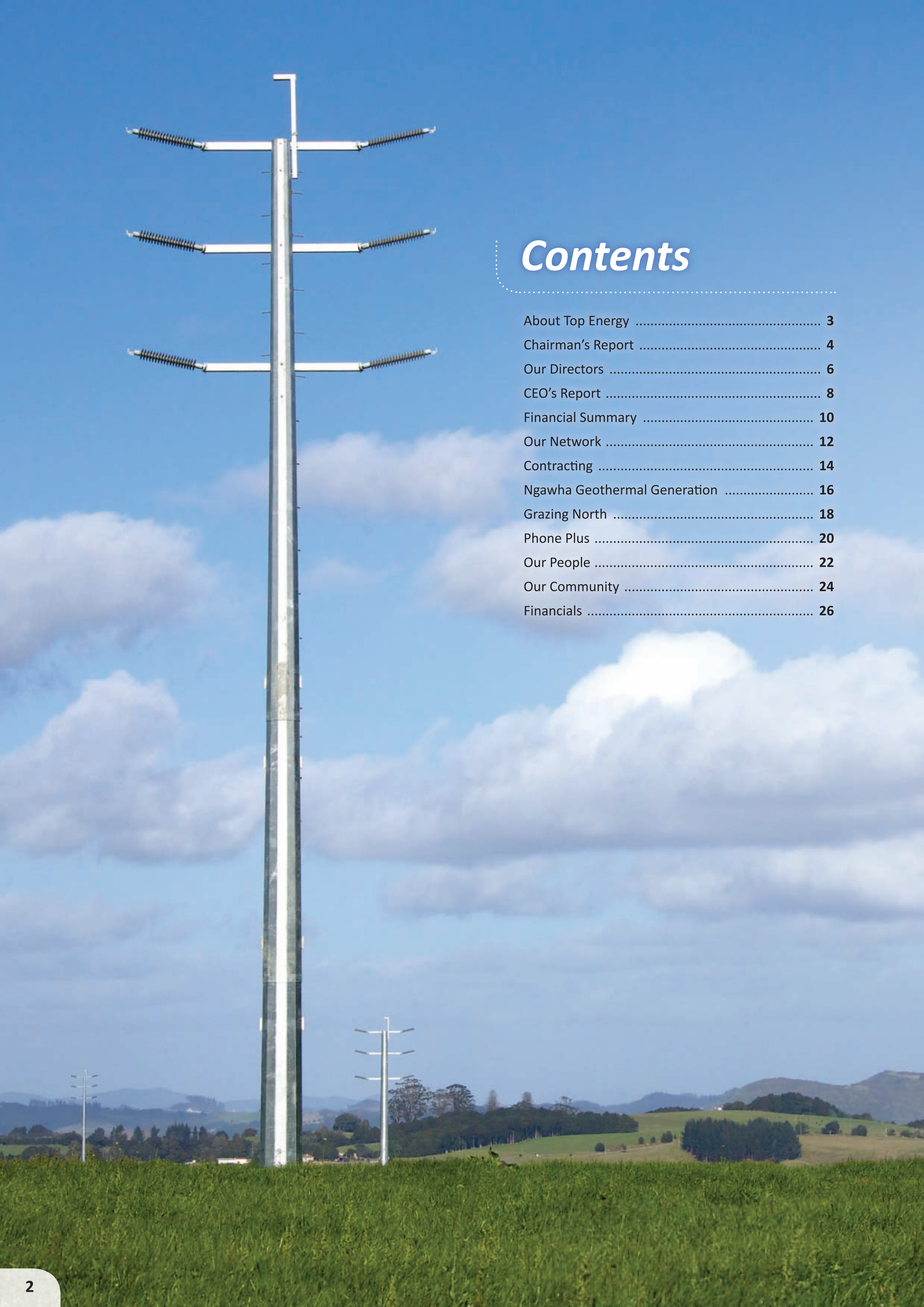
TOP ENERGY®
Te Puna Hihiko

ANNUAL REPORT 2013 / 14



Contents

About TOP ENERGY

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

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

- *electricity* ***Generation*** *through our geothermal power plant*
- *transmission and distribution lines* ***Network***
- *electrical reticulation* ***Contracting***
- ***Customer Contact Centres****.*

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

Top Energy is owned by the Top Energy Consumer Trust, on behalf of 31,000 power consumers connected to the company's network. The Group manages assets of more than $356 million and employs over 200 staff.

