Top Energy Consumer Trust

Group Financial Statements

for the year ended 31 March 2021

Directory

Top Energy Consumer Trust

Trustees

Mrs Yvonne Sharp	Kerikeri - Chair
Mr Hugh Ammundsen	Doubtless Bay - Deputy Chair
Mrs Ann Court	Kerikeri
Mr Bruce Mathieson	Kerikeri
Mr Ken Rintoul	Okaihau

Secretary

Mr Steven James	ACA

Top Energy Limited

Directors

Mr Richard Krogh	BE (Hons) CMEngNZ CMInstD - Chairman
Mr Jason McDonald	BE Elec (Hons) MBA (Tech Mgmt) CMInstD
Mr David Sullivan	BCom CA
Mr Paul White	BArch DBA MBS
Mr Simon Young	BBS MSc Dip Hort Sc M Phil (Econ)

Auditor	Grant Thornton New Zealand Audit Limited Auckland
Bankers	Australia and New Zealand Banking Group Ltd., Auckland Bank of New Zealand, Kaikohe China Construction Bank (New Zealand) Limited, Auckland
Website address	www.topenergy.co.nz

Trustees' report

The Trustees present the annual report of the Top Energy Consumer Trust, incorporating the financial statements and the auditor's report, for the year ended 31 March 2021.

The Board of Trustees of the Top Energy Consumer Trust authorised the financial statements presented on pages 8 to 56 for issue on 29 June 2021.

For and on behalf of the Board.

Yvonne Sharp
Trustee

Steven James
Secretary

29 June 2021

TRUSTEES' REVIEW

IN RELATION TO THE YEAR ENDED 31 MARCH 2021

It is very pleasing to be able to report that the Top Energy Group has had a very satisfactory year from both a safety perspective and in achieving financial returns.

The Ngawha generation business continues with its LTI (lost-time injuries) free operations in relation to our own staff. Ngawha staff have achieved 12 years LTI free. In addition, the staff in the Corporate head offices have recorded 3,000 days LTI free. One LTI event at the Ngawha expansion project involved a contractor working on the project. While we never want to see anyone getting injured while working for the Group, it is very pleasing to see the Group step up their safety involvement with contractors who work for us. We expect that this will help lift the safety standards across the business community, of which the Group plays such an important part.

The reporting year to 31 March 2021 produced an excellent financial result for both the Trust and the Top Energy Group. As foreshadowed in last years report, we had expected COVID-19 to have a significant negative impact on the Group's activities. The reality was, however, quite different. While the COVID-19 lockdowns changed the use of electricity throughout the community, total consumption increased. This offset, in part at least, the reduced tariffs the Company began charging from 1 April 2020. The other major area impacting on the financial results was the higher than expected wholesale prices for the output from the Ngawha power station.

Completion of the 32MW geothermal power generation project was, of course, the highlight of the year. Trustees gave approval of the Major Transaction for the project in 2017. At that time, it was expected that the output from the new station would be 25MW and the plant would be producing by June 2021. As it turned out, with only a modest increase in construction cost, the plant is producing 32MW and commissioning of the plant commenced at the beginning of January 2021, 5 months earlier than planned.

As reported last year, the annual lines charge discount was increased this year to an average of $250 per residential customer. In an attempt to assist our community during the difficulties arising from the COVID-19 pandemic, the Company also brought the date for payment of the discount forward to the beginning of the 2020 winter period. Our feedback has been that this was a considerable help for many of our consumers.

Service levels are always an issue that are of concern to trustees and it is pleasing that both of the measures reported, SAIDI and SAIFI (system average interruption duration and frequency respectively) were lower than the previous year. SAIDI was 4.2% lower than had been targeted. This was offset by an increase in SAIFI as the company endeavoured to the keep outages as short as possible.

Financial performance of the Trust

The Trust usually endeavours to operate as close to a cash breakeven as possible. This year an EBITDAF (earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets) of $6k was the result. Interest earned was lower than the previous year and the dividend received from the Company was also lower.

Income reductions were more than offset by savings from the recruitment approach used to select the new director for the Top Energy Board. In addition, trustees' fees did not increase from the previous year's rates, in line with the freeze operated by Top Energy in relation to staff salaries and directors' fees.

The costs of calling for nominations for the position of trustee were also incurred this year. This cost occurs every second year.

Financial and Service Performance of Top Energy Group

The Top Energy Group's results were impacted by two major issues. The first was the reduction in revenue from line charges of approximately 15%, notified previously. Reduced tariffs took effect from 1 April 2020, in compliance with the requirements of the industry regulator. It is very disappointing to note that few of the major retailers operating on the Top Energy network passed all those reductions on to their customers. This strongly suggests that the government's position, that the electricity retail sector is a competitive market, is wrong. We believe that it will take legislation to force retailers to pass through network charges without margin or adjustment.

The second significant issue impacting on the Group's results was the commissioning of the new generation plant (OEC4) on New Year's Eve. As required under the conditions imposed by the project funding banks, the Group took out energy hedge contracts for much of the plant's output. However, some of the production was sold into the wholesale market and was able to benefit from the unusually high spot prices which have been characteristic of the market since late in 2020. A shortage of water, in both islands, and shortages of gas supplies have combined to create unusually high prices, which the Ngawha generation stations have been able to get some benefit from.

The other material factor impacting on the financial results of the Group has been its bank funder's requirement that a significant proportion of the generation plants output be hedged, so as to provide a secure level of income. Additionally, the interest costs relating to the funds borrowed are also required to be covered by derivative contracts that produce a guaranteed level of interest cost. Unfortunately, generally both these contractual positions have moved against the Group. Power prices have increased, and interest rates have continued at low levels, although rising slightly at the end of the year. The result of valuing these contracts to the market prices applying at balance date, are losses on many contracts and the adjustment is reported in the Statement of Comprehensive Income. As we have noted in previous years, these adjustments are accounting adjustments only and do not represent a cash loss. Directors have confirmed that they intend to hold these contracts to maturity as they are a key risk management tool and the Group continues to be profitable at the prices inherent on the derivative contracts.

Communications & Governance
Trustees met 8 times during the course of the financial year, to manage the business of the Trust. Three of those meetings were held by videoconference due to the restrictions arising from the COVID-19 lockdowns and travel restrictions. The Annual Public Meeting was also held on 28 July 2020, at which 24 power consumers were in attendance.

In addition, we met with the directors of the Company, in our role as shareholder, for the Annual General Meeting and on a further occasion to consider matters of strategy and direction of the Top Energy Group. The Chairman of Directors and/or the Chief Executive have also updated trustees on a regular basis in relation to progress of the Ngawha Expansion Project and other general Group and industry issues.

The Chairs of the Trust and the Company communicate as necessary to discuss issues that arise.

The Trust board operates a subcommittee, titled the Director Nominations Committee, which is made up of the two chairs and the Deputy Chair of the Trust. This committee met on 2 occasions during the year and considered the performance of the directors, any scheduled retirements of directors and the recruitment of a new director. Recommendations from this Committee are presented to the full Trust Board for final determination.

