff and the public that use and interact with the electricity network. As COVID-19 spread through the community, business continuity became paramount. All stakeholders needed to be confident that we could continue to operate our critical lifeline services, both the electricity network and the power station. Our "work bubbles" have been vital to stop any spread, as not all our staff can work from home. It has been fantastic to see how the bubbles have been endorsed by staff as one effective measure to keep their workmates and whānau safe.

The adaptability of our staff was challenged when we were unsuccessful in securing managed isolation (MIQ) spaces for key staff from Ormat to support the replacement of the Programmable Logic Controllers (PLCs) on the original station in our annual shutdown. Working together, the teams across the generation business and IT implemented webcams to interact with Ormat in Israel so the work could be completed remotely. The way the teams adjusted to this new way of working, mitigating the new risks and delivering this critical work safely, was a credit to everyone involved.

Safety, Health and Wellbeing

It is disappointing that we had one lost-time injury (LTI) towards the end of the year, which meant that a staff member was unable to work for four days. It had been five years since we had a staff LTI, with our last LTI being a contractor. I was pleased that our safety culture proved to be mature enough to report the incident, as every year that goes by increases the pressure to not reset the counter. Knowing about such incidents provides an opportunity to review our processes and ensure serious harm can be mitigated in the future.

During the year we conducted a wellbeing survey that has provided valuable insights into how we can support staff, both personally and at work. These insights will be covered in future Safe Team Meetings, including bringing in external parties to support staff in areas such as personal finances. A review of our employee assistance programme is also underway to assess whether we can improve support to our staff in this area.

Profitability

We knew it would be a challenging year, it was unhelpful to have an early-life turbine bearing failure on the new generation plant after 5 months of operation. The timing unfortunately coincided with very high wholesale prices. Even with this, however, the generation business increased revenue by 71% on the previous year.

To achieve an operational EBITDAF result of $2.0m above budget was a significant achievement. It reflects the resilience noted above and the significant effort from everyone across the business.

Development in the Far North has also been strong during the year which has meant capital contributions are the highest for over 10 years. This is expected to continue into next year as the local population increases.

Network Service Levels

As mentioned in last year's report, we set separate targets for planned and unplanned outages to align with the Commerce Commission's requirements. We achieved the planned targets we set out in the Statement of Corporate Intent for SAIDI (system average interruption duration index) and the frequency measure, SAIFI (system average interruptions frequency). However, the unplanned targets were not achieved.

While all results are still within the regulatory limits, we want to improve future unplanned outage performance and have embarked on a review to look for improvement opportunities. We know that some things can't be removed completely, such as events like Cyclone Dovi and third party damage to the network from vegetation and vehicles. However, we want to ensure the network is performing as reliably as possible and that investments made provide the best value to consumers.

Some of the investments made to date have already made a difference. The diesel gensets recently installed allow us to maintain the main electricity transmission line that supplies Kaitaia and the surrounding areas. In February 2022, a team of 28 staff and contractors replaced 5 defected poles, 14 armour rods and 18 insulators, and completed routine maintenance activities. This took 2 10-hour days and power was able to be maintained. Without these back-up gensets, at least 6 separate outages would have been required to complete this work.

110kV Line to Kaitaia

I seem to have reported on this topic for a number of years now with little progress other than what the next court action is for the remaining three properties. At the beginning of the financial year, we received notification that the affected landowners had lodged an application with the Supreme Court. After some delays relating to COVID-19, this was finally heard in March 2022, and we expect a final decision within 6 months. As there are no further appeal options, we are hopeful that the final decision will bring the matter to a close.

Staff

Further to the note from the Chairman, I would like to thank all our staff for their significant contribution and support throughout another challenging but successful year, placing the business in a stronger position to deliver our future vision and strategy.

Russell Shaw
Chief Executive

TOP ENERGY GROUP FINANCIAL SUMMARY

27.7%

Total revenue increase

$15.9 MILLION

Generation revenue increase

$1.6 MILLION

Network revenue increase

44.6%

EBITDAF increase

19.0%

Operating expenses increase

3.7%

Network consumption increase

Reported EBITDAF increased by $17.1m, (+44.6%) from 2021 and was $2.0m (3.9%) ahead of target. A significant increase and reflects the first full year incorporating the 32MW geothermal expansion at Ngāwhā.

Revenue increased by 27.7% ($20.1m) to $92.9m with growth across all operational areas. Network revenue grew by 3.5% ($1.6m) driven by a 3.7% growth in consumption, with all consumer groups increasing on the prior year.

Residential consumption was up 2.1% and commercial and large industry increased 4.9% and 7.2% respectively, reversing the impact Covid-19 had on the prior year. Peak demand continued to increase, up 2.7% to 77MW.

With the recent expansion, Generation revenue increased $15.9m (71.1%) with generation (kWh) increasing by 69% and average spot prices higher by $6/MWh. Capital Contributions, being the network extensions driven by customer requirements, were the highest in over 10 years increasing by $1.8m (82.3%), and Contracting revenue also increased by $0.9m (38.3%).

Operating Expenses increased by 19.0% ($6.0m), reflecting the increased costs to deliver the revenue growth. The largest contributor was a $3.8m (36.2%) increase in Other Expenses with higher insurance and increased operational maintenance costs linked to the generation growth. Continual investment in systems also increased computer support costs.

Higher raw materials were associated with the growth in Contracting revenue, and the $1.4m (10.2%) increase in employee expense reflected no increases in the prior year with the Covid-19 uncertainty and the importance to retain staff along with a slight increase in headcount.

Depreciation and amortisation costs increased by $8.3m (42.9%), of which $8.1m was attributed to the generation expansion.

Finance costs increased by $10.4m (133.0%) with the prior year net of capitalised interest for the generation expansion. When comparing total interest costs, these reduced $1.1m (-5.6%). Bank loans reduced by $7.5m with sufficient funding facilities in place.

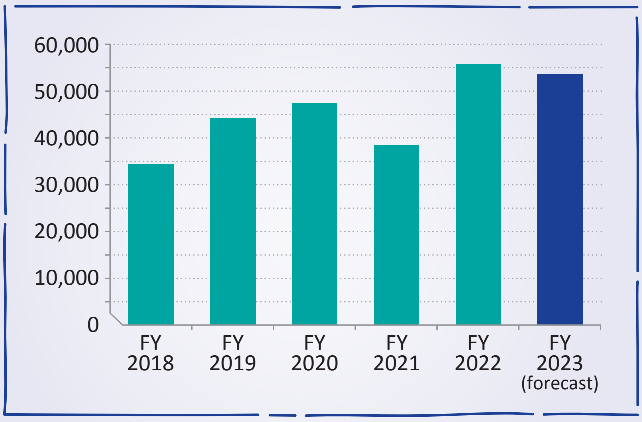
The fair value adjustment on financial assets was a gain of $34.3m arising from the Group's hedging strategy. Increasing interest rates contributed $30.1m with only a small gain ($4.3m) on electricity contracts with wholesale energy prices remaining elevated.

The generation assets were revalued as at the reporting date to ensure they represent the current market environment, increasing by $7.6m.

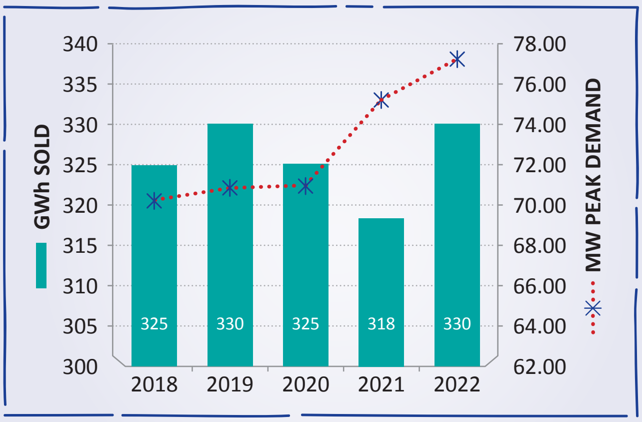
Overall, total equity increased by $38.1m for the year, the net effect of the gain after tax of $32.7m and the revaluation gain.

It is anticipated that EBITDAF for 2023 will reduce slightly (-3.4%), with the impact of higher inflation not fully recovered immediately through the regulatory revenue cap. This is expected to be recovered in future years.

EBITDAF ($'000)



Total Energy Sold



TOP ENERGY LIMITED GROUP : REPORT ON PERFORMANCE INDICATORS CONTAINED WITHIN THE STATEMENT OF CORPORATE INTENT *(SCI)*

	Actual *31.03.2022*	Target *31.03.2022*	Actual *31.03.2021*
FINANCIAL PERFORMANCE TARGETS			
Group			
Net profit after tax as a percentage of average shareholder's funds	5.8%	5.2%	6.7%
Ratio of shareholder's funds to total assets	1:2:9	1:3:0	1:3.1
Network business			
Profit before finance and tax as a percentage of total tangible assets	5.9%	5.5%	5.9%
Net profit after tax as a percentage of average shareholder's funds	6.8%	5.2%	5.8%
Generation business			
Profit before finance and tax as a percentage of total tangible assets	6.1%	6.7%	3.1%
Net profit after tax as a percentage of average shareholder's funds	4.2%	8.7%	9.7%

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

(ii) Group results include Network (Top Energy), Generation (Ngāwhā) and all other major activities carried out by the Group. Network Business plus Generation Business will not add to the Group due to the immaterial amounts from other major activities.

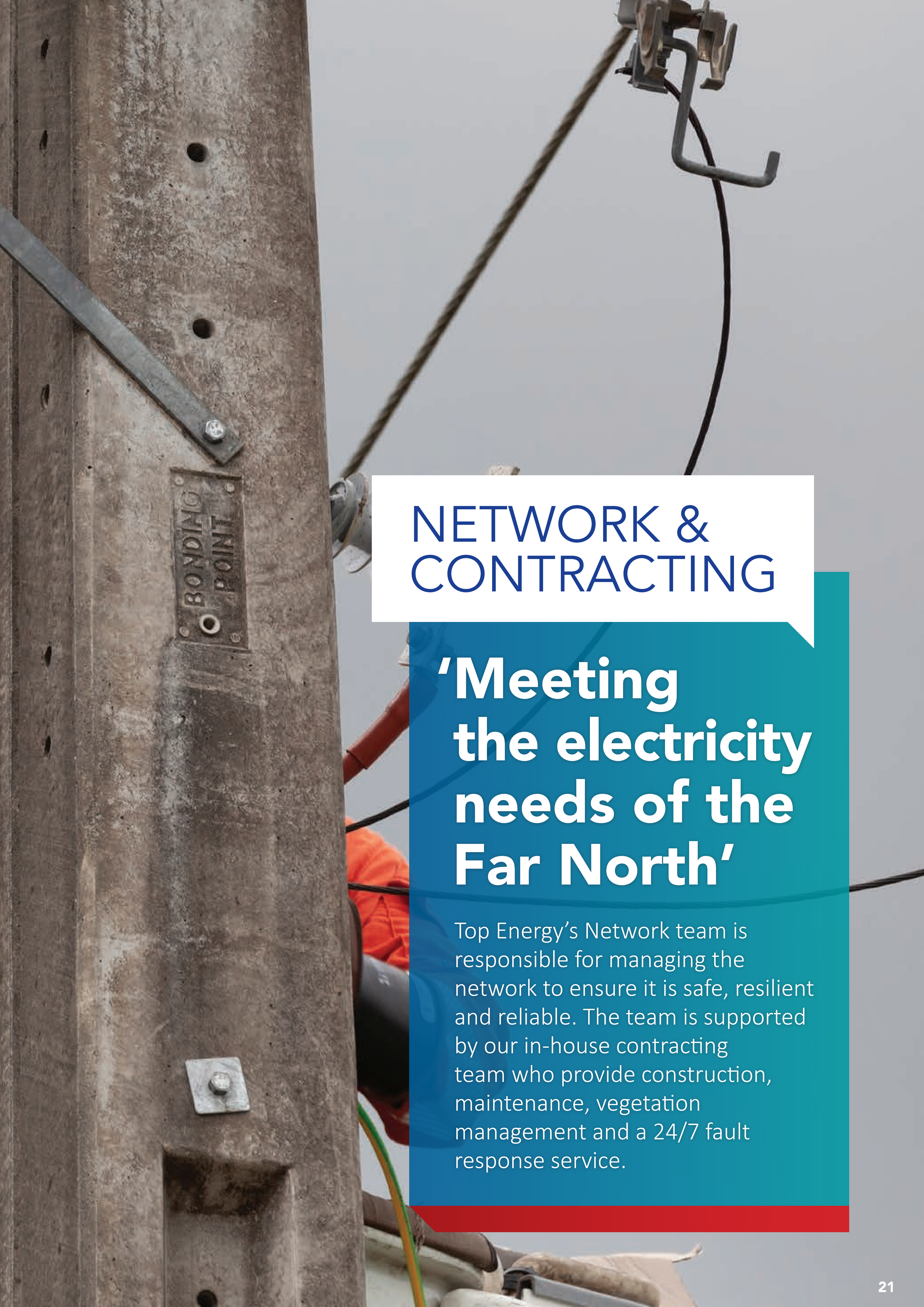
(iii) Shareholder's Funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves, excluding any minority interests, excluding any effect of the revaluations. Total Assets of the Group comprise all the tangible and intangible assets of the Group at their current book values as determined in the Group's Statement of Accounting Policies, excluding the effect of any asset revaluations. Therefore, these values will not be the same as disclosed in the Annual Financial Statements.