CHAIRMAN'S
Report

The financial year to 31 March 2014 has been one of the more challenging years for the Top Energy Group in recent times. A softer wholesale electricity market, which will reduce the revenue levels achievable for the generator under a new three-year offtake agreement, has coincided with a continuing downward trend in power consumption on the distribution system.

Two major health and safety incidents (also referred to in the Chief Executive's Report) resulted in a very significant amount of time being devoted to health and safety issues and staff retraining requirements. A complete review of the Contracting division structure and a change to the protocol and working relationship between Contracting and Network adversely impacted Contracting productivity and profitability in the financial year.

Health and safety remains a key focus throughout the Group. While Lost Time Injury (LTI) and medical treatment statistics compare reasonably with industry averages, we need to continue to improve on current levels of performance. The changes in the Contracting division and enhanced compliance monitoring are designed to deliver these improvements.

Group Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Movements (EBITDAF), at $32.0 million, were lower than last year's result of $32.5 million. Over the last financial year interest rates have begun to increase, reversing the interest rate swaps revaluation adjustment. The results to 31 March 2014 include a positive non-cash valuation adjustment of $6.6 million. Consequently, Profit after Tax from Continuing Operations of $11.1 million was posted for the year, compared to $6.4 million last year.

Profit after Tax from Continuing Operations of $11.1 million was posted for the year, compared to $6.4 million last year

An independent valuation of the Group's Ngawha generation plant at 31 March 2014 resulted in a revaluation gain of $56.2 million after tax being recorded in the Statement of Comprehensive Income. The Ngawha plant valuation of $147.6 million at 31 March 2014 compared to $74.2 million at 31 March 2013.

Adverse weather conditions, including three extreme event days at the beginning and end of the year, placed considerable strain on the service levels delivered to consumers. Network reliability (measured by SAIDI minutes) was 465 minutes, against a target for the year of 340 minutes. While a disappointing result, the actual level achieved is still well below the regulated level for SAIDI of 580 minutes.

The discount totalling over $5 million paid to our consumers provided most residential consumers with a credit of around $200

The discount totalling over $5 million paid to our consumers provided most residential consumers with a credit of around $200 on their November/December 2013 power account from their retailer.

The regulatory environment continues to be a threat for all lines companies. A recent debate around the method of setting an appropriate level of Weighted Average Cost of Capital (WACC) has created new uncertainty in the industry. The previous price increases permissible for Top Energy allowed considerable pricing headroom to our present lines charges. The Board, conscious of the impact rising electricity prices have on our consumers, decided not to increase prices to the full extent that the regulator allowed. However, if a lower level of WACC was to be applied, it could remove most of that headroom.

The Group is currently in the middle of the $200 million network investment originally planned for delivery by 2020. The design phase remains generally on track although some delays in obtaining land access rights over a number of sections of the new line are being experienced.

The Group is currently in the middle of the $200 million network investment

Given lower Ngawha offtake prices, the Board of Directors decided not to increase borrowings to fund all capital projects scheduled for completion over the next five years. As a result, some of the network investment programme will be delayed by up to three years.

Present funding levels are adequate with some headroom and $87 million of the total $165 million bank facilities were renewed in early 2014.

Mike Simm will retire as a director of the Group at the upcoming Annual General Meeting. Mike has been a director for almost 19 years and has been fully involved in key milestones achieved by the Group, including the purchase of the transmission assets from Transpower, roll-out of the network plan and staged development and expansion of Ngawha generation. During Mike's tenure we have also acquired and developed the Phone Plus call centre business.

Andrew Kelleher has recently resigned as a director, due to increased business commitments. Andrew chaired the Audit and Risk Committee of the Board. With his retirement, Greg Steed will take over the Chairmanship. I wish to record my thanks to both Mike and Andrew for their respective positive contributions to Top Energy and wish them well for the future.

Two new directors, Alex Ball and Simon Young, will be appointed to the Board effective from the next Annual General Meeting. Alex has extensive experience both as a director and in senior financial management roles, including Chief Financial Officer positions with Vector Limited and TelstraClear Limited. Simon has had senior executive experience as Managing Director of Alliant Energy NZ and governance roles with TrustPower Limited and The Lines Company.