Statement of Corporate Intent (SCI)
An SCI is negotiated with the directors of the Company, each year. At the Company's Annual General Meeting in June 2020, trustees agreed performance targets for the year ended 31 March 2021. The following summarises the actual performance achieved by the Group, measured against those targets.

	Actual 2021	Target 2021	Actual 2020
Net Profit After Tax, as a percentage of average shareholders' funds for:			
*The Group	6.7%	3.4%	11.8%
*The Network Business	5.9%	4.5%	10.1%
*The balance of the Group	3.1%	3.2%	4.1%
The average length of high voltage outages (including planned) per customer excluding Transpower outages (minutes/pa)	363	379	366

A new SCI has been negotiated with the directors and a copy of this new Statement is available on the Company's website.

Trust Guidelines

The Trust has adopted guidelines to govern the right of beneficiaries to have access to certain information. Those guidelines also set out the procedure to be adopted if a request for information is declined by the Trust. During the year ended 31 March 2021, no requests were made to the Trust for information to which the provisions apply. Therefore, no costs have been incurred in meeting such requests, nor has there been any requirement for the Trust to have any decision reviewed and consequently, no costs have been incurred in relation to this possibility either.

Retirement and Appointment of Directors

At the Company's AGM in June 2020, all directors retired by rotation, within the terms of the Company's constitution. All directors were re-appointed for the relevant periods.

Appointment of Trustees

Three trustees retired by rotation as at 31 March 2021. Ms Yvonne Sharp and Mr Hugh Ammundsen were re-appointed by the Selection Panel. The third position was filled by Ms Donna Tūkāriri.

Ann Court was not re-appointed for a further term. Ann was one of the original trustees appointed when the Trust was first formed on 23 April 1993. Apart from a short period after April 2009, she has been a trustee since that time and has made a very significant contribution to the Trust's business, on behalf of the power consumers of the Far North. During this time, all three of the geothermal power generation units have been constructed and the asset value of the Group now stands at $680m.

The Trust's Deed requires that nominations for the position of trustee be called by public notification. It is anticipated that this will next occur in November 2022. Any resident of the Far North can be nominated for the position and any retiring trustee can also be nominated.

The Industry and the future.

As COVID-19 has dominated this last year, the future must be expected to be strongly influenced by the need to address climate change. The Climate Change Commission issued its draft report at the end of the last financial year. At the time of writing, the Commission has just released its final report. The changes it is proposing will be substantial and be likely to create significant change throughout the economy, society generally and the electricity industry specifically. The fuel shortages mentioned earlier have resulted in some unexpected responses, with coal and fossil fuels being used more in the last 12 months than they have for many years previously. A shortage of gas is expected to continue for the next couple of years and this may lead to sustained higher prices for electricity. However, new generation projects are being rapidly brought in line, including in the Far North. Increasing demand for electricity from EVs and conversion of fossil fuelled boilers are expected to increase electricity demand significantly. Offsetting this should be increased installation of residential solar generation, as well as grid scale solar and wind generation. These types of generation are, however, intermittent and, to be useful in meeting power demand, need to be supported by reliable base load generation. It is this category into which the Ngawha generation capacity falls, although the level of carbon emissions from geothermal is higher than desirable. Ways of addressing these emissions must and will be found and will present value creation opportunities for the Top Energy Group. The directors of the Company are well along the road to identifying these opportunities and developing strategies to exploit the opportunities, to the benefit of the Far North Community.

It gives me great pleasure, as Chair of the Top Energy Consumer Trust, to record my thanks to the Company's directors, all the staff and my fellow trustees for their support and commitment during a very challenging, but highly successful, year.

Yvonne Sharp
Chair

Statement of comprehensive income

For the year ended 31 March 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Operating revenue	4	**72,791**	77,589	**158**	221
Expenses, excluding finance costs	5	**(31,674)**	(30,505)	**(152)**	(219)
Construction related COVID-19 expenses	5	**(2,931)**	-	**-**	-
Earnings (loss) before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**38,186**	47,084	**6**	2
Depreciation and amortisation	5	**(19,427)**	(18,786)	**-**	-
Finance costs		**(7,714)**	(6,860)	**-**	-
Earnings (loss) before tax and fair value movements of financial assets (EBTF)		**11,045**	21,438	**6**	2
Fair value gains (losses) on financial assets	6	**(73,723)**	(15,284)	**-**	-
Profit (loss) before income tax		**(62,678)**	6,154	**6**	2
Income tax benefit (expense)	7	**18,258**	(1,199)	**-**	-
Profit (loss) from continuing operations		**(44,420)**	4,955	**6**	2
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Gain (loss) on revaluation of generation plant	14	**1,578**	(4,513)	**-**	-
Reversal of revaluation surplus on disposal of revalued assets	14	**-**	(20)	**-**	-
Income tax relating to revaluation of non-current assets	7	**(442)**	1,269	**-**	-
		1,136	(3,264)	**-**	-
Other comprehensive income (loss) for the year, net of tax		**1,136**	(3,264)	**-**	-
Total comprehensive income (loss) for the year		**(43,284)**	1,691	**6**	2
Profit (Loss) is attributable to:					
Beneficiaries of the Top Energy Consumer Trust		**(44,420)**	4,955		
		(44,420)	4,955		
Total comprehensive income (loss) for the year is attributable to:					
Beneficiaries of the Top Energy Consumer Trust		**(43,284)**	1,691		
		(43,284)	1,691		

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

Statement of financial position

As at 31 March 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**146**	101	**1**	-
Receivables	9	**12,148**	9,957	**1,568**	1,562
Inventories	10	**2,025**	1,817	**-**	-
Current tax benefit	11	**407**	-	**-**	-
Intangible assets	12	**223**	770	**-**	-
Derivative financial instruments	13	**124**	1,461	**-**	-
		15,073	14,106	**1,569**	1,562
Non-current assets					
Property, plant and equipment	14	**637,404**	585,588	**-**	-
Intangible assets	15	**22,588**	19,498	**-**	-
Shares in subsidiaries	31	**-**	-	**25,267**	25,267
Derivative financial instruments	13	**-**	627	**-**	-
Right-of-use lease assets	16	**5,342**	5,745	**-**	-
Total non-current assets		**665,334**	611,458	**25,267**	25,267
Total assets		**680,407**	625,564	**26,836**	26,829
LIABILITIES					
Current liabilities					
Payables	17	**26,108**	21,398	**951**	950
Interest bearing liabilities	18	**3,156**	190	**-**	-
Current tax liabilities	19	**-**	2,240	**-**	-
Provisions	20	**298**	385	**-**	-
Derivative financial instruments	13	**58,667**	3,901	**-**	-
Right-of-use lease liabilities	16	**513**	409	**-**	-
Total current liabilities		**88,742**	28,523	**951**	950
Non-current liabilities					
Interest bearing liabilities	21	**325,312**	286,650	**-**	-
Derivative financial instruments	13	**74,404**	57,410	**-**	-
Deferred tax liabilities	22	**25,983**	43,337	**-**	-
Right-of-use lease liabilities	16	**5,051**	5,445	**-**	-
Total non-current liabilities		**430,750**	392,842	**-**	-
Total liabilities		**519,492**	421,365	**951**	950
Net assets		**160,915**	204,199	**25,885**	25,879
BENEFICIARIES' EQUITY					
Reserves	25	**64,145**	75,622	**-**	-
Retained earnings	25	**96,770**	128,577	**25,885**	25,879
Total beneficiaries' equity		**160,915**	204,199	**25,885**	25,879