NETWORK QUALITY STANDARDS*			
System Average Interruption Duration Index (SAIDI). *The average duration of high voltage outages (including planned) per customer (minutes)*			
– Planned	83	125	65
– Unplanned	339	246	301
System Average Interruption Frequency Index (SAIFI). *The average number of outages (including planned) per year for any customer*			
– Planned	1.0	1.0	0.8
– Unplanned	3.9	3.0	3.1
** Above items are measured using the methodology determined by the Commerce Commission, and are subject to audit.*			
SAFETY CULTURE			
Total Recordable Injury Frequency Rate (TRIFR)	1.2	2.3	2.7

OWNERSHIP

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


RATED LOAD 250kg



NETWORK & CONTRACTING

‘Meeting the electricity needs of the Far North’

Top Energy’s Network team is responsible for managing the network to ensure it is safe, resilient and reliable. The team is supported by our in-house contracting team who provide construction, maintenance, vegetation management and a 24/7 fault response service.

Working within COVID-19 restrictions and uncertainty, the two teams have delivered programmes to improve the reliability and resilience of the network.

Ian Robertson, General Manager Network.

David James, General Manager Contracting.

Cyclone Dovi

Searing summer heat and a cyclone – the start of 2022 was certainly characterised by extreme weather.

In February, winds generated by Cyclone Dovi were so fierce power lines supplying over half of all Far North households were brought down by falling trees.

Lines down in Diggers Valley

Keeping the Lines Clear of Vegetation

Cyclone Dovi provided a startling demonstration of the damage caused when trees get into the power lines.

Trees are the main cause of power outages – not just through extreme weather events, but in day-to-day operations. Over the past year Top Energy has responded to 109 tree-related outages.

The responsibility for keeping trees out of the power lines is governed by the Electricity (Hazards from Trees) Regulations 2003 that sets out our obligations and those of tree owners. The regulations prescribe the minimum safe distances for trees growing near power lines.

The company spends over $1.8m a year on tree management and working with tree owners to keep trees and vegetation away from the lines.

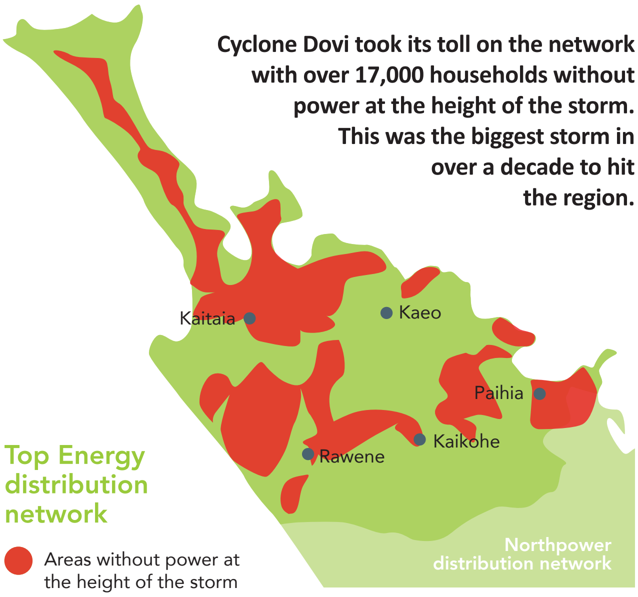
Such was the damage caused by winds reaching up to 144km/h, that some homes in North Hokianga were without power for several days.

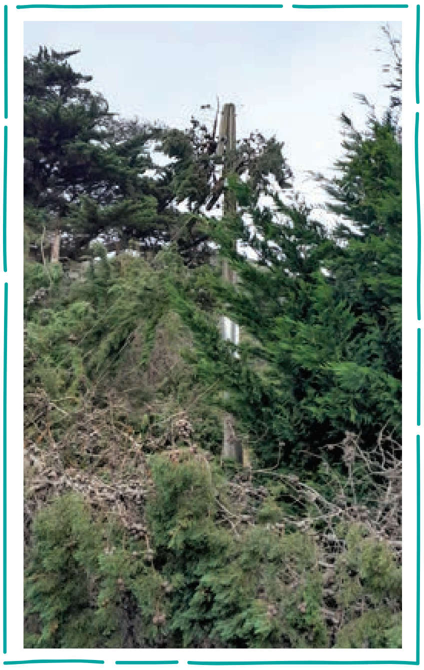
To restore power, Top Energy's contracting team needed to access parts of the network on foot, clear fallen trees, and replace power poles and lines.

David James, General Manager Contracting, described the mammoth effort of Top Energy crews to get the power back.

Contracting set up two control centres – Kaitaia and Puketona Depots – to coordinate the restoration effort and ensure staff were rested. Crews were sent home when conditions became too dangerous to work.

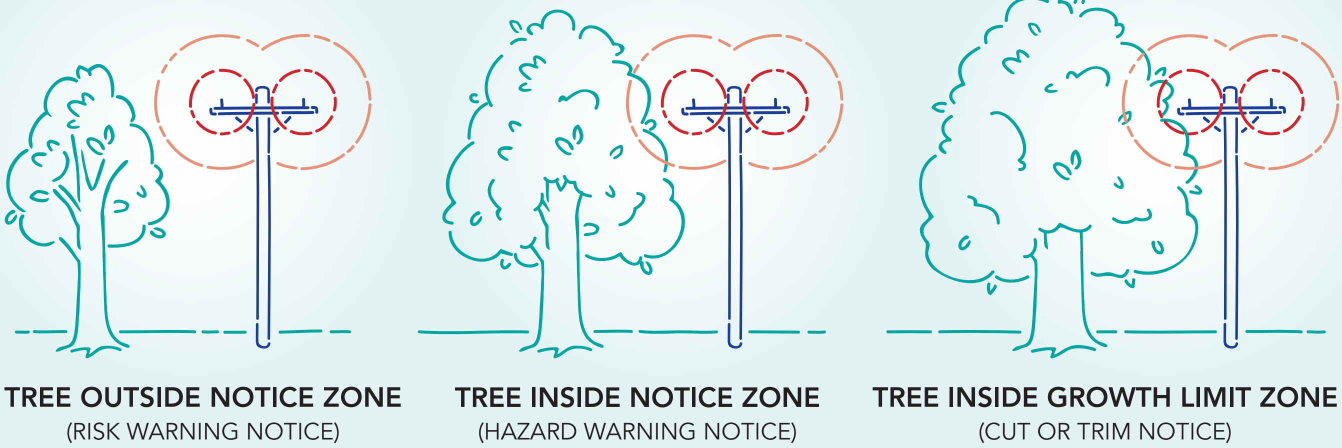
Support from the community was appreciated by the company and the teams on the frontline.





A broken pole amongst the debris in Whangape, and strong winds causing trees to damage lines

POWER LINE VEGETATION CLEARANCES



Renewable Energy Zones – An Opportunity For Northland

Northland could become New Zealand's first Renewable Energy Zone (REZ).

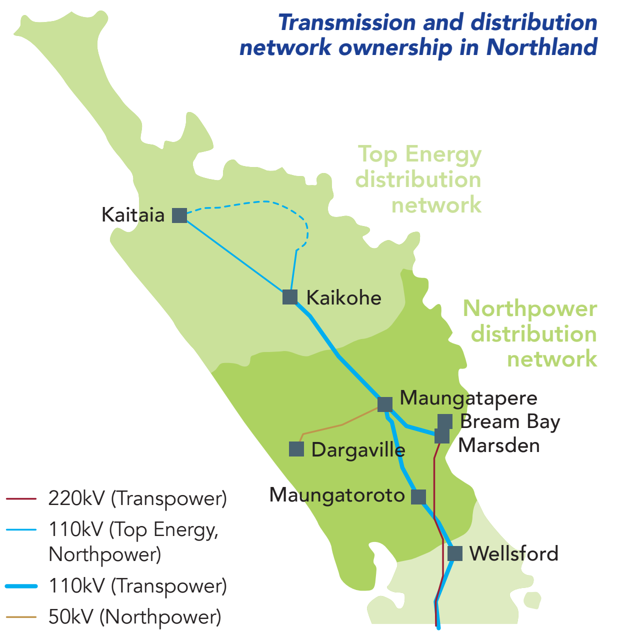
The region's renewable potential was recognised in a Transpower-led, New Zealand-wide consultation from 28 February to 8 April 2022. Working with Transpower, Top Energy and Northpower ran a Northland consultation, covering both networks, to build local support for the pilot proposal.

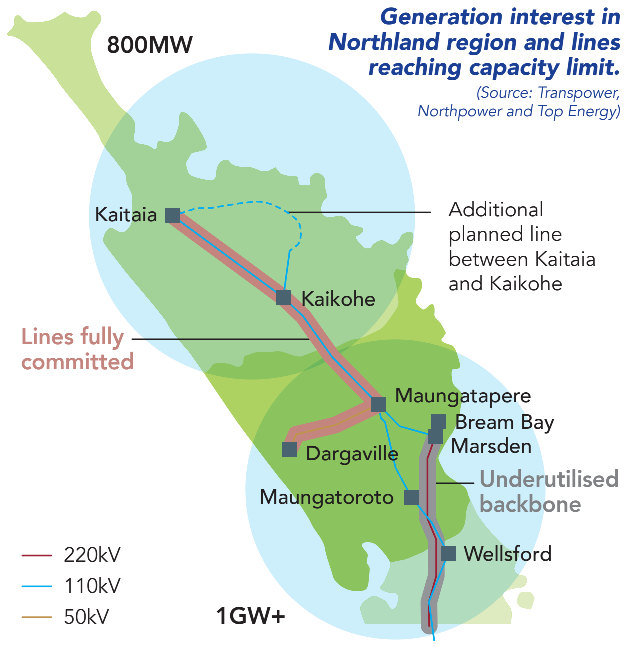
Over the last 2 years, both network companies have received dozens of applications from generation developers totalling 2 gigawatts of renewable generation. That is enough to power over 375,000 households.

However, there is not enough capacity on the electricity networks to connect this new generation without network upgrades.

Renewable Energy Zones would enable multiple electricity generators, such as wind and solar farms, to co-locate and share the costs of network upgrades.

Increased local generation would introduce more competition into the electricity wholesale market and stimulate the local economy through investment in construction and network infrastructure. This includes job creation and work force training, as well as ongoing employment opportunities in maintenance and operations. If there is sufficient support, expressions of interest will be sought from generation developers later this year, which will include various options and investment opportunities to increase network capacity.





Solar Uptake and Emerging Technologies

While the REZ consultation is concerned with grid-scale wind and solar farms, rooftop photovoltaic generation is on the increase in the Far North. In fact, the region has the highest penetration of network-connected rooftop photovoltaic generation in the country.

Currently there is more than 7MW of solar generation connected to our network. This represents 1,355 customers and continues to grow monthly.

Connection agreements have been signed with 3 solar farm developers for a total of 63MW of generation in the Kaitaia and Pukenui areas. We expect construction of some of these projects will start during 2023.

Major Projects

Kaitaia 110kV Planned Line Maintenance (Reliability)

The annual maintenance of the Kaitaia 110kV line took place over 22 and 23 January.

Back-up generation with a capacity of 11MW was provided from the Taipa and Kaitaia generators over the 2 days.

The work involved the replacement of 5 110kV structures, essential maintenance in the 110kV yard at Kaitaia transmission substation, and cross-arm and insulator replacements along the 110kV line.

These works are essential for the ongoing reliability of the network.

Major Capital Projects

Several projects to improve the reliability of the network have been completed over the year.

Replacing lines as part during the 33kV Steel Tower refurbishment

Line mechanics on the Rawene 11kV feeder refurbishment

Haruru to Moerewa 33kV Steel Tower Replacements

To strengthen the reliability of the 33kV power supply to Moerewa substation and Oromahoe and Hupara Road switching stations, 6 spans, or 2.56 km of conductor, and 15 steel structures were replaced. Some of these items were more than 30 years old.

Rawene 11kV Feeder Upgrade, Stage 1

Stage 1 of the Rawene feeder upgrade included the replacement of the aged copper conductor and wooden structures, insulators and cross-arms to improve the overall reliability of this section of line.

Tokerau 11kV Feeder Refurbishment

To reinforce the reliability of the 11kV line Tokerau Feeder, Top Energy replaced 42 poles with concrete poles. The structures were over 50 years old.

Te Haumi Pole Replacements

The Te Haumi pole replacement project involved the replacement of 13 red tagged poles, primarily in the estuary alongside SH11 near the Te Haumi River.

Russell Peninsular Reinforcement Solution, Stage 1

The Russell reinforcement project provides a second parallel feeder from Okiato Point to Tee-off to Rawhiti. The project improves the reliability of supply into Russell. Civil works were completed during the year, which included installation of cable ducts and 3km of 11kV cable.