Despite the last year being a particularly challenging one for the Group, a very creditable financial performance was achieved. I wish to record my appreciation to all the staff who have continued to focus on delivery of service to our customers, the construction of the major network upgrades that Top Energy is delivering and the considerable preparatory work that has been involved in the Ngawha generation expansion project.

Paul Byrnes
Chairman

Our DIRECTORS

Left to right: Mike Simm, Paul White, Richard Krogh, Robert Kirkpatrick, Greg Steed, Paul Byrnes.

Paul Byrnes – *Chairman*

Paul Byrnes is a professional director and business consultant with over 25 years' commercial experience across a number of industry sectors. Paul has previously held senior management and CEO positions in private and listed companies. He is currently a non-executive director of listed investment group Hellaby Holdings Limited, and Executive Director and CEO of listed lending and insurance business Dorchester Pacific Limited. Paul is a qualified Chartered Accountant.

Mike Simm – *Deputy Chairman*

Our Deputy Chairman, Mike Simm, is also Chairman of mechanical engineering company, the Brightwater Group Limited. He has previously held the positions of Deputy Chairman at Jasons Travel Media, Chairman of Enterprise Northland and Executive Director at Northland-based tourism venture, Fullers Bay of Islands Limited.

Andrew Kelleher

Director Andrew Kelleher has chaired our Audit and Risk Committee. He has a strong background in financial services. With more than 20 years' experience in the financial markets, Andrew is a current director and shareholder of JMIS Limited and a past executive at ASB Securities Limited. Andrew resigned from our Board in April 2014.

Greg Steed

Kaitaia-born Greg Steed contributes a sound knowledge of business processes to our Board. He was previously Chairman of the NZ Shippers Council and has previously worked at leading forestry products company, Carter Holt Harvey Limited, where he held the positions of Manager, Distribution, and Manager, Accounting. Greg is a member of our Audit and Risk Committee and moves into the role of Chair of that committee, following Andrew Kelleher's resignation from the Board.

Paul White

Paul White has a background in Maori development, housing and strategic planning. He has previously been Chief Executive of Ngai Tahu Development Corporation and has held directorships at Housing New Zealand and Canterbury District Health Board. He is currently the Chairman of Te Rarawa's asset holding company.

Richard Krogh

Richard Krogh was appointed to the Board in March 2013. Richard has significant energy sector experience, having been CEO of PowerCo Limited, New Zealand's second largest electricity and gas lines business. He is also a former chair of the Electricity Networks Association and has served on a number of industry boards. Richard now works as a consultant in the energy sector, and is a director of Port Taranaki.

Robert Kirkpatrick (Dr) – *Independent Director – Ngawha Generation Limited*

Robert has over 35 years' experience in refining and petrochemical industries. With experience in global project feasibility and economics, construction and manufacturing operations, he currently teaches design to chemical engineers at Auckland University. Robert has a special interest in health, safety and the environment. He has a detailed knowledge of the New Zealand energy scene and teaches in this area in the Engineering and Business Faculties. He has previous involvement in governance in secondary education and is currently involved in governance in the tertiary sector, and also runs his own strategic consulting company.

CEO'S REPORT

Working with electricity is inherently dangerous. As an organisation we have a responsibility to ensure the safety of not only our staff, but also the public. Top Energy's safety record is better than the lines industry averages in most areas, but this is not good enough for us.

We set very ambitious targets for our health and safety key performance indicators, aiming to meet or exceed our best performance. In a number of these we did not get to the levels that we had hoped we would. This does not stop us from continuing to strive for ever-increasing performance with a goal of Zero Harm.

The Group's EBITDAF, at $32.0 million, was 1.5 per cent lower than the previous year. This result reflects a number of challenges throughout the year, especially in the Network and Contracting divisions. Two health and safety incidents, one involving our own staff and the other involving a member of the public, resulted in significant additional costs being incurred.

We set very ambitious targets for our health and safety KPIs, aiming to meet or exceed our best performance

Network consumption again dropped, resulting in revenues being $1.6 million lower than budget and lower than the previous financial year.

Property development in the district continues to be depressed, reflected in capital contributions being more than 15 per cent lower than the previous year – that year being at much reduced level from those experienced prior to the global financial crisis.