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

Statement of changes in equity

For the year ended 31 March 2021

Consolidated	Notes	Settlors' capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2020		-	75,622	128,577	204,199
Comprehensive income					
Profit for the year		-	-	(44,420)	(44,420)
Revaluation of generation plant	14	-	1,578	-	1,578
Income tax relating to components of other comprehensive income	7	-	(442)	-	(442)
Transfer between reserves	25	-	(12,613)	12,613	-
Total comprehensive income		-	(11,477)	(31,807)	(43,284)
Balance as at 31 March 2021		-	64,145	96,770	160,915
Balance as at 1 April 2019		-	78,886	123,622	202,508
Comprehensive income					
Profit for the year		-	-	4,955	4,955
Revaluation of generation plant	14	-	(4,513)	-	(4,513)
Reversal of revaluation surplus on disposal of revalued assets		-	(20)	-	(20)
Income tax relating to components of other comprehensive income	7	-	1,269	-	1,269
Total comprehensive income		-	(3,264)	4,955	1,691
Balance as at 31 March 2020		-	75,622	128,577	204,199

Parent	Settlors' capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2020	-	25,879	25,879
Comprehensive income			
Gain for the year	-	6	6
Total comprehensive income	-	6	6
Balance as at 31 March 2021	-	25,885	25,885
Balance at 1 April 2019	-	25,877	25,877
Comprehensive income			
Gain for the year	-	2	2
Total comprehensive income	-	2	2
Balance as at 31 March 2020	-	25,879	25,879

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

Cash flow statement

For the year ended 31 March 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Cash flows from operating activities					
Receipts from customers		**69,548**	77,670	**-**	-
Payments to suppliers and employees		**(28,723)**	(25,824)	**(142)**	(250)
		40,825	51,846	**(142)**	(250)
Interest received		**8**	8	**73**	80
Interest paid		**(7,802)**	(7,199)	**-**	-
Income taxes paid		**(2,175)**	(2,050)	**-**	-
Net cash inflow / (outflow) from operating activities	33	**30,856**	42,605	**(69)**	(170)
Cash flows from investing activities					
Payments for property, plant and equipment		**(70,902)**	(117,982)	**-**	-
Proceeds from sale of property, plant and equipment		**81**	1,325	**-**	-
Disposals (Purchases) of financial assets at fair value through other comprehensive income		**-**	-	**-**	-
Purchases of Emission Trading Scheme units		**(1,495)**	-	**-**	-
Dividends received		**-**	-	**85**	140
Repayment (increase) of loans to related parties		**-**	-	**(15)**	30
Net cash inflow / (outflow) from investing activities		**(72,316)**	(116,657)	**70**	170
Cash flows from financing activities					
(Repayments of) proceeds from borrowings		**41,750**	73,940	**-**	-
Repayment of Right-of-use leases		**(123)**	(175)	**-**	-
Net cash inflow / (outflow) from financing activities		**41,627**	73,765	**-**	-
Net increase (decrease) in cash balances		**167**	(287)	**1**	-
Cash at bank and on hand at the beginning of the financial year		**(89)**	198	**-**	-
Cash and cash equivalents at end of year	8	**78**	(89)	**1**	-

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

1 General information

The Top Energy Consumer Trust (the Trust) was established under the terms of a trust deed dated 23 April 1993. The Trust was previously called the Bay of Islands Electric Power Trust. The name was changed on 10 July 2002 to the Top Energy Consumer Trust. The Trust holds the entire share capital of Top Energy Ltd on behalf of the power consumers within the network area served by Top Energy Ltd.

Top Energy Ltd provides electricity line function, electrical construction, and other services. Top Energy Ltd and its subsidiaries (the Top Energy Ltd Group) operate geothermal power stations, sell electricity on the wholesale market and to energy retailers in New Zealand.

Top Energy Limited is a limited liability company, incorporated and domiciled in New Zealand.

These financial statements were approved by the Trustees of the Trust on 29 June 2021.

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

The Trust is required under the terms of its Trust Deed to prepare financial statements that accord with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements of Top Energy Ltd and its subsidiaries, which have been consolidated into the Trust's group 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 loss after tax of $44.4m, with an underlying operational profit (EBITDAF) of $38.2m.

The cause of the loss after tax was principally due to $53.1m (net of tax) fair value loss on derivatives, covering interest rate swaps, forward exchange contracts, and electricity contract for differences. The Group intends to hold these derivatives to maturity as they are economic hedges and provide certainty to the underlying energy prices and interest rates.

The Group's ability to continue as a going concern has also been assessed by evaluating the results to 31 March 2021 and the following:

- The Group’s operations consist primarily of electricity generation and distribution, which are considered essential services;
- The construction of OEC4 is now complete and the plant is performing above expectations;
- The actual operational result for the period, at an EBITDAF level was more favourable than the position identified during COVID-19;
- Cash flow from operating activities was $30.9m for the period;
- 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 higher accruals for fixed price option on carbon and final OEC4 commitments. Trade payables in comparison to prior year, have significantly reduced with the completion of the construction project;

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

- As described in note 14(c), 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 $1.6m was made. As a result of the improved certainty on the future electricity wholesale price path, the Group has adopted the mid point of the valuation range;
- The Group is forecast to operate within the conditions of its banking facilities as disclosed in note 21(b);
- Funding facility limits as disclosed in note 21(b) are expected to be sufficient to cover any working capital requirements.

At the date of signing these financial statements, the country is in Alert Level-1. The Group is able to undertake normal business activities, with additional safety protocols initiated under earlier COVID-19 Alert Levels.

Refer to note 32 for events occurring after the reporting date.

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

(iii) Entities reporting

The financial statements for the 'Parent' are for the Top Energy Consumer Trust as a separate legal entity.

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

The Parent and the Group 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 financial assets at fair value through other comprehensive income, 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 has been no reclassifications or restatements in these financial statements in respect of the year ended 31 March 2020.

(vi) Functional and presentation currency

Items included in the financial statements of each Group entity'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.

2 Summary of significant accounting policies (continued)

(c) Principles of consolidation and equity accounting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Top Energy Consumer Trust (the 'Trust' or 'parent entity') as at 31 March 2021 and the results of all subsidiaries for the year then ended. Top Energy Ltd and its subsidiaries together are referred to in these financial statements as the Top Energy Group.

Subsidiaries are those entities over which the Trust has, because of its ownership of Top Energy Ltd, the power to govern the financial and operating policies. 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 Group. 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-entity transactions, balances and unrealised gains and losses on transactions between group entities 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) Distributions to beneficiaries

Provision is made for the amount of any distribution declared on or before the end of the financial year but not paid at balance date.