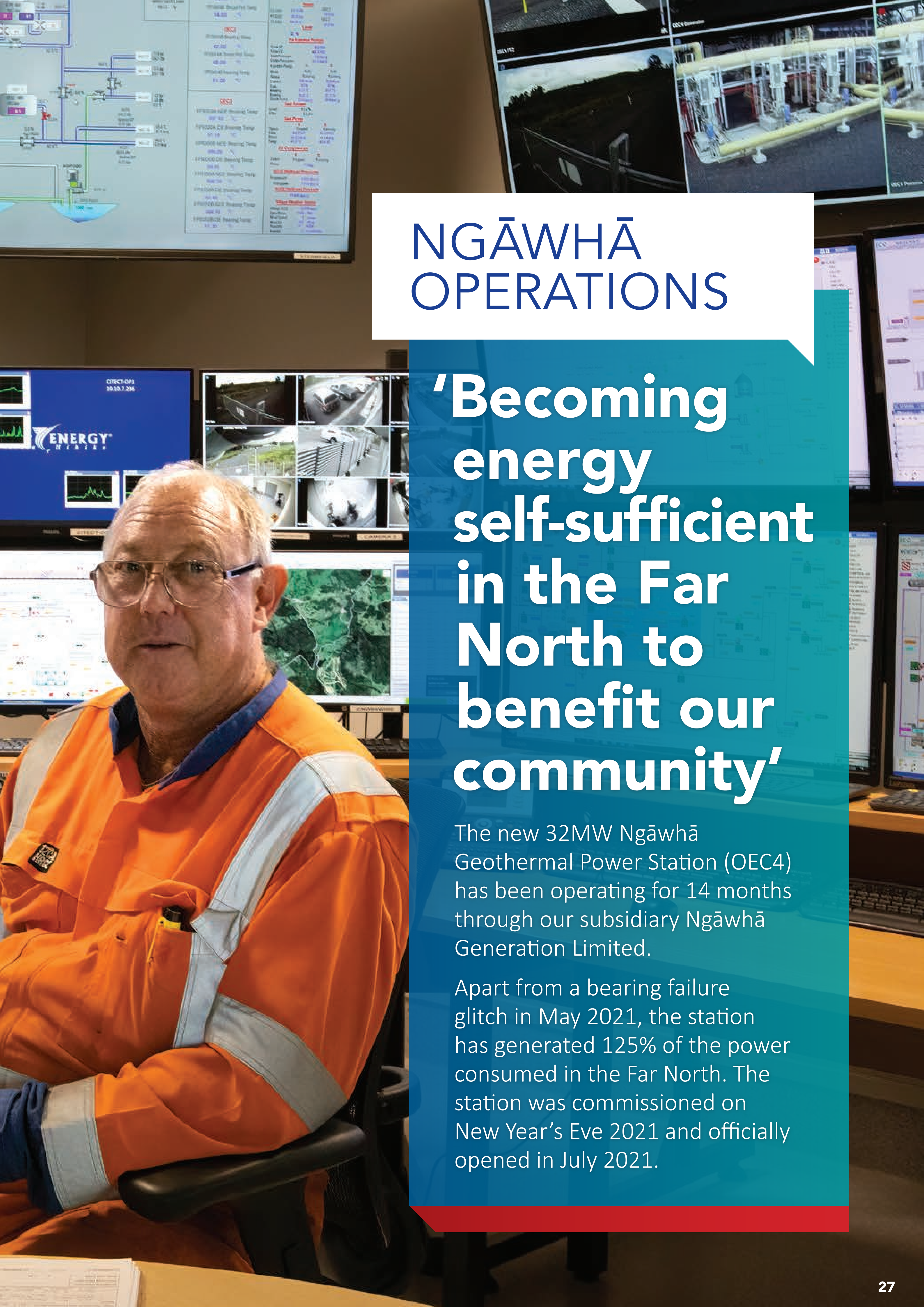
Kaeo Regulator Replacement

The Kaeo Omaunu Road voltage regulators were replaced and upgraded and will improve the reliability of supply into Kaeo and Totara North.

Cross-arm and insulator replacements along the Kaitaia 110kV line

Back-up generators at Kaitaia


ALEX



NGĀWHĀ OPERATIONS

‘Becoming energy self-sufficient in the Far North to benefit our community’

The new 32MW Ngāwhā Geothermal Power Station (OEC4) has been operating for 14 months through our subsidiary Ngāwhā Generation Limited.

Apart from a bearing failure glitch in May 2021, the station has generated 125% of the power consumed in the Far North. The station was commissioned on New Year’s Eve 2021 and officially opened in July 2021.

Left to right: Ngāwhā Generation Ltd, General Manager Generation, Ray Robinson, Assistant Plant Manager Fabian Hanik and Top Energy Chief Executive Russell Shaw

Ngāwhā Generation General Manager Ray Robinson reflects over the four weeks in May and is highly complimentary of his team, as well as the support received from station designers Ormat Technologies in Israel and other technical experts in New Zealand.

"It was certainly a challenging time. The repairs required a section of the station to be dismantled, with a looming deadline of the official opening in July and general operational challenges arising from COVID-19. The station was assembled and generating again by June, and performance tests have confirmed that the plant output exceeds the contract guarantees."

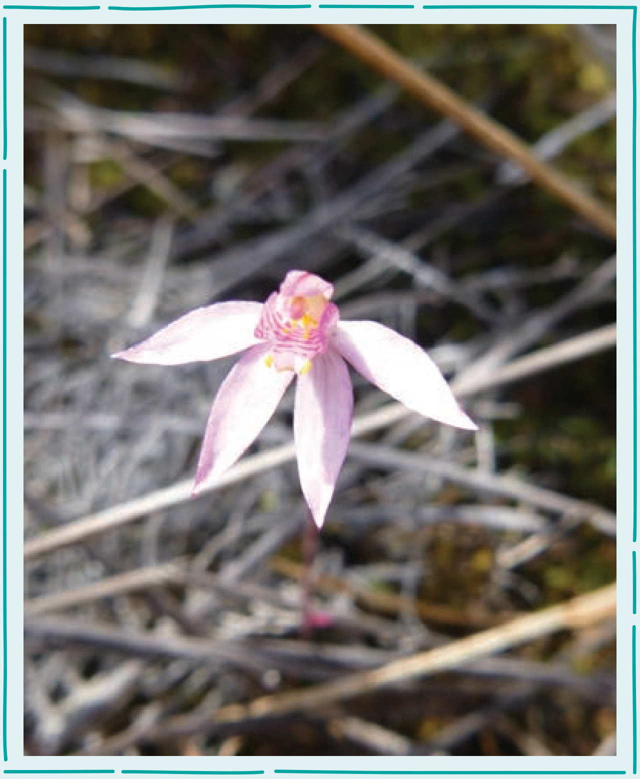
As with any major infrastructure project, Ray and his team are working through the warranty checks on OEC4 and system training for the team. This involves checking all systems and reporting any defects of electrical, mechanical and control systems in advance of the warranty date expiration. Ray is very happy with the station's performance, describing it as a good, reliable design with few warranty problems.

The Ngāwhā teams are considered critical workers and have continued to work on-site during COVID-19 restrictions. With 1,000 hectares of space, social distancing requirements are not too onerous for the staff and contractors who keep the station operating. Access to the control room remains restricted.

There have been adjustments to some work time frames imposed by national and international supply chain constraints, with materials taking longer to arrive. This is being managed through monitoring, talking with suppliers about their constraints and contingency plans, and investigating options for best possible outcomes.

Prior to OEC4 coming on stream, Ngāwhā Generation exported power south only about 2 per cent of the time. With OEC4 operating, the Far North will be exporting power 97 per cent of the time.

Ngāwhā Geothermal Power Station was officially opened by Hon Kelvin Davis, the Member for Te Tai Tokerau



Caladenia sp. Orchid. found in the gum land above OEC3

Northland mudfish caught in the Cumber Road wetland

Environmental Monitoring

Habitat monitoring in 2021 showed a good number of mudfish in all three wetlands. There was a decrease in the Bannister swamp from the previous year, but this is likely due to two dry summers.

The habitat is in good health. The Rakauwahia wetland (up-stream OEC4) continues to regenerate but has areas of damage created by wild pigs. Mudfish catch numbers increased in 2021.

Mānuka planted as part of the OEC4 expansion is growing well and in some areas is outcompeting the gorse.

Safety

This year, no LTIs were recorded at the Ngāwhā power station and operations maintained accreditation under the Public Safety Management Systems (NZS 7901:2008) and the Quality Management Systems (ISO 9001:2016).

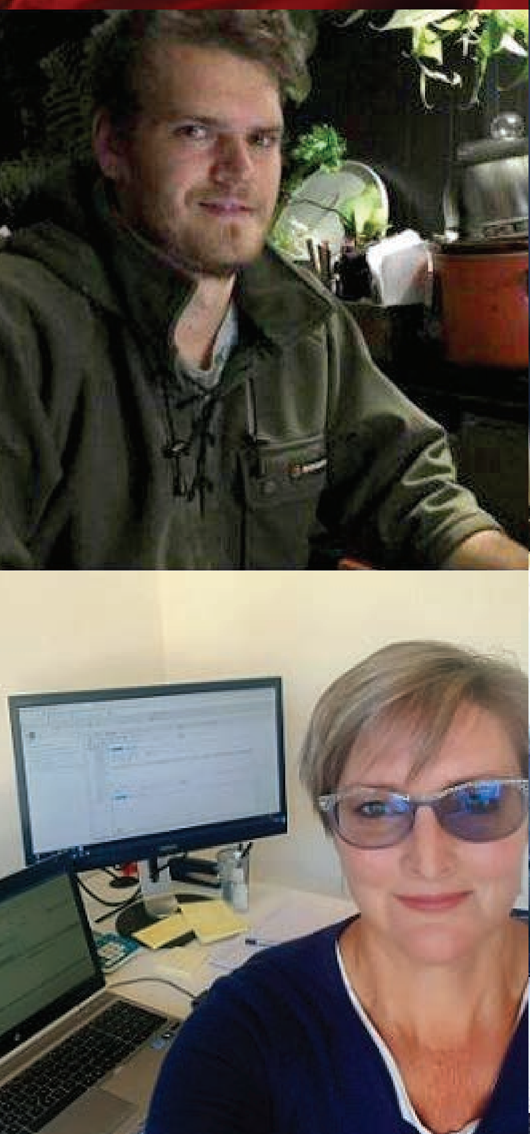
The last LTI was recorded on the Ngāwhā OEC4 expansion project in August 2020, when a contractor fell into a cable duct.

Annual shutdown

The station runs to a monthly target of 98.8% availability. The exception is in October/November when the annual shutdown occurs for routine maintenance and checks.

The stations are considered to be base-load generators, which means that they run continuously, except for planned maintenance periods. It is not unusual for us to exceed our monthly target, and last financial year was no different.

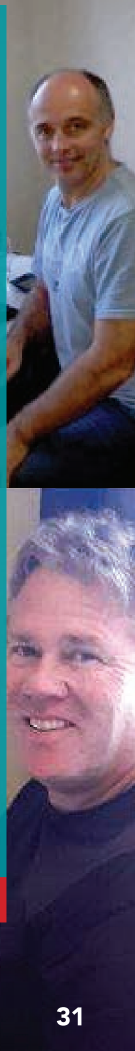
Actual availability for the entire year was over 96%.



OUR PEOPLE

'Working hard for our community'

Top Energy acknowledges the effort, service and resilience of our people in ensuring our Far North community has access to a safe and reliable electricity supply for their homes and businesses.



Our Frontline Heroes

Our staff and contractors have shown great resilience and adaptability during the COVID-19 pandemic of the past two years. They have risen to the challenge of working from home and being essential workers on the front line.

The Northern Advocate interviewed Graeme Boocock, Technical Services Supervisor, and his son Michael Boocock, Network Operator and Controller, as part of a series about the experiences of those Northlanders whose work didn't stop throughout the multiple lockdowns.

Graeme and Michael were the only members of their households headed out to work during lockdowns, travelling from Hukerenui to Cape Reinga to keep Northland's electricity supply running.

Being able to catch up with each other at the end of day kept them going through what was an isolating time and, being family, they benefited from the extra level of support.

"You're still going to work doing your job, and yet the lives of everyone else around you have just been tipped upside down."

Photo: Michael Boocock (left) and Graeme Boocock at the Ngāwhā geothermal power station

Safety

The pandemic continued to present challenges, with 40% of field crews affected by COVID-19. This was despite maintaining strict "bubbles" during lockdowns and many staff working from home for 8 months. During this time only 1 lost-time injury (LTI) was recorded that resulted in 4 lost calendar days. The last LTI was recorded on Ngāwhā's OEC4 expansion project in August 2020.

This year we kicked off the project to manage our enterprise and health and safety risks within a consolidated management platform and risk appetite framework. The Executive Team and Boards invited a Z Energy Senior Manager to share their (and Z Energy's) perspective on translation of risk appetite into operational risk management. As part of this work, we rolled out our Critical Risk programme. This identifies and prioritises critical health and safety risks and puts controls in place to manage them.

As part of this work, line managers attended refresher training on HSWA legislation and responsibility. Aligned to the Electricity Engineers' Association model, the programme gives us the means to directly map, measure and monitor our health and safety performance against that of the Electricity Supply industry.

Public Safety

To ensure effective controls are in place to safeguard our community we operate a Public Safety Management System (PSMS) certified to Electricity Industry standard NZS 7901.

Its review process is considered industry best practice internationally, and this year's external audit was completed successfully.

Both Ngāwhā and Top Energy retain NZS 7901: 2008 and ISO 9001: 2015 accreditations.

Long-Service Recognition

Stephen Doak, John Williams and Darryl Norman were recognised for achieving significant long-service milestones. Each has worked at Top Energy for 35 years.

Glen Muldrock, Chris Kahotea, Ian Delves, Shirley Field, Belinda Peddie, Charn Iles and Kerry Flay have each provided 15 years of great service to the company.

Left: In recognition of 35 years long service – John Williams

Below (from left to right): In recognition of 15 years great service – Belinda Peddie, Chris Kahotea and Shirley Field

Health and Safety Discussion Forums

The Health, Safety & Wellbeing Committee meets monthly to encourage staff engagement in workplace health and safety.

It provides representatives with the opportunity to discuss significant health and safety concerns with the Chief Executive, ensures health and safety concerns receive management's attention and creates the means to relay management decisions back to staff via their representatives. Two-thirds of the monthly Health, Safety and Wellbeing Committee meetings were held online this year.

Toolbox and Safe Team meetings ensure safety is part of business as usual, and various work groups within Contracting Services and Ngāwhā hold their own specialised monthly safety meetings. The smaller forums create environments for active engagement by staff who are reluctant to speak up in more formal environments.

Two generations of fire fighters giving back to the community - Will Robson, Top Energy Vegetation Control Supervisor with his mother Ellie McClintock'

Community Heroes

Community is one of Top Energy's core values. Staff who give up their free time to give back to the community are regularly recognised within our business.