Closure of manufacturing plants or material reductions in demand of major electricity users, such as the aluminium smelter at Bluff and the Norse Skog plant at Kawerau, will impact significantly on future revenue levels from the Ngawha generator.

While we remain confident that wholesale electricity prices will firm over time, as the excess supply is taken up by general growth, the reduced cash to be generated by the power station has meant that parts of the Group's capital programme have had to be delayed for periods of one to three years.

There has been a very satisfactory advance of the network capital programme during the year under review. The new Cobham Road, Kerikeri, substation was brought on line during the year, as was the new Wiroa substation. Only the final stage down Rainbow Falls Road remains to be completed to enable the ring around Kerikeri.

There has been a very satisfactory advance of the network capital programme during the year under review

We are starting to see significant benefits from the network investments that we have made with improved security and protection systems, which is expected to produce significant savings in the following years. In addition, after some teething problems last year, the new generators at Taipa have proven themselves over the last year, avoiding 57 SAIDI minutes.

Most of the preparatory work has been completed to support new resource consent applications for the expansion of the Ngawha power station. These applications are expected to be lodged in September 2014. Currently Ngawha operates as two separate stations with combined output totalling 25MW. It is proposed that two new stations, each of 25MW, be built, the second station being contingent on the successful operation of the first. The earlier intention to drill exploratory wells on the Remuera Settlement land, to the north of State Highway 12, has been delayed due to the reduction in wholesale prices referred to earlier.

The Group undertook a review and restructure of its operations during the year. This led to a number of redundancies, most of which had taken place by the end of this financial year. The resulting structures will allow the Group to better deliver on capital projects as well as providing a greater focus and control over the health and safety practices employed by our staff.

It is proposed that two new stations, each of 25MW, be built

During the year we established new relationships with Pacific Island power supply organisations and have been able to establish supply chain services to some of these. As the islands look to address the cost of power generation from mainly fossil fuels, there are further opportunities to assist both the island governments and our own foreign assistance organisations to install and connect more cost-effective solutions.

The last financial year has been difficult in a number of areas but I want to acknowledge the contribution and dedication of our staff during that period. I am confident that we have a strong and experienced team to carry the Group forward as we complete our network capital programme, continue to improve our service level delivery, and obtain the resource consents necessary to commence the expansion of the Ngawha generation project.

Russell Shaw
Chief Executive

FINANCIAL
Summary

The Group's financial performance (EBITDAF) was lower than 2013 by 1.5 per cent and lower than the 2014 targets.

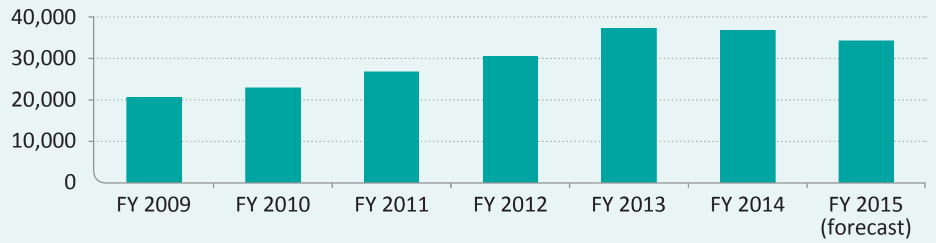
Revenue growth was 3.4 per cent, but lower than expected due to a reduction in electricity consumption, impacting the network revenue. Operating expenses were higher due to an increase in transmission costs and operational challenges within Contracting following the two safety incidents early in the year. A restructure programme was completed across the Group in the latter part of the year. Redundancy costs were incurred but the programme has positioned the Group with an improved operational structure and provided $800,000 of savings for 2015.

The Group improved its equity position by $67 million during the period, $11 million from profit and $56 million from the revaluation of the Ngawha Generation plant to reflect the fair value of the generation business of $149.5 million.

Operating cash flows reduced by $2.4 million to $21.1 million as a result of the lower financial performance and higher interest costs. Investments in the Group's assets of $26.9 million were made, with the additional cash required provided from the Group's debt facilities.