2 Summary of significant accounting policies (continued)

(h) Distributions to beneficiaries (continued)

Distributions to the Trust's beneficiaries are recognised as a liability in the Trust's and the Group's financial statements in the accounting period in which the distribution is declared by the Trustees.

(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.

2 Summary of significant accounting policies (continued)

(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 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.

2 Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(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. These costs are amortised over their useful lives, considered to be the period of time until their expiry.

(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 entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance 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.

2 Summary of significant accounting policies (continued)

(r) Investments and other financial assets (continued)

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).

2 Summary of significant accounting policies (continued)

(r) Investments and other financial assets (continued)

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 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.

Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(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.

2 Summary of significant accounting policies (continued)

(s) Leases (continued)

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 2021 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
Freehold building fit-outs	5-10

Diminishing Value basis	Rate
Motor vehicles	20%

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

2 Summary of significant accounting policies (continued)

(t) Property, plant and equipment (continued)

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 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.

2 Summary of significant accounting policies (continued)

(v) Revenue recognition (continued)

(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 Trust 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 statement of comprehensive income 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, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

2 Summary of significant accounting policies (continued)

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

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 energy price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and energy 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 energy price risks and aging analysis for credit risk.

The Group's primary financial risks are within the Top Energy Group rather than the Parent. Risk management is carried out by senior management under policies approved by Top Energy Limited's 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. Management identifies and evaluates relevant financial risks and acts to maintain these where possible within the parameters set out by the Board. Management report on risk issues to the Board, on a regular basis.

(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 the current reporting date, the Group had a total of US$2,585,000 (2020: US$4,587,000) of forward foreign currency contracts, to manage exposure relating to the expansion of the Ngawha generation plant. The values of these contracts were translated into New Zealand dollars at the exchange rate applying on 31 March 2021 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.

Of the foreign currency contracts in force at 31 March 2021, US$2,585,000 mature prior to the Group's next annual reporting date (2020: US$4,587,000).

(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 2021 and 2020, 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 5.73% (2020: 6.28%) 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 +$17,349,000/ -$18,964,000 respectively (2020: +$21,743,000/ -$23,865,000).

3 Financial risk management (continued)

(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 2021, the notional amount of current contracts totalled $129,153,000 (31 March 2020: $85,985,000). 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 98% of the Group's total trade accounts receivable as at 31 March 2021 (2020: Two customers comprising 48% of the Group's total trade accounts receivable). Subsequent to the reporting dates, the amounts then due were cleared. The Group does not expect the non-performance of any material obligations as at the reporting date.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. Unrealised gains are presented as derivative financial instrument assets within note 13.

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 following table 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.

3 Financial risk management (continued)

At 31 March 2021	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
Bank overdrafts and loans	8,637	8,568	332,684	-
Right-of-use lease liabilities	413	438	1,224	3,489
Trade and other payables	26,108	-	-	-
Parent				
Trade and other payables	951	-	-	-
At 31 March 2020				
Group				
Bank overdrafts and loans	9,589	9,398	300,748	-
Right-of-use lease liabilities	409	415	1,327	3,705
Trade and other payables	24,447	-	-	-
Parent				
Trade and other payables	950	-	-	-

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

Consolidated only	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
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 CFD's				
- inflow	-	-	-	-
- outflow	(58,438)	(22,372)	(20,241)	-
At 31 March 2020				
Forward foreign exchange contracts				
- inflow	-	-	-	-
- outflow	(6,283)	-	-	-
Interest rate swaps				
- inflow	-	-	-	-
- outflow	(10,571)	(9,712)	(26,185)	(24,950)
Electricity CFD's				
- inflow	43	189	487	-
- outflow	(3,281)	(5,078)	(662)	-

3 Financial risk management (continued)

Cash flow forecasting is performed in aggregate by the Top Energy Group. The Top Energy Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its undrawn committed borrowing facilities at all times, so that the Top Energy Group does not breach its borrowing limits or covenants (as applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Top Energy 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.

3 Financial risk management (continued)

The following table presents the Group's and Parent'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.

Consolidated - At 31 March 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total balance $'000**
Assets				
Financial assets at fair value through profit or loss				
– 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

Consolidated - At 31 March 2020				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - electricity CFDs	-	670	-	670
– Trading derivatives - forward FX contracts	-	1,418	-	1,418
Total assets	-	2,088	-	2,088
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	-	52,599	-	52,599
– Trading derivatives - electricity CFDs	-	8,712	-	8,712
Total liabilities	-	61,311	-	61,311

Parent - At 31 March 2021 and 31 March 2020

Assets - None
Liabilities - None

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

3 Financial risk management (continued)

(e) Financial instruments by category

Financial assets as per the statement of financial position	Financial assets at Amortised Cost $'000	Financial Assets at Fair value through profit or loss $'000	Other $'000	Total $'000
Consolidated				
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	-	-	2,920	2,920
Cash and cash equivalents	145	-	-	145
	11,605	124	2,920	14,649
At 31 March 2020				
Derivative financial instruments - electricity CFDs	-	670	-	670
Derivative financial instruments - forward FX contracts	-	1,418	-	1,418
Trade and other receivables	8,224	-	-	8,224
Other financial assets	-	-	2,026	2,026
Cash and cash equivalents	100	-	-	100
	8,324	2,088	2,026	12,438

Financial assets as per the statement of financial position	Financial assets at Amortised Cost $'000	Financial Assets at Fair value through profit or loss $'000	Other $'000	Total $'000
Parent				
At 31 March 2021				
Trade and other receivables	1,562	-	-	1,562
	1,562	-	-	1,562
At 31 March 2020				
Trade and other receivables	1,547	-	-	1,547
	1,547	-	-	1,547

3 Financial risk management (continued)

Financial liabilities as per the statement of financial position	Financial liabilities at Amortised Cost $'000	Financial liabilities at Fair value through profit or loss $'000	Total $'000
Consolidated			
At 31 March 2021			
Borrowings	328,468	-	328,468
Derivative financial instruments - forward FX contracts	-	75	75
Derivative financial instruments - interest rate swaps	-	32,626	32,626
Derivative financial instruments - electricity CFDs	-	100,369	100,369
Right-of-use lease liabilities	5,564	-	5,564
Trade and other payables	9,971	-	9,971
	344,003	133,070	477,073
At 31 March 2020			
Borrowings	288,197	-	288,197
Derivative financial instruments - interest rate swaps	-	52,599	52,599
Derivative financial instruments - electricity CFDs	-	8,712	8,712
Right-of-use lease liabilities	5,854	-	5,854
Trade and other payables	18,428	-	18,428
	312,479	61,311	373,790
Parent			
At 31 March 2021			
Trade and other payables	932	-	932
	932	-	932
At 31 March 2020			
Trade and other payables	931	-	931
	931	-	931

4 Revenue

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
From continuing operations				
Electricity line revenue	**52,768**	60,858	**-**	-
Network line charge discount	**(7,054)**	(5,444)	**-**	-
Capital contributions	**2,197**	2,092	**-**	-
Electricity sales	**22,328**	17,131	**-**	-
Contracting services	**2,417**	2,762	**-**	-
Interest	**-**	-	**73**	81
Dividends	**-**	-	**85**	140
Other revenue	**135**	190	**-**	-
Total revenue from continuing operations	**72,791**	77,589	**158**	221