Will Robson, Vegetation Contractor and Volunteer Firefighter

Will has been a volunteer firefighter with the Kawakawa volunteer fire brigade for the past 2 years. His mum has been an active member in the fire service for 20 years and his brother was a firefighter in the early 2000s. It is a rigorous process to become a firefighter. You need to be fit and healthy. You must also have the resilience to withstand challenging and often frightening situations, such as entering burning buildings. Will has learnt to manage medical events such as cardiac arrest or attending to victims injured in vehicle accidents.

This year he climbed approximately 51 levels and 1,103 stairs in full structural clothing and breathing apparatus – weighing around 25kg – while competing in the Firefighter Sky Tower Stair Challenge. This is an annual fundraiser for Leukaemia & Blood Cancer New Zealand at Auckland's Sky Tower.

Will appreciates the opportunity to give back to his community.

Diversity and Inclusion

Top Energy is proud to have a workforce made up of many individuals with diverse skills, values, backgrounds and experiences.

Our differences are what brings us all together; they are the reason we have a safe, successful and thriving workplace, a supportive work culture and strong relationships within our Far North community.

We support a diverse workforce and inclusive workplace for all employees, and recognise diversity and inclusion in all areas of the business including:

- Recruitment, employee selection and staff retention
- Performance management and remuneration
- Employment provisions and flexible work arrangements
- Development and talent management
- Board appointments.

Employee Wellbeing

Employee mental health and wellbeing continue to be a focus for our staff. We provide annual wellness checks, flu vaccinations, employee assistance programmes, medical insurance and participation in sporting events.

LIVING WAGE

This year, Top Energy started the journey towards Living Wage certification by committing to pay every one of our direct employees at least the Living Wage rate. It is calculated at a higher rate than the minimum wage prescribed by the government.

The global pandemic and rising costs of living have seen many in our community struggle with basic expenses such as food, transportation, utilities, housing and childcare. It is important we look after our staff and provide them a wage that enables them to pay for the necessities of life and participate as active citizens in the community.

Therefore, the concept of the Living Wage makes sense, and we are committed to ensuring all our staff in entry-level roles are paid the Living Wage rate as a minimum. The Living Wage is calculated independently each year by the New Zealand Family Centre Social Policy Unit.

WELLBEING

This year Top Energy decided to survey staff to understand what was impacting their wellbeing and whether the business could implement changes to assist people that may be struggling with any wellbeing related issues. We looked at three aspects of wellbeing: work wellness, external stressors and resources.

As a result of the survey, we will:

- Implement resilience training and any other relevant training to assist people to cope with work pressures
- Continue to present a variety of wellbeing subjects at Safe Team meetings
- Hold seminars on financial wellness (a significant concern for staff outside of work)
- Review the Employee Assistance Programme (EAP) services to ensure we have the right providers available, then run a refresher session for staff about EAP, the services offered and how to contact providers
- Review our online wellness programme suitability.

TRACKSUIT INC

The company's online wellness programme, Tracksuit Inc, continues to be well supported, with staff accessing a range of content. Staff also participate in various challenges, with topics focused on creating a healthier lifestyle while having some fun. Popular ones included:

- Sugar Crush
- Functional Fitness
- The Immunity Boost Challenge
- Digital Detox
- The Live Better Challenge
- Mind, Body and Soul
- Sleep Smarter
- Driver's Licence RE-Cap New Zealand.

Global Challenges

As part of Tracksuit Inc this year, staff also participated in three challenges designed to assist people to cope with the changes COVID-19 has brought to workforces around the world.

Shift – the AWEsome Edition

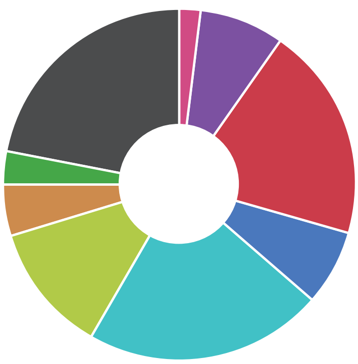
Top Energy teams of between 3 and 6 people competed in this 4-week challenge. They virtually walked across the globe, tracking their steps each day. Along the way, participants learnt how to find moments of awe and discover the impact of nature on their wellbeing.

The Games – Behind the Glory

In the build-up to the postponed 2020 Olympic Games participants learnt the strengths behind what it takes to make it to the top and how to apply these attributes to their day-to-day life.

Workplace Fortunes

Teams competed in this 2-week challenge based on the TV show Family Feud, guessing the most popular answers to questions such as "Name something beginning with B", or "Name something you would find at a park".



HEALTHY HABIT CONTENT CONSUMED

- Reduce fake foods **(2%)**
- Eat real foods **(8%)**
- Move slowly lots **(2%)**
- Move quickly once in a while **(7%)**
- Get strong **(22%)**
- Get adequate sleep **(12%)**
- Play **(5%)**
- Manage your thinking **(3%)**
- Engage yourself **(22%)**
- Get adequate sunlight **(0%)**

PINK SHIRT DAY

This year staff participated in Pink Shirt Day to remind everyone to take a stand against bullying. Human resources cooked up a storm, serving breakfast at the Ngāwhā Geothermal Power Station, the Kaitaia and Puketona depots, and head office in Kerikeri to raise money for the Mental Health Foundation of New Zealand.

Staff enjoying Pink Shirt Day breakfasts at Kaitaia and Puketona depots, Kerikeri office and the Ngāwhā Geothermal Power Station. All up proceeds raised went to the Mental Health Foundation

Retirement

Steve James - Over 30 years of service and still counting

Steve James arrived from Auckland in 1991, for a 2-year contract with the Bay of Islands Electric Power Board. He stayed for over 30 years. In fact, he is yet to fully close the door behind him as his corporate skills and institutional knowledge remain in demand at Top Energy.

With his accounting and financial background Steve was brought on to help with the corporatisation of the Power Board, as part of the electricity sector reforms under the Electricity Act 1992. Top Energy was formed in this process and instead of listing as a corporate entity on the stock exchange as had been expected, it became a consumer trust, owned on behalf of all the power consumers of the Far North.

The Trust was created in 1993. Steve was fully supportive of the consumer trust model and the benefits that it would deliver to the people of the Far North. He has watched the company grow.

In his various roles as financial controller, finance manager and finally General Manager of Corporate Services, Steve has been an integral part of Top Energy becoming a company with assets valued at over $680 million.

Steve's biggest highlight was being at the start of the Far North's move to energy independence with the commissioning of OCE1 and OEC2 in 1998 as part of the Ngāwhā Geothermal Power Station.

The generation capacity was expanded in 2008 and has recently expanded further with the commissioning of OEC4 in December 2021. It now generates 97% of the power consumed in the Far North.

Steve began the process of retiring over three years ago but there is a reluctance to let him go. He remains available and on call to the Top Energy Trust as a valued advisor.

Rewards & Recognition

Launched in 2013, our successful Applaud programme empowers managers to formally recognise, encourage and reward high performance by individuals and teams who demonstrate our values. There are three categories: display, achieve and exceed. This year, and for the first time since implementing the programme, we exceeded all targets. This is a testament to the resilience and hard work of our staff during the COVID-19 pandemic.

Key facts for the last year

148
Employees displaying positive actions (target was 144)

109
Employees successfully achieving stretch targets (target was 72)

28
Employees making outstanding contributions to the business (target was 12)

Some examples of these include:

For the effort put in at the weekend when Cyclone Dovi Caused extensive damage to the Top Energy network.

Stopping a member of the public from drilling holes in a road reserve where 33kV cables are buried, suggesting they apply for a cable location service to avoid receiving a potentially fatal injury.

Helping with the successful delivery of the new call centre.

For exemplary safety performance demonstrated in managing the recent OEC4 outage and the creation of new safe working practices for managing pentane in a changing environment.

For the outstanding effort in completing the Pukenui substation installation and commissioning of the 1MVA generator.

Staff Development

We are committed to upskilling our staff and supporting them with their continuing professional development. In the last year, staff completed or continued a range of industry qualifications and training:

- Line Mechanic block 1
- Line Mechanic block 2
- Level 4 Process Operations Geothermal Programme
- National Certificate in Electricity Supply, Level 5
- Strand in Distribution Fault Response, Level 4.

Two staff members continue to work towards a Graduate Diploma in Business Studies, and a member of the finance team successfully completed their Chartered Accountancy (CA) qualification.

LEADERSHIP DEVELOPMENT

Charles Palmer, who started with us in 2015 as a Vegetation Assistant and has worked his way up to Vegetation Foreman, attended the Young Person Leadership Awards sponsored by the Rotary Clubs of New Zealand.

The week-long experiential leadership development programme is designed to help young people aged 20 to 28 years old develop their team work and communication skills and fulfil their potential as leaders.After his attendance Charles presented to the RSA in Kerikeri and the Top Energy executives on his experience.

Image top left: Charles Palmer

PROMOTION FROM WITHIN

Offering employees the opportunity to grow their knowledge and experience is one of the main reasons we continue to retain good people.

Last year 6 staff were promoted.

- Michael Boocock, Network Controller
- Daniel Ellis, Network Field Operator
- Peter Roux, Electrical Inspector
- Shane Tasker, Network Controller
- Vula Vakacegu, Electrical Technician
- Chelsea Macalister, GIS Field Technician.

Image top right - from left to right: Vula Vakacegu, Shane Tasker, Daniel Ellis, Chelsea Macalister, Peter Roux and Michael Boocock.

Staff Profile

Talia Ashby

Talia has been the Store Person at the Puketona depot for the last 7 years. A mum returning to the workforce, she applied for the job knowing she had transferable skills from her previous logistics role in the NZ Army stores.

Though there has been organisational change and a couple of managers in that time, Talia has remained a constant. She attributes this to the great people she works with, job flexibility and her incredibly varied role. From ordering materials and getting jobs ready for the field teams, to checking that equipment is in good working order and cleaning up stock chaos after major storms, no one day is the same. Plus, Talia spends as much time in the yard as she does in the office. Her role is more than paperwork – it is physical too.

Safety is important in Talia's role. She has to make sure all the line mechanics' gear is in good working order. Faulty equipment can mean repair delays, shortened equipment life or faults on the network.

A confident and direct person, Talia enjoys the camaraderie of her mostly male environment. Just like her brothers her workmates laugh and joke with her. They also share their knowledge of the jobs they do and the products they use. What she has learnt has definitely helped her be more efficient and effective as a Store Person.

Talia enjoys her job and considers Top Energy a good business to work for. The company is understanding when she needs time off to be with one of her four kids, and the flexible hours suit her busy family life.

14.09.2021

To Top Energy

Hi my name is Malachi, I go to Kaikohe East School and I am 10 years old. I want to thank you guys from Top Energy for giving us power to keep the t.v on, the lights on and other things that use power. You are amazing because you have to work when covid 19 is around. But I wonder, where does the power come from? In the sky or somewhere else?

Sincerely yours

Malachi

Thank. You
Top
energ

...s Daizy-J
...to Years Old
...ol Kaikohe east
I am ThanKful
because you save us
from
Th...

To Top ...
Hi, my na...
going dur...
brave and...
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THAN...
YO...

ACTIVE IN OUR COMMUNITY

‘Investing in sponsorships and events that benefit our Far North community’

As a community-owned company, it is a privilege for Top Energy to assist local businesses on their journey to success, and to help our young people reach their potential.

Thank you cards from Children at Kaikohe East School for our teams’ hard work and perseverance in keeping the power on during the COVID-19 pandemic and Cyclone Dovi.

As a community-owned company, it is a privilege for Top Energy to assist local businesses on their journey to success, and to help our young people reach their potential.

Our $450k sponsorship programme is designed to support as many as many individuals, whānau and businesses in our community as possible.

The programme has helped kids learning to swim, college students exploring business ideas, budding engineers heading off to university, innovative businesses looking for an extra boost, and assisted those struggling with electricity costs and uninsulated homes.

$5.0
MILLION

Invested in sponsorships over the last 11 years

EnergyMate

Tackling Energy Poverty

EnergyMate is a free, in-home energy coaching service for households at risk of energy hardship, set up by the Electricity Retailers Association.

A local pilot was run by Kaitaia Family Budgeting services and sponsored by Top Energy to help the families in our community who need it most.

Thanks to the hard work of EnergyMate coaches, the number of power bills in debt across the country this year dropped by 35%, and the average debt fell by 65%. Of the whanau visited, 90% said they had a better understanding of energy use and efficiency and 85% said they now take energy-saving actions in their home.

EnergyMate coach Tania Sneddon says, "The energy-saving advice we provide is easy to understand. Some have saved hundreds of dollars a year just by getting on a power plan better suited to them, or by implementing our simple energy-saving tips. We found the in-home visiting process and working with whānau on the programme to be incredibly rewarding."

The sponsorship is a wonderful example of what can be achieved when the electricity sector partners with organisations working on the frontline to alleviate hardship.

Photo: Tania Sneddon, energy coach (centre) from Kaitaia Budgeting

Business Development Fund

Since its inception in 2014, the biannual $30K Business Development Fund has helped local businesses grow and provided seeding funding for fresh and innovative start-ups.

This year's winners are...

PHATHOUSE BREWING COMPANY

Missing the taste of beers from their native UK, co-founders Caroline and Rob Harrell started batch brewing beer for personal consumption at their Kerikeri studio in 2015. They now distribute a range of beers locally to cafes, bars, restaurants and retailers, have an online shop, and are an approved supplier to Foodstuffs NZ.

PhatHouse Brewery Bar & Taproom is the only brewery in Northland where the brewery and bar are on the same premises, and you can view the brewery from the bar. It has become a destination for locals and visitors alike as word continues to spread of the brewery's passion for creating delicious, flavourful beers.

Caroline and Rob plan to build on their success and introduce the PhatHouse Brewery tour. This will be a sensory experience of tasting grains, smelling hops and watching the beer-making process, combined with storytelling and product sampling.

The grant from Top Energy will be used for building modifications, to purchase multimedia equipment, and to cover filmmaking and graphic design expertise.

Photo: PhatHouse co-founders Rob and Caroline Harrell

DANCING PETREL

This 12-hectare vineyard planted on the northern slopes of Paewhenua Island was purchased by Kim and Graham Gilkison in 2018.

With magnificent views overlooking Mangonui Harbour and the Doubtless Bay harbour entrance, Dancing Petrel has become a popular destination on Northland's wine trail. It's one of the region's largest vineyards and boasts some of Northland's finest prize-winning wines.

Under Kim and Graham's careful management production has almost doubled at the New Zealand Wines-accredited sustainable vineyard. They are now looking at export opportunities.

Kim and Graham plan to open a tasting room café at Dancing Petrel in the coming months. Taking advantage of the location, sun and views, they hope to entice the surrounding community and Northland wine trail visitors to enjoy their hospitality, taste wines and sample produce from the local area. They see this as a wonderful opportunity to boost the local economy.

The $30k grant will contribute towards training vineyard staff, hiring a chef and training café staff, as well as focusing on market development of Dancing Petrel.

Photo: Kim Gilkison on the tractor at Dancing Petrel vineyard

Kaikohe East Students with Top Energy Kaiārahi

Top Energy's Belinda Peddie with the Foreno Tapware team

Staying safe in the water

We are a proud sponsor of the Northland WaterSafe programme, which has been teaching water safety and swim to survive skills to primary and intermediate aged children for nearly 30 years.

The goals are zero preventable drownings and a reduction in the number of hospitalisations due to near-drownings in Northland.

About WaterSafe

- Aimed at primary and intermediate school children
- Managed by Sport Northland
- Teaches children how to swim, and water safety and survival skills

Key achievements for this season:

61 schools were supported by the Top Energy WaterSafe programme in the Mid and Far North regions

30 schools received 4 free days of swim to survive instruction

3065 students were involved in the programme

8812 swimmer lessons were delivered, including dryland sessions

50 students received the Coastguard Boating Education certificate for safe boating

164 school staff attended in-house workshops / professional development learning poolside

Business Awards

Top Energy is a keen supporter of business ideas or initiatives that help to grow and diversify the Far North economy.

In addition to our Business Development Fund, we are a principal sponsor with Northpower of the North Chamber Northland Business Excellence Awards.

This year's winner!

Foreno Tapware Ltd took the Supreme Winner of the 2021 Northland Business Excellence Awards. New Zealand owned and operated, Foreno design and distribute beautiful tapware nationwide from their offices in Whangarei.

Healthy Homes Tai Tokerau

We continue to support the Warm Up New Zealand Healthy Homes programme, which has been retrofitting Northland homes with eco-friendly insulation since 2011.

Key facts for this year

OVER 12,658 homes have benefited from quality, eco-friendly insulation since 2011

2,658 homes have since 1 July 2019

Pictured L to R: Max Donaldson, Sky Gundry, Jacob Fewtrell

Top Energy's Belinda Peddie with winner Nimish Singh and other finalists

Young Enterprise Scheme

This is one of our longest standing sponsorships – we love celebrating our enterprising youth in the Far North!

This year the Top Energy Young Enterprise Scheme (YES) Northland competition was won by Sky Gundry from Kerikeri High School. Sky's Surf School aims to build a community of confident Northland wāhine through exposure to the ocean and regular surf lessons.

Other regional winners were Jacob Fewtrell of Insight with his solar-powered light that works when your mailbox is opened at night, and Max Donaldson of Green Kiwi with his olive-leaf extract sourced from New Zealand-grown olive trees.

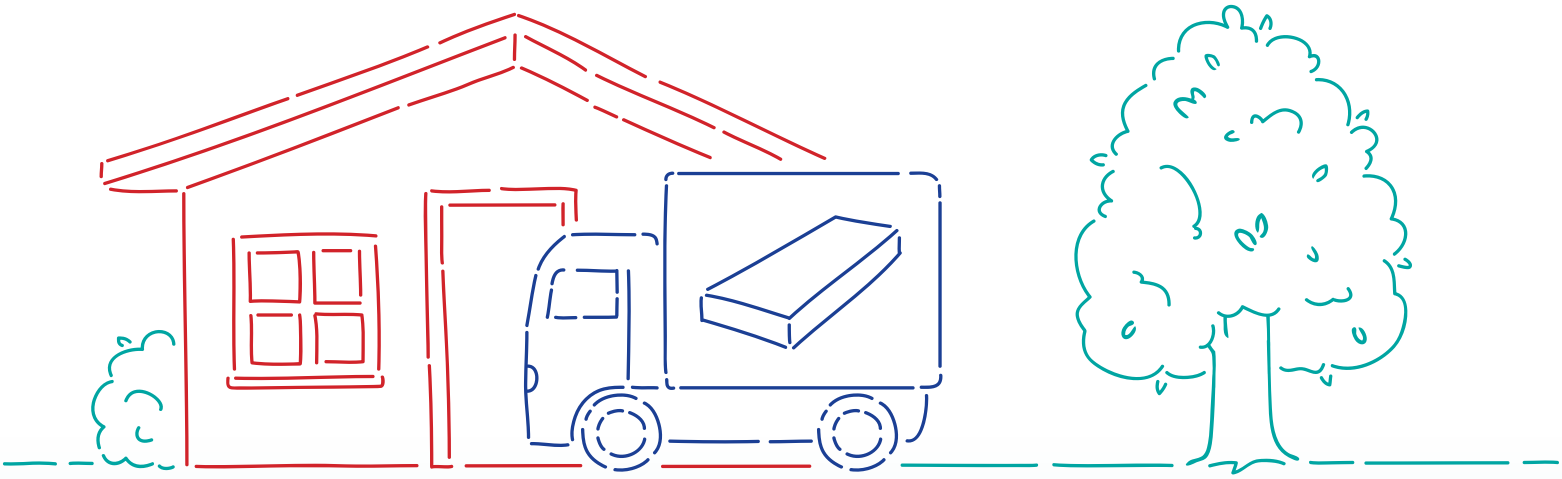
Top Energy has proudly sponsored YES in this form since 2009 and under its previous names for more than 20 years.

Young Ambassadors Okaihau

Top Energy is the main sponsor for the first-place prize at the Lions International Young Ambassador programme.

It is an international competition run in the Far North by the the Lions Club of Okaihau Charitable Trust. The winner is awarded $1,000. It recognises young people between the ages of 15 and 19 for their outstanding community service, leadership and public speaking ability. The programme encourages young people to see community service as an integral part of leadership skills. Out of a total of 21 entrants, the 6 amazing finalists gave thought-provoking speeches in front of the judges and members of the community on topics that were close to their hearts.

This year's well-deserved winner was Kerikeri High School's deputy head boy, Nimish Singh.



Engineering Scholarship

Over the last 6 years, Top Energy's annual Engineering Scholarship has set talented and smart students on the path to becoming engineers – and will continue to do so into the future.

The scholarship provides $8k a year for a maximum of 4 years towards an engineering degree with honours, and also offers students the opportunity for work experience at Top Energy.

Our latest winner, Rosie Robb from Kerikeri High School, is heading back to Auckland University for the second year of her Bachelor of Engineering (Honours) degree. She plans to specialise in mechatronics, a discipline that uses a combination of mechanical, electrical, computer and software skills to work with technologies such as robots, automated guided systems and computer-integrated manufacturing equipment.

She joins a group of bright students from the Far North that includes Craig Nelder, the first Top Energy Engineering Scholarship winner. He graduated last year with honours and has secured a job with the geotechnical team at Haigh Workman.

Northland Rescue Helicopter

The Electricity Rescue Helicopter provides an essential lifeline for our remote communities.

It is one of our most longstanding sponsorships, and is in partnership with neighbouring lines company Northpower. Demand for rescue helicopters continues to increase as the Northland population grows.

Despite COVID-19, community support for the service in 2021 was stronger than ever. Fundraising was up from $334k in 2020 and $246k in 2019 thanks to generous donations and $250k added by the sponsors.

1,289
Callouts (Jan-Dec 2021)

$360 THOUSAND
Total donations (as at 15 March 2022)

23 THOUSAND
Missions completed since 1988

Photos: Female students from schools across Northland attending Mana Wahine Mahi events at Kaitaia and Whangaroa colleges to celebrate the diversity of women in trades

Mana Wāhine Mahi

The aim of Mana Wāhine Mahi is to encourage female learners to transition into various vocational and trade pathways.

Over 70 female students from 10 schools across Northland attended events held at Kaitaia and Whangaroa colleges, celebrating the diversity of women in trades. Students rotated around the 14 Northland businesses, including Top Energy, that supported the events.

A panel discussion from all industries present kicked off the events. Topics covered included:

- **What are some challenges a young wāhine might find in your industry?**
- **What core skills, characteristics and subjects should I focus on to enter a trade career or employment?**
- **What advice would you give to the next generation of future female industry leaders?**

Afterwards, groups of students circulated among the representatives of the businesses to learn what they did. Top Energy line mechanic Karl Wilson spoke about his career at Top Energy. Students expressed how much they enjoyed the experience, and how much they had learnt and would take with them into their journey to employment.

Community Events

COVID-19 meant the region's agriculture and pastoral shows and all planned business events during the year had to be cancelled.

Normally, a team of staff volunteers attend these events to highlight many of the activities we are involved in. They provide an opportunity to talk about our Ngāwhā geothermal power station, the safety around our network, the issues caused when trees get into the lines, pricing and renewable energies. We always take the time to answer questions on power consumption and how to reduce energy costs.

At the Kaikohe A&P show we usually offer tours of the Ngāwhā power station to give everyone an opportunity to learn more about our geothermal generation and see the power station in operation.The response we receive from people at the shows is very positive and we hope to participate again next year.

TOP ENERGY GROUP

FINANCIAL STATEMENTS

Financial report for the year ended 31 March 2022

DIRECTORS' REPORT

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 2022.

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 48 to 80 for issue on 14 June 2022.

For and on behalf of the Board.

D Sullivan
Chair

J Nichols
Chair ARC

14 June 2022

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Notes	2022 $'000	2021 $'000
Operating revenue	4	92,930	72,791
Operating expenses	5	(37,501)	(31,522)
Construction related Covid 19 expenses	5	–	(2,931)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**55,429**	**38,338**
Depreciation and amortisation	5	(27,765)	(19,427)
Finance costs		(18,142)	(7,787)
Earnings before tax and fair value movements of financial assets (EBTF)		**9,522**	**11,124**
Fair value gains (losses) on financial assets	6	34,297	(73,723)
Profit (Loss) before income tax		**43,819**	**(62,599)**
Income tax credit (expense) from continuing operations	7	(11,157)	18,258
Profit (Loss) from continuing operations		**32,662**	**(44,341)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of generation plant	24	7,603	1,578
Income tax relating to revaluation of non current assets	7	(2,128)	(442)
Other comprehensive income for the year, net of tax		**5,475**	**1,136**
Total comprehensive income for the year		**38,137**	**(43,205)**
Profit (loss) is attributable to:			
Equity holders of Top Energy Limited		32,662	(44,341)
		32,662	**(44,341)**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		38,137	(43,205)
		38,137	**(43,205)**

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

Consolidated statement of financial position

As at 31 March 2022

	Notes	**2022** $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	129	145
Receivables	9	13,037	12,142
Inventories	10	2,481	2,025
Current tax benefit	11	1,290	407
Intangible assets	13	1,268	223
Derivative financial instruments	12	80	124
Total current assets		**18,285**	**15,066**
Non-current assets			
Property, plant and equipment	14	632,967	637,404
Intangible assets	15	31,714	22,588
Derivative financial instruments	12	660	–
Right-of-use lease assets	16	4,923	5,342
Total non-current assets		**670,264**	**665,334**
TOTAL ASSETS		**688,549**	**680,400**
LIABILITIES			
Current liabilities			
Payables	17	22,599	25,156
Interest bearing liabilities	18	7,594	4,718
Provisions	19	312	298
Derivative financial instruments	12	42,486	58,667
Right-of-use lease liabilities	16	449	513
Total current liabilities		**73,440**	**89,352**
Non-current liabilities			
Interest bearing liabilities	20	314,921	325,312
Derivative financial instruments	12	56,901	74,404
Deferred tax liabilities	21	40,153	25,983
Right-of-use lease liabilities	16	4,794	5,051
Total non-current liabilities		**416,769**	**430,750**
TOTAL LIABILITIES		**490,209**	**520,102**
NET ASSETS		**198,340**	**160,298**
EQUITY			
Contributed equity	23	25,267	25,267
Reserves	24	66,046	64,145
Retained earnings	24	107,027	70,886
TOTAL EQUITY		**198,340**	**160,298**

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 2022

	Notes	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2021		**25,267**	**64,145**	**70,886**	**160,298**
Comprehensive income					
Profit (loss) for the year		–	–	32,662	32,662
Revaluation of generation plant	*14*	–	7,603	–	7,603
Income tax relating to components of other comprehensive income	*7*	–	(2,128)	–	(2,128)
Reversal of revaluation on disposal of revalued assets	*24*	–	–	–	–
Amortisation of revaluation reserve	*24*	–	(4,963)	4,963	–
Deferred tax released on amortisation of reserve	*24*	–	1,389	(1,389)	–
Total comprehensive income		**–**	**1,901**	**36,236**	**38,137**
Transactions with owners					
Dividends	*25*	–	–	(95)	(95)
Total transactions with owners		**–**	**–**	**(95)**	**(95)**
Balance as at 31 March 2022		**25,267**	**66,046**	**107,027**	**198,340**
Balance as at 1 April 2020		**25,267**	**75,622**	**102,699**	**203,588**
Comprehensive income					
Profit (loss) for the year		–	–	(44,341)	(44,341)
Revaluation of generation plant	*14*	–	1,578	–	1,578
Income tax relating to components of other comprehensive income	*7*	–	(442)	–	(442)
Transfers between reserves	*24*	–	(12,613)	12,613	–
Total comprehensive income		**–**	**(11,477)**	**(31,728)**	**(43,205)**
Transactions with owners					
Dividends	*25*	–	–	(85)	(85)
Total transactions with owners		**–**	**–**	**(85)**	**(85)**
Balance as at 31 March 2021		**25,267**	**64,145**	**70,886**	**160,298**

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 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		93,186	69,548
Payments to suppliers and employees (exclusive of goods and services tax)		(38,729)	(28,581)
		54,457	**40,967**
Interest received		–	8
Interest paid		(18,189)	(7,875)
Income taxes paid		–	(2,175)
Net cash inflow from operating activities	*32*	**36,268**	**30,925**
Cash flows from investing activities			
Purchases of property, plant and equipment		(15,772)	(70,902)
Proceeds from sale of property, plant and equipment		*88*	81
Purchase of ETS units		(12,247)	(1,495)
Increase / (repayment) of loan from parent		(9)	15
Net cash inflow / (outflow) from investing activities		**(27,940)**	**(72,301)**
Cash flows from financing activities			
Proceeds from (repayment of) borrowings		(7,438)	41,750
Dividends paid to the Group's shareholders	*25*	(95)	(85)
Interest on Right-of-use leases		(302)	(123)
Payments on Right-of-use leases		(441)	–
Net cash inflow / (outflow) from financing activities		**(8,276)**	**41,542**
Net increase (decrease) in cash and cash equivalents		52	166
Cash at bank and on hand at the beginning of the financial year		77	(89)
Cash and cash equivalents at end of year	*8*	**129**	**77**

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, sell electricity on the wholesale market and to energy retailers 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 14 June 2022.