5 Expenses

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature:				
Raw materials and consumables used	**2,277**	3,242	**-**	-
Employee benefits expense	**14,120**	14,217	**-**	-
Other expenses	**10,633**	8,191	**152**	219
Transmission charges	**4,644**	4,855	**-**	-
Construction related COVID-19 expenses	**2,931**	-	**-**	-
	34,605	30,505	**152**	219
Profit before income tax includes the following specific expenses:				
Depreciation				
Distribution system	**8,122**	7,684	**-**	-
Generation plant	**8,294**	8,550	**-**	-
Plant and equipment	**779**	880	**-**	-
Vehicles	**572**	634	**-**	-
Buildings	**147**	128	**-**	-
Right-of-use leased assets	**555**	529	**-**	-
Leasehold improvements	**-**	-	**-**	-
Total depreciation	**18,469**	18,405	**-**	-
Amortisation				
Software	**741**	206	**-**	-
Resource consents	**217**	175	**-**	-
Total amortisation	**958**	381	**-**	-
Total depreciation and amortisation	**19,427**	18,786	**-**	-
Net loss (gain) on disposal of property, plant and equipment	**58**	140	**-**	-
Rental expense relating to operating leases				
Minimum lease payments	**117**	276	**-**	-
Employee benefit expense				
Wages and salaries, including restructuring costs and termination benefits	**13,218**	13,359	**-**	-
ACC levies and employee medical insurance	**476**	421	**-**	-
Pension costs - defined contribution plans	**426**	437	**-**	-
	14,120	14,217	**-**	-
Construction related COVID-19 expenses				
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 Ngawha 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.

5 Expenses (continued)

Auditors' fees

Top Energy Consumer Trust is audited by Grant Thornton New Zealand Audit Limited. The Top Energy Group is audited by Deloitte Limited, who are acting on behalf of the Auditor-General. The following fees were paid or payable for services provided by the respective appointed auditors of the Group and their related practices:

	Consolidated		Parent	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Audit services				
Grant Thornton New Zealand Audit Limited:				
Audit of the financial statements of the Top Energy Consumer Trust Group	**20**	19	**20**	19
Deloitte Limited New Zealand:				
Audit of the financial statements of the Top Energy Ltd Group	**166**	156	**-**	-
Total remuneration for assurance services	**186**	175	**20**	19
Deloitte Limited New Zealand for services to the Top Energy Ltd Group:				
Audit of regulatory statements	**61**	61	**-**	-
Total remuneration for advisory services	**61**	61	**-**	-
	247	236	**20**	19

6 Fair value gains (losses) on financial assets

	Consolidated		Parent	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Net gain (loss) on interest rate swaps	**19,974**	(22,613)	**-**	-
Net gain (loss) on electricity Contract for Differences	**(92,328)**	8,183	**-**	-
Net gain (loss) on forward foreign currency contracts	**(1,369)**	(854)	**-**	-
	(73,723)	(15,284)	**-**	-

7 Income tax expense

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
Current tax				
Current tax on profits for the year	**(404)**	3,845	**-**	-
Adjustments in respect of prior years	**(60)**	78	**-**	-
Total current tax	**(464)**	3,923	**-**	-
Deferred tax				
Origination and reversal of temporary differences	**(17,292)**	(3,917)	**-**	-
Exclude: element arising on fixed asset revaluation	**(442)**	1,269	**-**	-
Under (over) provided in prior years	**(60)**	(76)	**-**	-
Total deferred tax	**(17,794)**	(2,724)	**-**	-
Income tax expense / (benefit)	**(18,258)**	1,199	**-**	-
Profit (loss) from continuing operations	**(18,258)**	1,199	**-**	-
Deferred income tax expense (benefit) included in income tax expense comprises:				
(Increase) decrease in deferred tax assets	**(20,039)**	(4,155)	**-**	-
Increase (decrease) in deferred tax liabilities (note 22)	**2,242**	1,431	**-**	-
	(17,797)	(2,724)	**-**	-

	Consolidated		Parent	
	2021	2020	**2021**	2020
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit (loss) from continuing operations before income tax expense	**(62,678)**	6,154	**6**	2
Profit (Loss) from discontinuing operations before income tax expense	**-**	-	**-**	-
	(62,678)	6,154	**6**	2
Tax at the New Zealand tax rate of 28% (2020: 28%) (Parent: 33% for both periods)	**(17,550)**	1,723	**2**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenditure	**4**	15	**-**	-
Income not subject to tax	**(591)**	(809)	**-**	-
Other reconciling items				
Adjustment in respect of prior years	**(119)**	2	**-**	-
Tax losses utilised	**(2)**	-	**(2)**	-
Other	**-**	268	**-**	-
Income tax expense	**(18,258)**	1,199	**-**	-

7 Income tax expense (continued)

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

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

	Before tax $'000	Tax (expense) / benefit $'000	After tax $'000
Consolidated only			
31 March 2021			
Fair value gains:			
Revaluation of generation plant	1,578	(442)	1,136
Other comprehensive income	1,578	(442)	1,136
31 March 2020			
Fair value gains:			
Revaluation of generation plant	(4,513)	1,264	(3,249)
Reversal of revaluation surplus on disposal of revalued assets	(20)	5	(15)
Other comprehensive income	(4,533)	1,269	(3,264)

8 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Cash on hand	**1**	1	**-**	-
Bank balances	**45**	-	**1**	-
Deposits at call	**100**	100	**-**	-
	146	101	**1**	-

(a) Reconciliation to cash at the reporting date

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

	Consolidated 2021	Consolidated 2020	Parent 2021	Parent 2020
Balances as above	**146**	101	**1**	-
Bank overdrafts (note 18)	**(68)**	(190)	**-**	-
Cash and cash equivalents	**78**	(89)	**1**	-

(b) Deposits at call

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

9 Current assets - Receivables

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Net trade receivables				
Trade debtors	**11,460**	8,225	**-**	-
GST receivable	**-**	1,312	**-**	-
Provision for doubtful receivables	**(424)**	(507)	**-**	-
Net trade receivables	**11,036**	9,030	**-**	-
Net related party receivable				
Receivable from Top Energy Ltd	**-**	-	**1,562**	1,547
Prepayments				
Sundry prepayments	**1,112**	927	**6**	15
Total current receivables	**12,148**	9,957	**1,568**	1,562

(a) Impaired receivables

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
At 1 April	**(507)**	(397)	**-**	-
Provision for impairment arising during the year	**-**	(116)	**-**	-
Provision for impairment released in the year	**80**	-	**-**	-
Charge (credit) to profit and loss during the year	**3**	6	**-**	-
At 31 March	**(424)**	(507)	**-**	-

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.