[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

(i) 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.

(ii) Going Concern

The Group recorded a profit after tax of $32.7m, with an underlying operational profit (EBITDAF) of $55.4m.

The Group's ability to continue as a going concern has also been assessed by evaluating the results to 31 March 2022 and the following:

- The Group's operation consists of electricity generation and distribution which is considered an essential service and can operate at any Government introduced Covid-19 setting;
- Cash flow from operating activities has increased 17% to $36.3m;
- 10-year forecasts have been reviewed including relevant sensitivity analysis;
- The balance sheet for the period, which currently shows a net working capital deficit is driven by fair value loss on financial derivatives and interest free liabilities, which reflect the expected decrease in debt levels over the next 12 months;
- As described in note 14(a), the carrying value of the Generation assets have had an external valuation completed to ensure that the appropriate judgements can be made. A positive adjustment of $7.6m was made.
- The Group is forecast to operate within the conditions of its banking facilities as disclosed in note 20. Funding facilities are due to mature in October 2023 with a refinancing information memorandum being prepared. There are no indications that the Group will be unable to successfully refinance.

As a result of the above considerations, these financial statements have been prepared on a going concern basis.

(iii) 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.

(iv) 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), which are adjusted to fair value through profit or loss; and
- the revaluation of certain classes of property, plant and equipment and Fair Value through Other Comprehensive Income financial assets, which are adjusted to fair value through other comprehensive income.

(v) Comparative figures

To ensure consistency with the current period, comparative figures have been restated where appropriate in accordance with NZ IFRS requirements. There were no reclassifications or restatements in these financial statements in respect of the year ended 31 March 2021.

(vi) 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 2022 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) 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.

(e) 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.

(f) Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date less recognised losses. 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 income has been received in respect of contract work and the work has not been completed by the reporting date, the total of such held on account is included in trade payables as Revenue received in advance.

(g) Derivatives and hedging activities

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.

(h) 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.

(i) 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.

(j) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and Fair Value through Other Comprehensive Income 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.

(k) 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.

(l) 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.

(m) Impairment of 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).

(n) 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.

(o) 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 less any obligation being settled using the fixed price option. 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.

(v) Resource Consents
Resource consents are capitalised on the basis of the costs incurred. The Group remeasures Resource Consents at fair value, along with its Generation Assets, as they are intrinsically linked. Resource Consents are amortised over their useful lives, considered to be the period of time until their expiry. Details of Generation Assets are provided within Note 2(t).

(p) 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.

(q) 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.

(r) Investments and other financial assets

(i) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- **Fair value through profit or loss**: Assets that are not held for collection of contractual cash flows and for selling the financial assets are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(v) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value are recognised within Fair value gains (losses) on financial assets.

Details on how the fair value of financial instruments is determined are disclosed in note 2(j).

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(vi) Impairment
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. 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 considered an indicator that the assets are impaired.

Assets carried at amortised cost
For loans and receivables, 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 profit or loss. 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 the consolidated income statement.

Impairment testing of trade receivables is described in note 2(x).

(vii) Income recognition
Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(s) Leases

Lease liabilities are measured at the present value of remaining lease payments, discounted using a rate which represents our Incremental Borrowing Rate (IBR), as well as a deemed margin to reflect commercial borrowing risk where applicable. This rate is effective on the date of transition, and subsequently reassessed for new lease liabilities on the date they are recognised.

Right-of-use (ROU) assets are initially recognised at cost, being the amount of the lease liability. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

In considering the lease term, the Group applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised. The majority of the group's leases are property leases. The Group has the right to renew the leases at the end of their lease terms.

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(t) 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.

The net revaluation results are presented within other comprehensive income and are accumulated to an asset revaluation reserve in equity.

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 revaluation of the generation assets was undertaken as at 31 March 2022 and the resulting values have been incorporated into these financial statements.

Other property, plant and equipment

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

Subsequent expenditure

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

Depreciation

Land is not depreciated.

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

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

Straight Line basis	*Years*
Distribution system	15-60
Generation plant	5-50
Plant and equipment	3-20
Freehold buildings	50
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.

(u) 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.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and Goods and Services Tax.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Electricity line revenue and Electricity sales 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. The right to payment corresponds directly with the pattern of distribution and electricity consumption. Electricity line revenue is based on actual and assessed meter readings and includes an allowance for unread meters at the reporting date, as this is the most faithful measure of consumption. Revenue is recognised over time as the customer receives and consumes the benefits on an ongoing basis.

Electricity sales income is recognised as electricity generated and sold by reference to the quantity delivered as measured in kilowatt hours. Revenue is recognised over time as the customer receives and consumes the benefits on an ongoing basis.

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, as this is the most faithful measure of consumption. Occasionally, historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue.

(ii) 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. Revenue is recognised at a point in time being the date of completion which is when the business has the right for payment of the work, and the time that the customer takes over control of the asset.

(iii) Contracting Services
Contract Services, when received in advance, are held as payments on account (as a liability in the statement of financial position) and released once the relevant job/contract has been completed. As the customer cannot consume any benefit until all components are completed, revenue is recognised at a point in time being the date of completion, which is when the business has the right for payment of the work, and the time that the customer takes over control of the asset.

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.

(iv) Other revenue
Revenue is recognised when the Group finalises a contract for sale with the purchaser over time as the customer receives and consumes the benefits of the task being completed as it is being performed. Other revenue also includes the rendering of services, where revenue recognised in the accounting period in which it arises. Typically, this will be on completion of the underlying transaction.

(w) 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, or the cost of the fixed price option.

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

(x) Trade and other receivables

Trade receivables are amounts due from customers for services supplied or goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the consolidated income statement.

(y) Changes in accounting policies

All accounting policies have been applied on a basis consistent with those applied during the previous reporting period unless otherwise stated within these financial statements.

(z) 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 have 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.

[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 ending 31 March 2021 the Group had 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 dates the Group entered into a series of forward foreign currency contracts for amounts equal to its total US dollar exposure.

At 31 March 2022 the Group had not entered into any forward foreign currency contracts (31 March 2021: US$2,585,000) to manage exposure relating to the expansion of the Ngāwhā generation plant. The values of these contracts were translated into New Zealand dollars at the exchange rate applying at the end of the periods and adjusted for credit risk. This has created an unrealised loss for the period which has been credited to profit or loss and included in the statement of financial position.

(ii) 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 2022 and 2021, 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 5.46% (2021: 5.73%) 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 less than $500,000.

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 +$13,128,000/ -$14,179,000 respectively (2021: +$17,349,000-$18,964,000).

(iii) Energy market risk

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 2022, the notional amount of current contracts totalled $175,763,000 (31 March 2021: $129,153,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month.

(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.

One customer comprised 84% of the Group's total trade accounts receivable as at 31 March 2022 (2021: 98%). 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. Unrealised gains are presented as derivative financial instrument assets within note 12.

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 2022				
Bank overdrafts and loans	11,614	326,769	–	–
Right-of-use lease liabilities	449	478	1,027	3,290
Other loans	1,619	–	–	–
Trade and other payables	22,599	–	–	–
At 31 March 2021				
Bank overdrafts and loans	8,637	8,568	332,684	–
Right-of-use lease liabilities	413	438	678	5,392
Other loans	1,603	–	–	–
Trade and other payables	25,157	–	–	–

The following table 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 2022					
Forward foreign exchange contracts	– inflow	–	–	–	–
	– outflow	–	–	–	–
Interest rate swaps	– inflow	–	–	–	–
	– outflow	(7,876)	(7,530)	(18,093)	(11,718)
Electricity CFDs	– inflow	80	–	–	–
	– outflow	(42,281)	(30,051)	(23,852)	–
At 31 March 2021					
Forward foreign exchange contracts	– inflow	–	–	–	–
	– outflow	(3,652)	–	–	–
Interest rate swaps	– inflow	–	–	–	–
	– outflow	(10,809)	(10,405)	(26,175)	(21,479)
Electricity CFDs	– inflow	43	189	487	–
	– outflow	(58,438)	(22,372)	(20,241)	–

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 NZ 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 Fair Value through Other Comprehensive Income. 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 14 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 2022				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	660	–	660
– Trading derivatives - electricity CFDs	–	80	–	80
– Trading derivatives - forward FX contracts	–	–	–	–
Total assets	**–**	**740**	**–**	**740**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	3,203	–	3,203
– Trading derivatives - electricity CFDs	–	96,184	–	96,184
– Trading derivatives - forward FX contracts	–	–	–	–
Total liabilities	**–**	**99,387**	**–**	**99,387**
At 31 March 2021				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	–	–	–
– Trading derivatives - electricity CFDs	–	–	–	–
– Trading derivatives - forward FX contracts	–	124	–	124
Total assets	**–**	**124**	**–**	**124**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	32,626	–	32,626
– Trading derivatives - electricity CFDs	–	100,370	–	100,370
– Trading derivatives - forward FX contracts	–	75	–	75
Total liabilities	**–**	**133,071**	**–**	**133,071**

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

(e) Financial instruments by category

FINANCIAL ASSETS as per statement of financial position	**Financial assets at Amortised cost** *$'000*	**Financial assets at Fair value through profit or loss** *$'000*	**Other** *$'000*	**Total** *$'000*
At 31 March 2022				
Derivative financial instruments - electricity CFDs	–	80	–	80
Derivative financial instruments - interest rate swaps	–	660	–	660
Derivative financial instruments - forward FX contracts	–	–	–	–
Trade and other receivables	11,204	–	–	11,204
Other financial assets	–	–	12,924	11,656
Cash and cash equivalents	129	–	–	129
	11,333	**740**	**12,924**	**23,729**
At 31 March 2021				
Derivative financial instruments - electricity CFDs	–	–	–	–
Derivative financial instruments - forward FX contracts	–	124	–	124
Trade and other receivables	11,460	–	–	11,460
Other financial assets	–	–	2,919	2,919
Cash and cash equivalents	145	–	–	145
	11,605	**124**	**2,919**	**14,648**

FINANCIAL LIABILITIES as per statement of financial position	**Financial liabilities at Amortised cost** *$'000*	**Financial liabilities at Fair value through profit or loss** *$'000*	**Total** *$'000*
At 31 March 2022			
Borrowings	322,515	–	322,515
Derivative financial instruments - forward FX contracts	–	–	–
Derivative financial instruments - interest rate swaps	–	3,203	3,203
Derivative financial instruments - electricity CFDs	–	96,184	96,184
Right-of-use lease liabilities	5,243	–	5,243
Trade and other payables	10,614	–	10,614
	338,372	**99,387**	**437,759**
At 31 March 2021			
Borrowings	330,030	–	330,030
Derivative financial instruments - forward FX contracts	–	75	75
Derivative financial instruments - interest rate swaps	–	32,626	32,626
Derivative financial instruments - electricity CFDs	–	100,370	100,370
Right-of-use lease liabilities	5,564	–	5,564
Trade and other payables	9,043	–	9,043
	344,637	**133,071**	**477,708**

[4] Revenue

From continuing operations	**2022** *$'000*	2021 *$'000*
Electricity line revenue	54,354	52,768
Network line charge discount	(7,058)	(7,054)
Capital contributions	4,006	2,197
Electricity sales	38,202	22,328
Contracting services	3,343	2,417
Other revenue	83	135
Total revenue from continuing operations	**92,930**	**72,791**

[5] Expenses

	2022 $'000	2021 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	3,268	2,277
Employee benefits expense	15,559	14,120
Other expenses	14,271	10,481
Transmission charges	4,403	4,644
Construction related Covid-19 expenses	–	2,931
	37,501	**34,453**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	8,470	8,122
Generation plant	16,352	8,294
Plant and equipment	740	779
Vehicles	525	572
Buildings	212	147
Right-of-use leased assets	539	555
Total depreciation	**26,838**	**18,469**
Amortisation		
Software	676	741
Resource consents	251	217
Total amortisation	**927**	**958**
Total depreciation and amortisation	**27,765**	**19,427**
Net loss (gain) on disposal of property, plant and equipment	**332**	**58**
Rental expense relating to operating leases		
Minimum lease payments	95	117
Employee benefit expense		
Wages and salaries, including restructuring costs and termination benefits	14,749	13,218
ACC levies and employee medical insurance	355	476
Pension costs - defined contribution plans	455	426
	15,559	**14,120**
Covid-19 Alert Level 4 costs	–	2,931

Other non-operating costs of $2,931,000 in the period ended 31 March 2021 directly relate to Covid-19 Alert Level 4 costs incurred as a result of the Ngāwhā Expansion Project being locked down during its construction stage. The costs were expensed on the basis that suspension in construction activity was an abnormal delay for an extended period of time.