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

(b) 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

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Raw materials				
Raw materials at cost	**1,749**	1,604	**-**	-
Contract costs incurred less recognised losses	**276**	213	**-**	-
	2,025	1,817	**-**	-

11 Current assets - Current tax benefit

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Tax benefit of losses	**407**	-	**-**	-
	407	-	**-**	-

12 Current assets - Intangible assets

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Emission Trading Scheme Units	**223**	770	**-**	-
	223	770	**-**	-

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

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

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

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

13 Derivative financial instruments

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Current assets				
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	**124**	1,418	-	-
Electricity Contract for Differences - see below ((a)(iii))	-	43	-	-
Total current derivative financial instrument assets	**124**	1,461	-	-
Non-current assets				
Electricity Contract for Differences - see below ((a)(iii))	-	627	-	-
Total non-current derivative financial instrument assets	-	627	-	-
Total derivative financial instrument assets	**124**	2,088	-	-
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))	**(262)**	(692)	-	-
Electricity Contract For Differences - see below ((a)(iii))	**(58,330)**	(3,209)	-	-
Total current derivative financial instrument liabilities	**(58,667)**	(3,901)	-	-
Non-current liabilities				
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	**(32,364)**	(51,907)	-	-
Electricity Contract For Differences - see below ((a)(iii))	**(42,040)**	(5,503)	-	-
Total non-current derivative financial instrument liabilities	**(74,404)**	(57,410)	-	-
Total derivative financial instrument liabilities	**(133,071)**	(61,311)	-	-
Net (liabilities) in relation to derivative financial instruments	**(132,947)**	(59,223)	-	-

For further information refer to note 2(g).

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

Top Energy Ltd has entered into forward foreign exchange contracts relating to the expansion of the Ngawha Expansion plant. When translated at the closing spot rate on 31st March 2021, the NZ Dollar equivalent of the US Dollar commitment US$2,585,000 (31 March 2020: US$4,587,000) was NZ$3,652,000 (31 March 2020: NZ$6,283,000). The remaining contracts mature during the year ended 31 March 2022.

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

(ii) Interest rate swaps

Top Energy Ltd has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates in respect of the notional principal amount of each contract. At 31 March 2021 the notional principal amount of current contracts totalled $319,000,000 (31 March 2020: $359,000,000). At 31 March 2021 Top Energy Limited had 4 remaining forward starting contracts (31 March 2020: 7), with a total notional principal value of $57,000,000 (2020: $102,000,000), to replace maturing contracts.

13 Derivative financial instruments (continued)

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 2021, the notional amount of current contracts totalled $129,153,000 (31 March 2020: $85,985,000). 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).

14 Non-current assets - Property, plant and equipment

Consolidated	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 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

14 Non-current assets - Property, plant and equipment (continued)

Consolidated	**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**
At 1 April 2019								
Cost	390,009	104,631	821	11,806	9,993	7,505	2,345	527,110
Valuation	-	-	158,573	-	-	-	-	158,573
Accumulated depreciation	(174,494)	-	-	(9,082)	(7,121)	-	(820)	(191,517)
Net book amount	215,515	104,631	159,394	2,724	2,872	7,505	1,525	494,166
Year ended 31 March 2020								
Opening net book amount	215,515	104,631	159,394	2,724	2,872	7,505	1,525	494,166
Additions	17,087	96,135	1,191	582	676	971	89	116,731
Disposals	(37)	-	(3)	(147)	(914)	(971)	(38)	(2,110)
Transfers and reclassifications	2,784	(4,787)	-	289	-	-	-	(1,714)
Depreciation charge	(7,684)	-	(8,550)	(880)	(634)	-	(129)	(17,877)
Depreciation released on disposals	21	-	1	113	782	-	8	925
Revaluation of generation plant	-	-	(4,513)	-	-	-	-	(4,513)
Reversal of previous revaluation on disposals	-	-	(20)	-	-	-	-	(20)
Closing net book amount	227,686	195,979	147,500	2,681	2,782	7,505	1,455	585,588
At 31 March 2020								
Cost	409,844	195,979	1,233	12,535	9,755	7,505	2,396	639,247
Valuation	-	-	146,289	-	-	-	-	146,289
Accumulated depreciation	(182,158)	-	(22)	(9,854)	(6,973)	-	(941)	(199,948)
Net book amount	227,686	195,979	147,500	2,681	2,782	7,505	1,455	585,588

14 Non-current assets - Property, plant and equipment (continued)

(a) Parent entity

The Parent entity owned no assets in the above categories during the years ended 31 March 2021 and 2020.

(b) Critical accounting estimates and assumptions

The Group considers annually whether the carrying values of its property, plant and equipment are supportable, based on their expected value-in-use or fair value as detailed below. This also takes into consideration note 2(a)(ii) - Going Concern.

The carrying value of the distribution network at 31 March 2021 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 2021 using an approach based principally on discounted predicted future cash flows over a 15 year period to 31 March 2036 using a post tax WACC of 6.56% 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 2021 valuation, the Mid Point valuation was adopted (2020: Low Point).

The mid point, which was the original point adopted for valuations, was adopted for the period as the impact of COVID-19 on demand and price path is better understood and the closure of Tiwai has been announced for 2025. The industry taking proactive steps to find a new use for the availability generation and the Government is also encouraging electrification, which is beneficial for the industry and supports demand growth. These factors now create greater certainty in the price path

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

(c) 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 2021. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in ‘reserves’ in beneficiaries' equity (note 25).

The carrying amount of the generation plant that would have been recognised at 31 March 2021 had those assets been carried under the cost model is $289,709,000 (31 March 2020: $55,707,000).

(d) 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 2021, 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.

14 Non-current assets - Property, plant and equipment (continued)

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

Description	Fair value at 31 March 2021 $'000	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Generation plant	369,500	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 Coast (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 6.56%.	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 +/- 13% and - 9.4% / +11.7% respectively. The valuation is moderately sensitive to movements in operating costs. The average impact on the mid-point valuation of a movement of 5% in operating costs is +/- 7%. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure.

(f) 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 2021 was $11,553,000 (2020: $8,605,000).

Interest capitalised was at the average rate of 5.73% for the year ended 31 March 2021 (2020: 6.28%).

15 Non-current assets - Intangible assets

Consolidated	Goodwill $'000	Resource consents $'000	Computer software $'000	Easements $'000	Emission Trading Scheme units $'000	Total $'000
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
Reclassification between current and non-current ETS units	-	-	-	-	(56)	(56)
Amortisation charge	-	(217)	(742)	-	-	(959)
Disposals	-	-	(1,317)	-	-	(1,317)
Amortisation released on disposals	-	-	1,316	-	-	1,316
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
At 1 April 2019						
Cost	811	6,068	4,870	8,947	1,875	22,571
Accumulated amortisation	-	(504)	(4,536)	-	-	(5,040)
Net book amount	811	5,564	334	8,947	1,875	17,531
Year ended 31 March 2020						
Opening net book amount	811	5,564	334	8,947	1,875	17,531
Additions	-	32	1,216	3	-	1,251
Transfers and reclassifications	-	-	778	937	-	1,715
Reclassification between current and non-current ETS units	-	-	-	-	(618)	(618)
Amortisation charge	-	(175)	(206)	-	-	(381)
Closing net book amount	811	5,421	2,122	9,887	1,257	19,498
At 31 March 2020						
Cost	811	6,100	6,863	9,887	1,257	24,918
Accumulated amortisation	-	(679)	(4,741)	-	-	(5,420)
Net book amount	811	5,421	2,122	9,887	1,257	19,498

Parent entity

The Parent entity owned no assets in the above categories during the years ended 31 March 2021 and 2020.

Emission Trading Scheme units

For further details of the Emission Trading Scheme units refer to note 12 .

15 Non-current assets - Intangible assets (continued)

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Generation Ltd $'000	**Total** $'000
Cost at 1 April 2020	811	811
As at 31 Match 2021	811	811
At 31 March 2020		
Cost at 1 April 2019	811	811
As at 31 March 2020	811	811

(b) Impairment testing of goodwill

As described in note 2(m) 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 2031, and a post-tax discount rate of 6.56% (2020:7%). At 31 March 2021 and 2020 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:

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Right-of-use lease assets net book value				
Properties	**3,996**	4,341	**-**	-
Equipment	**49**	65	**-**	-
Well sites	**1,297**	1,339	**-**	-
	5,342	5,745	**-**	-
Right-of-use lease liabilities				
Current	**513**	409	**-**	-
Non-current	**5,051**	5,445	**-**	-
	5,564	5,854	**-**	-

(b) Amounts recognised in the Statement of comprehensive income

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Depreciation charge of Right-of-use assets				
Properties	**474**	446	**-**	-
Equipment	**39**	41	**-**	-
Well sites	**42**	42	**-**	-
	555	529	**-**	-
Interest on Right-of-use leases				
Interest expense (included in finance cost)	**320**	245	**-**	-
	320	245	**-**	-

The total cash outflow for leases for the year ended 31 March 2021 was $675,000 (2020: $644,000).

(c) The Group's leasing activities 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 - Payables

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Trade payables	**3,422**	13,812	**-**	(1)
GST payable	**1,313**	57	**-**	-
ACC levies. PAYE and other payroll taxes	**291**	297	**-**	-
Payroll creditors	**1,572**	1,587	**-**	-
Accruals	**14,820**	2,970	**19**	19
Unclaimed dividends due to Trust beneficiaries	**932**	932	**932**	932
Revenue received in advance	**3,758**	1,743	**-**	-
	26,108	21,398	**951**	950

18 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Secured				
Bank overdrafts	**68**	190	**-**	-
Bank loans	**3,088**	-	**-**	-
Total secured current interest bearing borrowings	**3,156**	190	**-**	-
Total current interest bearing borrowings	**3,156**	190	**-**	-

The Groups borrowings are subject to covenants agreed with its lenders. Details are provided at note 21.

19 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Income tax payable	**-**	2,240	**-**	-
	-	2,240	**-**	-

20 Current liabilities - Provisions

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Employee benefits	**298**	385	**-**	-
	298	385	**-**	-

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.

21 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Bank loans	**325,312**	286,650	**-**	-
Total non-current interest bearing liabilities	**325,312**	286,650	**-**	-

(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 its bankers by all companies in the Top Energy Ltd Group are as follows:

Bank overdrafts and bank loans	**328,468**	286,840	**-**	-
Total liabilities covered by negative pledges	**328,468**	286,840	**-**	-

(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 Top Energy Ltd Group companies as at 31 March 2021. 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 8.0:1.0;

(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 greater 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 Top Energy Group;

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

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

22 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**63,487**	60,529	**-**	-
Intangible assets	**352**	(10)	**-**	-
Financial assets at fair value through profit or loss	**(37,239)**	(16,583)	**-**	-
Other temporary differences	**(617)**	(599)	**-**	-
	25,983	43,337	**-**	-
Movements				
Opening balance at 1 April	**43,337**	47,330	**-**	-
Charged / (credited) to profit or loss	**(17,796)**	(2,724)	**-**	-
Tax charged (credited) directly to equity (note 7)	**442**	(1,269)	**-**	-
Closing balance at 30 June	**25,983**	43,337	**-**	-
Expected maturity of deferred tax liabilities				
Within 12 months	**(17,022)**	(1,283)	**-**	-
In excess of 12 months	**43,005**	44,620	**-**	-
	25,983	43,337	**-**	-

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2021 and 2020.

23 Imputation credits

	Consolidated only	
	2021	2020
	$'000	$'000
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28%.	**17,118**	17,587

The above amounts represent the balance of the Group companies' 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.

24 Settlors' capital

	Consolidated		Parent	
	$	$	**$**	$
(a) Share capital				
On settlement - 23 April 1993	**100**	100	**100**	100

25 Reserves and retained earnings

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
(a) Reserves				
Property, plant and equipment revaluation reserve	**64,145**	75,622	**-**	-
Movements				
Property, plant and equipment revaluation reserve				
Balance at 1 April	**75,622**	78,886	**-**	-
Revaluation - surplus (loss) before tax	**1,578**	(4,513)	**-**	-
Deferred tax on the revaluation surplus (loss)	**(442)**	1,269	**-**	-
Reversal of revaluation surplus on disposal of revalued assets	**-**	(20)	**-**	-
Transfer between reserves (Note 2(t)).	**(12,613)**	-	**-**	-
Balance at 31 March	**64,145**	75,622	**-**	-

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Balance at 1 April	**128,577**	123,622	**25,879**	25,877
Net profit for the year	**(44,420)**	4,955	**6**	2
Net transfer from revaluation reserve	**12,613**	-	**-**	-
Balance at 31 March	**96,770**	128,577	**25,885**	25,879

26 Distributions

All payments made to beneficiaries of the Trust during the years ended 31 March 2021 and 2020 related to the re-issue of distributions arising in financial years up to 31 March 2011. Accordingly, these re-issued payments were charged against the provisions previously made.

27 Trustee and Director disclosures

(a) Trustees

The following persons were Trustees of the Top Energy Consumer Trust during the financial year ended 31 March 2021:

Mrs Yvonne Sharp (Chair)
Mr Hugh Ammundsen
Mrs Ann Court
Mr Bruce Mathieson
Mr Ken Rintoul

Mrs Yvonne Sharp, Mr Hugh Ammundsen, and Mrs Ann Court retired by rotation at 31 March 2021. Mrs Yvonne Sharp and Mr Hugh Ammundsen were appointed for a further term of 4 years, and a new trustee, Donna Tukariri, has been appointed to the Top Energy Consumer Trust board for a four year term.

All of the Trustees are connected to Top Energy Limited's electricity distribution network and therefore are also beneficiaries of the Top Energy Consumer Trust.

(b) Trustees' and Directors' remuneration

Details of the remuneration of each Trustee of the Top Energy Consumer Trust and of each Director of Top Energy Limited and of various subsidiary companies within the Top Energy Ltd Group are set out in the following tables.