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:

	2022 $'000	2021 $'000
Audit services		
Audit of the financial statements - Deloitte Limited	191	177
Total remuneration for audit services	**191**	**177**
Audit of regulatory statements - Deloitte Limited	61	61
Total remuneration for assurance services	**252**	**238**

[6] Fair value gains / (losses) on financial assets

	2022 *$'000*	2021 *$'000*
Net gain / (loss) on interest rate swaps	30,082	19,974
Net gain / (loss) on electricity Contract For Differences	4,264	(92,328)
Net gain / (loss) on forward foreign currency contracts	(49)	(1,369)
	34,297	**(73,723)**

[7] Income tax expense

(a) Income tax expense

	2022 *$'000*	2021 *$'000*
Current tax		
Current tax expense (benefit) on profits for the year	(849)	(404)
Adjustments in respect of prior years	(34)	(60)
Total current tax expense (benefit)	**(883)**	**(464)**
Deferred tax		
Origination and reversal of temporary differences	14,128	(17,292)
Exclude: elements arising on fixed asset revaluation - recognised in equity	(2,128)	(442)
Under (over) provided in prior years	40	(60)
Total deferred tax	**12,040**	**(17,794)**
Income tax expense / (benefit)	**11,157**	**(18,258)**
Profit/(Loss) from continuing operations	11,157	(18,258)
Deferred income tax expense (benefit) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets	9,413	(20,039)
Increase (decrease) in deferred tax liabilities *(note 21)*	2,627	2,245
	12,040	**(17,794)**

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

	2022 *$'000*	2021 *$'000*
Profit/(Loss) from continuing operations before income tax expense	43,819	(62,599)
	43,819	**(62,599)**
Tax at the New Zealand tax rate of 28% (2021: 28%)	12,270	(17,528)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenditure	3	3
Income not subject to tax	(1,122)	(615)
Other reconciling items		
Adjustment in respect of prior years	6	(118)
Income tax expense	**11,157**	**(18,258)**

(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
1 March 2022			
Fair value gains:			
Revaluation of generation plant	7,603	(2,128)	5,475
Other comprehensive income	**7,603**	**(2,128)**	**5,475**
31 March 2021			
Fair value gains:			
Revaluation of generation plant	1,578	(442)	1,136
Other comprehensive income	**1,578**	**(442)**	**1,136**

[8] Current assets – Cash and cash equivalents

	2022 $'000	2021 $'000
Cash on hand	1	1
Bank balances	128	44
Deposits at call	–	100
	129	**145**

(a) 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

	2022 $'000	2021 $'000
Net trade receivables		
Trade debtors	11,204	11,460
Provision for doubtful receivables	(374)	(424)
Net trade receivables	**10,830**	**11,036**
Sundry prepayments	2,207	1,106
Total current receivables	**13,037**	**12,142**

(a) Impaired receivables

	2022 $'000	2021 $'000
Movements in the provision for impairment of trade receivables are as follows:		
At 1 April	(424)	(507)
Provision for impairment arising during the year	–	–
Provision for impairment released in the year	44	80
Charge (credit) to profit and loss during the period	6	3
At 31 March	(374)	(424)

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

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

[10] Current assets – Inventories

	2022 *$'000*	2021 *$'000*
Raw materials		
Raw materials at cost	1,860	1,749
Contract costs incurred less recognised losses	621	276
	2,481	**2,025**

[11] Current assets – Current tax benefit

	2022 *$'000*	2021 *$'000*
Tax benefit of losses	1,290	407
	1,290	**407**

[12] Derivative financial instruments

	2022 *$'000*	2021 *$'000*
Current assets		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	124
Electricity Contract for Differences - see below ((a)(iii))	80	–
Total current derivative financial instrument assets	**80**	**124**
Non-current assets		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	660	–
Total non-current derivative financial instrument assets	**660**	**–**
Total derivative financial instrument assets	**740**	**124**
Current liabilities		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	(75)
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	(205)	(262)
Electricity Contract For Differences - see below ((a)(iii))	(42,281)	(58,330)
Total current derivative financial instrument liabilities	**(42,486)**	**(58,667)**
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	(2,998)	(32,364)
Electricity Contract For Differences - see below ((a)(iii))	(53,903)	(42,040)
Total non-current derivative financial instrument liabilities	**(56,901)**	**(74,404)**
Total derivative financial instrument liabilities	**(99,387)**	**(133,071)**
Net assets (liabilities) in relation to derivative financial instruments	**(98,647)**	**(132,947)**

For further information refer to note 2(g).

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

The Group had previously entered into forward foreign exchange contracts relating to the expansion of the Ngāwhā generation plant. These contracts matured during the period 31 March 2022. Of the forward foreign exchange contracts held at 31 March 2021 (US$2,585,000), when translated at the closing spot rate, the NZ Dollar equivalent was NZ$3,652,000.

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

The Group 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 2022 the notional principal amount of current contracts totalled $312,000,000 (31 March 2021: $319,000,000). At 31 March 2022 there was 2 remaining forward starting contracts (31 March 2021: 4), with a total notional principal value of $50,000,000 (2021: $57,000,000), to replace 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 2022, the notional amount of current contracts totalled $175,763,000 (31 March 2021: $129,153,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month.

(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).

[13] Current assets – Intangible assets

	2022 *$'000*	2021 *$'000*
Emission Trading Scheme Units	1,268	223
	1,268	**223**

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.

During the reporting period ended 31 March 2019, the Company entered into two forward contracts for the purchase of 115,000 NZUs with a value of $3,542,400.

Settlement of these contracts are due in April 2023 and April 2024 for $1,140,000 (38,000 NZUs) and $2,402,400 (77,000 NZUs) respectively.

During the reporting period ended 31 March 2022, the Company entered into a forward contracts for the purchase of 100,000 NZUs with a value of $9,095,000. Settlement of this contract is due in April 2025.

[14] Non-current assets – Property, plant and equipment

	Distribution system $'000	Capital work in progress $'000	Generation plant $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Buildings $'000	Total $'000
Year ended 31 March 2022								
Opening net book amount	250,708	6,332	365,007	2,105	2,405	7,800	3,047	637,404
Additions	9,351	4,027	385	528	978	139	22	15,430
Disposals	(513)	–	(2)	(1,967)	(469)	–	–	(2,951)
Transfers and reclassifications	3,205	(3,347)	–	–	–	–	–	(142)
Depreciation charge	(8,470)	–	(16,352)	(740)	(524)	–	(212)	(26,298)
Depreciation released on disposals	167	–	(1)	1,957	408	–	–	2,531
Revaluation of generation plant	–	–	6,993	–	–	–	–	6,993
Closing net book amount	**254,448**	**7,012**	**356,030**	**1,883**	**2,798**	**7,939**	**2,857**	**632,967**
At 31 March 2022								
Cost	452,837	7,012	3,180	11,128	10,165	7,939	3,950	496,211
Valuation	–	–	352,975	–	–	–	–	352,975
Accumulated depreciation	(198,389)	–	(125)	(9,245)	(7,367)	–	(1,093)	(216,219)
Net book amount	**254,448**	**7,012**	**356,030**	**1,883**	**2,798**	**7,939**	**2,857**	**632,967**
Year ended 31 March 2021								
Opening net book amount	227,686	195,979	147,500	2,681	2,782	7,505	1,455	585,588
Additions	13,734	1,284	54,820	240	234	295	289	70,896
Disposals	(280)	–	–	(175)	(333)	–	(217)	(1,005)
Transfers and reclassifications	17,496	(190,931)	170,278	(27)	–	–	1,452	(1,732)
Depreciation charge	(8,122)	–	(8,294)	(779)	(572)	–	(147)	(17,914)
Depreciation released on disposals	194	–	–	165	294	–	215	868
Revaluation of generation plant	–	–	703	–	–	–	–	703
Closing net book amount	**250,708**	**6,332**	**365,007**	**2,105**	**2,405**	**7,800**	**3,047**	**637,404**
At 31 March 2021								
Cost	440,794	6,332	3,033	12,567	9,656	7,800	3,928	484,110
Valuation	–	–	361,999	–	–	–	–	361,999
Accumulated depreciation	(190,086)	–	(25)	(10,462)	(7,251)	–	(881)	(208,705)
Net book amount	**250,708**	**6,332**	**365,007**	**2,105**	**2,405**	**7,800**	**3,047**	**637,404**

(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 as detailed below. This also takes into consideration note 2(a)(ii)- Going Concern. The carrying value of the distribution network at 31 March 2022 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 2022 using an approach based principally on discounted predicted future cash flows over a 15 year period to 31 March 2037 using a post tax WACC of 6.53% as a discount rate. The forecasts included estimates of future revenues, operating costs, capital expenditure, tax depreciation charges, working capital movements and tax payments. For the 2022 valuation, the Mid Point valuation was used (2022: Mid Point).

In setting the expected useful lives of the assets that comprise the Ngāwhā 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 2022. The revaluation adjustment net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 24).

The carrying amount of the generation plant that would have been recognised at 31 March 2022 had those assets been carried under the cost model is $281,525,000 (31 March 2021: $289,709,000).

(c) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 2022, 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 2022 *($'000)*	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Generation plant	370,200	Discounted cash flow	Projected Wholesale Price Path (revenue) taking into consideration ASX futures prices and a combination of short to medium term factors including an assessment of the Long Run Marginal Cost (LRMC) of electricity generation in New Zealand.	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 post tax WACC of 6.53%.	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 post tax WACC. A 5% movement in revenue and post tax WACC changes the mid-point valuation by approximately +/- 15% and +13.7% / -10.7% respectively.

The average impact on the mid-point valuation of a movement of 5% in operating costs is +/- 9.2%. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure.

(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 2022 was $107,000 (2021: $11,553,000).

Interest capitalised was at the average rate of 5.46% for the year ended 31 March 2022 (2021: 5.73%).

[15] Non-current assets – Intangible assets

	Goodwill *$'000*	Resource consents *$'000*	Computer software *$'000*	Easements *$'000*	Emission Trading Scheme units *$'000*	Total *$'000*
Year ended 31 March 2022						
Opening net book amount	811	7,501	1,337	10,243	2,696	22,588
Additions	–	60	190	92	10,004	10,346
Transfers and reclassifications	–	–	–	141	–	141
Disposals	–	–	(320)	–	–	(320)
Amortisation released on disposals	–	–	320	–	–	320
Reclassification between current and non-current ETS units	–	–	–	–	(1,044)	(1,044)
Amortisation charge (note 5)	–	(251)	(676)	–	–	(927)
Revaluation of generation plant	–	610	–	–	–	610
Closing net book amount	**811**	**7,920**	**851**	**10,476**	**11,656**	**31,714**
At 31 March 2022						
Cost	811	–	5,373	10,476	11,656	28,316
Valuation	–	7,920	–	–	–	7,920
Accumulated amortisation	–	–	(4,522)	–	–	(4,522)
Net book amount	**811**	**7,920**	**851**	**10,476**	**11,656**	**31,714**
Year ended 31 March 2021						
Opening net book amount	811	5,421	2,122	9,887	1,257	19,498
Additions	–	6	–	42	1,495	1,543
Transfers and reclassifications	–	1,417	(42)	314	–	1,689
Disposals	–	–	(1,317)	–	–	(1,317)
Amortisation released on disposals	–	–	1,316	–	–	1,316
Reclassification between current and non-current ETS units	–	–	–	–	(56)	(56)
Amortisation charge (note 5)	–	(217)	(742)	–	–	(959)
Revaluation of generation plant	–	874	–	–	–	874
Closing net book amount	**811**	**7,501**	**1,337**	**10,243**	**2,696**	**22,588**
At 31 March 2021						
Cost	811	–	5,503	10,243	2,696	19,253
Valuation	–	7,501	–	–	–	7,501
Accumulated amortisation	–	–	(4,166)	–	–	(4,166)
Net book amount	**811**	**7,501**	**1,337**	**10,243**	**2,696**	**22,588**

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):

	Ngāwhā Generation Ltd *$'000*	Total *$'000*
At 31 March 2022		
Cost at 1 April 2021	811	811
At 31 March 2022	**811**	**811**
At 31 March 2021		
Cost at 1 April 2020	811	811
At 31 March 2021	**811**	**811**

(b) Impairment testing of goodwill

As described in note 2(o) 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 2032, and a post-tax discount rate of 6.53% (2021: 6.56%).

At 31 March 2022 and 2021 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.

[16] Leases

(a) Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to Right-of-use leases:

	2022 *$'000*	2021 *$'000*
Right-of-use lease assets net book value		
Properties	3,641	3,997
Equipment	32	49
Well sites	1,250	1,297
	4,923	**5,343**
Right-of-use lease liabilities		
Current	449	513
Non-current	4,794	5,051
	5,243	**5,564**

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to Right-of-use leases:

	2022 *$'000*	2021 *$'000*
Depreciation charge of Right-of-use assets		
Properties	481	474
Equipment	16	39
Well sites	42	42
	539	**555**
Interest on Right-of-use leases		
Interest expense (included in finance cost)	302	320
	302	**320**

The total cash outflow for Right-of-use leases in the year ended 31 March 2022 was $742,000 (2021: $762,000)

(c) The Company leasing activity and how these are accounted for

The Group leases various offices, warehouses, depot sites, well sites, and equipment. Rental contracts are typically made for fixed periods, but may have extension options. These are used to maximise operational; flexibility in terms of managing the assets used in the Group's operations. The majority of extensions and termination options held are exercisable only by the Group and not by the respective lessor.

[17] Current liabilities – Trade and other payables

	2022 *$'000*	2021 *$'000*
Trade payables	4,205	3,421
GST payable	120	1,313
ACC levies, PAYE and other payroll taxes	174	291
Payroll creditors	1,935	1,572
Accruals	11,865	14,801
Revenue received in advance	4,300	3,758
	22,599	**25,156**

[18] Current liabilities – Interest-bearing liabilities

	2022 *$'000*	2021 *$'000*
Secured		
Bank overdrafts	–	68
Bank loans	6,041	3,088
Total interest bearing bank borrowings	**6,041**	**3,156**
Loan from parent entity	1,553	1,562
Total other interest bearing borrowings	**1,553**	**1,562**
Total current interest bearing borrowings	**7,594**	**4,718**

The Group's borrowings are subject to covenants agreed with its lenders. Details are provided at note 20.

[19] Current liabilities – Provisions

	2022 *$'000*	2021 *$'000*
Employee benefits	312	298
	312	**298**

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.

[20] Non-current liabilities – Interest-bearing liabilities

	2022 $'000	2021 $'000
Bank loans	314,921	325,312
Total non-current interest bearing liabilities	**314,921**	**325,312**

* Further information relating to loans from related parties is set out in note 29.

(a) Liabilities subject to 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:

	2022 $'000	2021 $'000
Bank overdrafts and bank loans	320,962	328,468
Total liabilities covered by the negative pledges	**320,962**	**328,468**

(b) Banking covenants

The bank loans and overdraft are subject to identical negative pledges given to all of the Group's banks. The pledges impose certain covenants on a "Guaranteeing Group". The Guaranteeing Group comprises all Group companies as at 31 March 2022. 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, the Australia and New Zealand Banking Group Ltd, or the China Construction Bank (New Zealand) Limited (as applicable) and will ensure that the following financial ratios are met:

(i) Consolidated net to consolidated EBITDA be no greater than 7.75:1.0,

(ii) consolidated EBITDA (earnings before borrowing costs, taxation, depreciation and amortisation, extraordinary items, profits and losses derived on the sale of fixed assets or investment, and non-cash unrealised gains or losses from foreign exchange, interest rate swaps, futures and options) less Capital Expenditure (measured over the preceding 12 month period) shall not be less than 1.375:1.0 of net interests costs,

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

(iv) consolidated EBITDAF of the Guaranteeing Group will not be less than 90% of the total EBITDAF of the Group.

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

[21] Non-current liabilities – Deferred tax liabilities

	2022 $'000	2021 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	67,932	63,487
Intangible assets	451	352
Financial assets at fair value through profit or loss	(27,622)	(37,239)
Other temporary differences	(608)	(617)
Net deferred tax liabilities	**40,153**	**25,983**
Movements		
Balance at 1 April	25,984	43,337
Charged / (credited) to profit or loss	12,041	(17,796)
Tax charged/(credited) directly to equity (note 7)	2,128	442
Closing balance at 31 March	**40,153**	**25,983**
Expected maturity of deferred tax liabilities		
Within 12 months	(12,482)	(17,022)
In excess of 12 months	52,635	43,005
	40,153	**25,983**

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2022 and 2021.

[22] Imputation credits

	2022 *$'000*	2021 *$'000*
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2021: 28%)	16,681	17,118
	16,681	**17,118**

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.

[23] Contributed equity

(a) Share capital

	2022 *Shares 000s*	2021 *Shares 000s*	**2022** *$'000*	2021 *$'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.

[24] Reserves and retained earnings

(a) Reserves

	2022 *$'000*	2021 *$'000*
Property, plant and equipment revaluation reserve	66,046	64,145
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	64,145	75,622
Revaluation - before tax	7,603	1,578
Deferred tax on the revaluation	(2,128)	(442)
Amortisation of revaluation reserve	(4,963)	–
Deferred tax released on amortisation of reserve	1,389	–
Transfer between reserves (Note 2(t))	–	(12,613)
Balance at 31 March	**66,046**	**64,145**

(b) Retained earnings

Movements in retained earnings were as follows:

	2022 *$'000*	2021 *$'000*
Balance at 1 April	70,886	102,699
Net profit for the year	32,662	(44,341)
Dividends	(95)	(85)
Net transfer between reserves (Note 2(t))	3,574	12,613
Balance at 31 March	**107,027**	**70,886**

[25] Dividends

(a) Ordinary shares

	2022 *$'000*	2021 *$'000*
Dividend of 0.38 cents per ordinary share paid on 31 March 2022	95	–
Dividend of 0.34 cents per ordinary share paid on 31 March 2021	–	85
	95	**85**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 31 March 2022 and 31 March 2021 were not imputed.

[26] Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2022:

(i) Chairman - non-executive

- Mr David Sullivan

(ii) Other non-executive directors

- Mr Richard Krogh
- Ms Nicole Anderson
- Mr Jason McDonald
- Mr Jon Nichols
- Mr Steven Sanderson
- Mr Paul White
- Mr Simon Young

(iii) Directors of other Group companies

The directors of Top Energy Ltd are also directors of Ngāwhā Generation Ltd and of Top Energy Ngāwhā 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 ($)	Total ($)
Year to 31 March 2022		
Directors of Top Energy Ltd		
– R Krogh	119,525	119,525
– N Anderson (from 1 April 2021)	51,950	51,950
– J McDonald (to 14 December 2021)	38,775	38,775
– J Nichols (from 1 March 2022)	5,408	5,408
– S Sanderson (from 1 March 2022)	4,392	4,392
– D Sullivan	75,175	75,175
– P White (to 29 June 2021)	12,425	12,425
– S Young	63,425	63,425
Directors of other Group companies		
– R Kirkpatrick	51,950	51,950
– R Shaw*	–	–
– K Tempest	51,950	51,950
Total	**474,975**	**474,975**
Year to 31 March 2021		
Directors of Top Energy Ltd		
– R Krogh	108,200	108,200
– J McDonald	49,700	49,700
– D Sullivan	66,000	66,000
– P White	49,700	49,700
– S Young	59,000	59,000
Directors of other Group companies		
– R Kirkpatrick	49,700	49,700
– R Shaw*	–	–
– K Tempest	49,700	49,700
Total	**432,000**	**432,000**

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 an actual conflict of interest in respect of their interests in other entities.

Director	Entity	Total
Mr R Krogh	PKW Farms GP Limited	Chairperson
	Port Taranaki Limited	Director
	Energia Limited	Director
	First Gas Limited Group of Companies	Director
	Gas Services NZ Limited	Director
	Rockgas Limited	Director
	Goodshelf Holdings (No.10) Limited	Director
Ms N Anderson	Northland Inc Limited	Director
	Fluid Chemicals Limited	Director
	Northern Tyre Co Limited	Director
	Anderson Trading Co Limited	Director
	Northland Polytechnic Limited	Director
	Ngapuhi Asset Holding Co Limited	Director
Dr D Kirkpatrick	RKP Limited	Director
Mr J McDonald	Orion New Zealand Limited	Director
	Connetics Limited	Director
	Mevo Limited	Director
	Jaspen Ventures Limited	Director
Mr J Nichols	Eastland Group Limited	Director
	Eastland Generation Limited	Director
	Gisborne Airport Limited	Director
	Eastland Network Limited	Director
	Eastland Port Limited	Director
	Electra Limited	Director
	Electra Services Limited	Director
	Hawkes Bay Airport Limited	Director
	Hawkes bay Airport Construction Limited	Director
	Nichols Consulting Limited	Director
Mr S Sanderson	Whare Manaakitanga Limited	Director
	Meitaki Limited (Cook Islands)	Director
	Wellington Airport Noise Treatment Limited	Director
Mr D Sullivan	Matakana Olive Oil Co-operative Limited	Director
	Mahurangi Olives Limited	Director
	Cognition Education Limited	Director
Mr K Tempest	Bay Venues Limited	Director
	GAP Business Solutions Limited	Director
Mr P White	Torea Tai Consultants Limited	Director
	Matapihi Executive Limited	Director
	TRTTK Limited	Director
	GNS Science Limited	Director
Mr S Young	The Karo Group Limited	Director
	Jimmi Interests Limited	Director
	Smith & Young Nominees Limited	Director
	Carbon One Limited	Director
	Utilise Limited	Director
	Jimmi Limited	Director
	Jimmi Holdings Limited	Director
	On Farm Energy Limited	Director
	Electricity Invercargill Limited	Director
	Roaring Forties Energy GP Limited	Director
	Southern Generation Partnership Limited	Director

[27] Contingencies

As at 31 March 2022 a "Guaranteeing Group" had executed identical security deeds in favour of ANZ Bank New Zealand Limited, Bank of New Zealand Limited, and China Construction Bank (New Zealand) Limited. The Guaranteeing Group comprises all Group companies. The security arrangement imposes a liability on each subsidiary company within the Group, where each subsidiary is liable to repay all or any part of the guaranteed indebtedness should any of the guaranteeing group fail to meet its obligations under the Facility Agreement. The Security Deed was executed on 28 November 2018 and the Facility Agreement was executed on 19 December 2017.

A Deed of Amendment and Restatement was entered into on 26 May 2020

The Group has provided guarantees to unrelated third parties in respect of the costs of existing and potential future obligations arising from its business activities. At 31 March 2022 the total value entered into by the Group was $6,175,000 (2021: $6,348,000).

[28] Commitments

(a) Capital commitments

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

	2022 *$'000*	2021 *$'000*
Property, plant and equipment	876	691
	876	**691**

Of the capital commitments, $83,000 relate to the Ngāwhā Generation subsidiary (2021: $242,000). The 2021 value was primarily for the expansion of the Ngāwhā generation plant.

(b) Purchases of Carbon Credits

	2022 *$'000*	2021 *$'000*
Forward contracts for NZU's	12,637	7,046
	12,637	**7,046**

Further information relating to the purchase of carbon credits are set out in note 13.

[29] 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 $95,000 to the Trust during the year ended 31 March 2022 (2021: $85,000). 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 $69,000 in the year ended 31 March 2022 (2021: $73,000).

As at 31 March 2022, a balance of $1,553,000 was owed by the Company to the Trust (31 March 2021: $1,562,000) 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 26.

(c) Key management personnel remuneration

	Short-term benefits *$'000*	Post-employment benefits *$'000*	Other long-term benefits *$'000*	Total *$'000*
Year ended 31 March 2022	**5,264**	**137**	**95**	**5,496**
Year ended 31 March 2021	4,928	127	121	5,176

There were no contracts for share based payments during the years ended 31 March 2022 and 2021.

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

There were no other transactions with key management personnel or entities related to them, other than the payment of remuneration, during the year ended 31 March 2022 (2021: $Nil).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 30. 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:

	2022 *$'000*	2021 *$'000*
Balance due to the Trust at 1 April	1,562	1,547
Loan advanced from (repaid to) the Trust	(78)	(58)
Interest charged by the Trust	69	73
Balance due to the Trust at 31 March	**1,553**	**1,562**

(g) Guarantees

Details of security made by the Group to its lenders are given at note 20.

(h) Terms and conditions

Outstanding balances between Group entities are unsecured and are repayable on demand, or in accordance with loan agreements.

[30] Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2022:

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by the Parent (%)
Ngāwhā Generation Ltd	New Zealand	Electricity generation	100
Top Energy Ngāwhā Spa Ltd	New Zealand	Liquid asset holding	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.

[31] 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.

[32] Reconciliation of profit after income tax to net cash inflow from operating activities

	2022 *$'000*	2021 *$'000*
Profit for the year	**32,662**	**(44,341)**
Adjustments made for:		
Depreciation and amortisation	27,765	19,427
Net (loss) gain on sale of non current assets	332	58
Movement in provision for doubtful debts	(50)	(83)
Fair value (gains) losses on other financial assets at fair value through profit or loss	(34,300)	73,723
Interest on Right of use leases	302	(320)
Changes in working capital:		
Decrease (increase) in trade debtors	256	(3,233)
Decrease (increase) in inventories	(456)	(208)
Decrease (increase) in other operating assets	1,141	409
Increase (decrease) in trade creditors	134	(5,807)
Increase (decrease) in other operating liabilities	(2,676)	11,742
Increase (decrease) in income taxes payable	–	(2,240)
Increase (decrease) in provision for deferred income tax	11,158	(18,202)
Net cash inflow from operating activities	**36,268**	**30,925**

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOP ENERGY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2022

The Auditor-General is the auditor of Top Energy Limited Group (the Group). The Auditor-General has appointed me, Brett Tomkins, 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 48 to 80, that comprise the statement of financial position as at 31 March 2022, 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 19.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2022; 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 2022.

Our audit was completed on 14 June 2022. 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.

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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.

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- 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 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 is responsible for the other information. The other information comprises the information included on pages 3 to 47, 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: International 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.

B E Tal

Brett Tomkins
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

DIRECTORY

TOP ENERGY
Te Puna Hihiko

Principal business

Electricity generation and lines distribution business

Directors

- Mr David Sullivan *(BCom CA - Chairman)*
- Ms Nicole Anderson *(PGDPH DipAcc DipBus DipMgt CMInstD)*
- Mr Richard Krogh *(BE (Hons) CMEngNZ CMInstD)*
- Mr Jon Nichols *(FCA)*
- Mr Steven Sanderson *(MBA MIoD)*
- Mr Simon Young *(BBS MSc Dip Hort Sc M Phil (Econ))*

Officers

- Mr Russell Shaw *(B Eng (Hons) MSc CEng FIET FEngNZ MInstD - Chief Executive)*
- Mr Paul Doherty *(BBS CA - General Manager - Finance)*

Registered office

Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri

Auditor

Brett Tomkins of Deloitte Limited on behalf of the Auditor General

Bankers

- Australia and New Zealand Banking Group Ltd., Auckland
- Bank of New Zealand, Kaikohe
- China Construction Bank (New Zealand) Limited, Auckland

www.topenergy.co.nz