Year to 31 March 2021

Name	Cash salary and fees $	Total $
Trustees of the Top Energy Consumer Trust		
H Ammundsen	14,750	14,750
A Court	14,750	14,750
B Mathieson	14,750	14,750
K Rintoul	14,750	14,750
Y Sharp	27,050	27,050
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	518,050	518,050

27 Trustee and Director disclosures (continued)

Year to 31 March 2020

Name	Cash salary and fees $	Total $
Trustees of the Top Energy Consumer Trust		
H Ammundsen	14,855	14,855
A Court	14,475	14,475
B Mathieson	14,475	14,475
K Rintoul	14,475	14,475
Y Sharp	26,323	26,323
Directors of Top Energy Ltd		
R Krogh	105,291	105,291
J McDonald (from 17 June 2019)	39,306	39,306
G Steed (to 25 June 2019)	15,392	15,392
D Sullivan	63,150	63,150
P White	49,463	49,463
S Young	57,900	57,900
Directors of other Group companies		
R Kirkpatrick	49,463	49,463
R Shaw	-	-
K Tempest (from 17 June 2019)	39,306	39,306
Total	503,874	503,874

R Shaw is an employee of Top Energy Ltd and is remunerated by that company.

(c) Trustees' and Directors' interests in other entities

The Trust maintains a register of trustees' interests in other entities. No trustee has declared a conflict of interest in respect of their interests in other entities.

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

28 Contingencies

As at 31 March 2021, the "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 Top Energy Limited 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.

The Top Energy Limited 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 2021 the total value entered into by the Group was $6,348,000 (2020: $1,348,000).

29 Commitments

(a) Capital commitments

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Property, plant and equipment	**691**	33,257	**-**	-
	691	33,257	**-**	-

Of the capital commitments, $242,000 relate to the Ngawha Generation subsidiary (2020: $31,492,000). The 2020 value was primarily for the expansion of the Ngawha generation plant.

(b) Purchases of Carbon Credits

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

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

30 Related party transactions

(a) Transactions with Top Energy Ltd and other Group entities

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.

During the year ended 31 March 2021, Top Energy Ltd paid a dividend to the Trust of $85,000 (2020: $140,000). These dividends were to assist with the Trust's running costs.

The Trust charged Top Energy Ltd interest at prevailing market rates on the balance of funds loaned, totalling $73,000 in the year ended 31 March 2021 (2020: $80,000). The effective average interest rate applied by the Trust on the loan to Top Energy Limited during the year ended 31 March 2021 was 4.83% (2020: 5.38%).

The balances receivable from Top Energy Ltd at the relevant balance dates are detailed in note 30(f) below and have been included in receivables in the statement of financial position (see note 9). All transactions between Top Energy Ltd and the Trust are made on normal business terms.

Interest charged between the Trust and Top Energy Ltd and balances due between the parties are eliminated on consolidation.

(b) Trustees

The names of persons who were trustees of the Trust at any time during the financial year are given at note 27.

30 Related party transactions (continued)

(c) Key management personnel remuneration

The totals below refer to remuneration paid to employees of the Top Energy Ltd Group only. They do not include the remuneration of the Trustees of the Trust, details of which are given at note 27.

	Short-term benefits $'000	Post-employment benefits $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
2021	**4,928**	**127**	**121**	**-**	**5,176**
2020	4,964	128	77	73	5,242

There were no contracts for share-based payments during the years ended 31 March 2021 and 2020.

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

There were no transactions with key management personnel or entities related to them, other than the payment of remuneration, during the year ended 31 March 2021 (2020: none).

(e) Subsidiaries

The Trust's interests in its direct and indirect subsidiaries are set out in note 31.

(f) Loan to Top Energy Limited

The movements in and balances of the loan between the Trust and Top Energy Ltd were as follows:

	Parent only	
	2021 $'000	2020 $'000
Balance due from Top Energy Ltd at 1 April	**1,547**	1,577
Amounts advanced to (repaid by) Top Energy Ltd	**(58)**	(110)
Interest charged to Top Energy Ltd	**73**	80
	1,562	1,547

The above balance is unsecured and is repayable on demand.

(g) Guarantees

Details of negative pledges made by the Top Energy Ltd Group to its bankers are given at note 21.

(h) Terms and conditions

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

31 Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2021

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by the Parent %	Proportion of ordinary shares held by the Group %
Ngawha Generation Ltd	New Zealand	Electricity generation	-	100
Top Energy Ltd	New Zealand	Electricity distribution	100	-
Top Energy Ngawha Spa Ltd	New Zealand	Liquid asset holding	-	100

The companies listed above are directly-held subsidiaries of Top Energy Ltd. Top Energy Ltd is a directly-held subsidiary of the Trust.

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.

Top Energy Consumer Trust's interest in its direct subsidiary, Top Energy Ltd

	2021 $'000	2020 $'000
Shares at cost		
Shares at cost - Top Energy Ltd	**25,267**	25,267

32 Events occurring after the reporting period

At the date of signing these financial statements, the country is in Alert Level-1. The Group is classified as an essential service and can operate at all Alert Levels.

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

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

	Consolidated		Parent	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Profit for the year	**(44,420)**	4,955	**6**	2
Adjustments made for:				
Depreciation and amortisation	**19,427**	18,786	**-**	-
Impairment of fixed assets	**-**	-	**-**	-
Dividend received from subsidiary	**-**	-	**(85)**	(140)
Net loss (gain) on sale of non-current assets	**58**	(140)	**-**	-
Fair value (gain) loss on biological assets	**-**	-	**-**	-
Movement in provision for doubtful debts	**(83)**	110	**-**	-
Interest on Right-of-use leases	**(320)**	(245)	**-**	-
Fair value (gains) losses on other financial assets at fair value through profit or loss	**73,723**	15,283	**-**	-
Changes in working capital:				
Decrease (increase) in trade debtors	**(3,224)**	80	**9**	(9)
Decrease (increase) in inventories	**(208)**	(406)	**-**	-
Decrease (increase) in other operating assets	**409**	(187)	**-**	-
Increase (decrease) in trade creditors	**(5,806)**	5,790	**1**	(20)
Increase (decrease) in other operating liabilities	**11,742**	(567)	**-**	(3)
Increase (decrease) in income taxes payable	**(2,240)**	1,868	**-**	-
Increase (decrease) in provision for deferred income tax	**(18,202)**	(2,722)	**-**	-
Net cash inflow from operating activities	**30,856**	42,605	**(69)**	(170)

Independent Auditor's Report

Grant Thornton New Zealand Audit Limited

L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140

T +64 (0)9 308 2570
www.grantthornton.co.nz

To the Beneficiaries of Top Energy Consumer Trust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Top Energy Consumer Trust on pages 8 to 56 which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of comprehensive revenue and expense, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2021 and its financial performance and cash flows for the year then ended in accordance with the New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Other Information

The Trustees are responsible for the other information. The other information comprises the Directory on page 1 and the Trustees' Report on pages 2 to 7 but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of these consolidated financial statements in accordance with the New Zealand equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-7/

Restriction on use of our report

This report is made solely to the Group's beneficiaries. Our audit work has been undertaken so that we might state to the Group's beneficiaries those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's beneficiaries for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

Auckland, New Zealand
29 June 2021