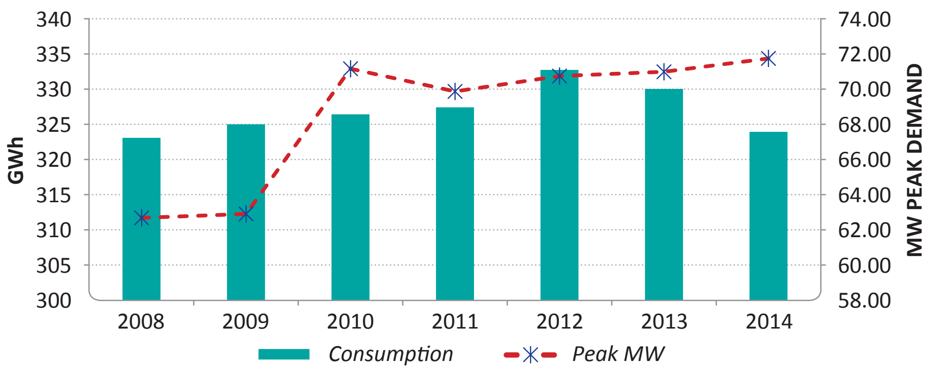
The 2015 forecast shows a reduction in EBITDAF as a result of the change in the electricity wholesale price which is expected to reduce the Ngawha Generation revenue by 19 per cent. The impact is expected to be minimised by improving cost efficiencies (per above), assessing investment programmes and renegotiating the interest cover bank covenant.

***EBITDAF** ($'000)*



FY2012, FY2013 and FY2014 EBITDAF is normalised by adding the $5.1 million discount to EBITDAF of $25.6 million, $32.5 million and $32.0 million respectively from the Statements of Comprehensive Income to allow comparability with prior year figures. FY2015 EBITDAF forecast has been normalised for a $5.1 million discount.

Total Energy Sold 2008 to 2014



Network consumption has reduced by 1.8 per cent during the year, from the effects of a warm winter and improvements in energy efficiency. While consumption for the year is at 2008 levels, peak demand on the network has increased 14.5 per cent. Over the next 12 months, a detailed review of the network pricing methodology will look at how current network tariffs are affecting consumption and revenue recovery with a new tariff structure expected to be implemented from April 2015.

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

FINANCIAL PERFORMANCE TARGETS FOR:	**Actual** *31.03.2014*	Target *31.03.2014*	Actual *31.03.2013*
Electricity network business			
(i) Profit before finance and tax as a percentage of total tangible assets	6.3%	5.6%	7.0%
(ii) Net profit after tax as a percentage of average shareholder's funds	6.3%	5.1%	7.1%
(iii) Return on investment	6.9%	6.2%	7.6%
Other non-network business			
(iv) Profit before finance and tax as a percentage of total tangible assets	6.1%	7.2%	7.2%
(v) Net profit after tax as a percentage of average shareholder's funds	4.2%	7.4%	7.0%
Group			
(v) Net profit after tax as a percentage of average shareholder's funds	5.8%	5.7%	7.1%
(vii) Ratio of shareholder's funds to total assets	1:2.50	1:2.56	1:2.54
(viii) Return on investment	6.0%	5.9%	6.7%

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

NETWORK QUALITY STANDARDS	**Actual** *31.03.2014*	Target *31.03.2014*	Actual *31.03.2013*
Electricity network business			
(i) System Average Interruption Duration Index (SAIDI). The average duration of high-voltage outages (including planned) per customer (minutes)	464.9	340.0	327.2
(ii) System Average Interruption Frequency Index (SAIFI). The average number of outages (including planned) per year for any customer	5.5	4.5	4.7

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

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

Our NETWORK

Capital Projects

Top Energy's focus on network development, to increase both security of supply and capacity, has continued during the past year.

The construction of a 110kV transmission line between Kaikohe and Kaitaia continues to be the focal point of our capital works programme. The project started at the Kaikohe end and stage 1 (to State Highway 1) is now complete.

Construction has begun on Stage 2 (to the newly-commissioned Wiroa switching station) and is scheduled for completion during the 2014/15 summer build season. Work to secure property access rights for Stage 3 (66 kilometres to Kaitaia) is continuing, and construction of sections of this part of the line is also expected to commence during the 2014/15 build season.

Work has continued on the Kerikeri 33kV ring, with the first phase on the southern side of the town completed. We commissioned a new 33kV substation at Cobham Road, Kerikeri and this is now connected to the new switching station at Wiroa.

Other major projects include commencing a rebuild of the Kaikohe substation and the completion of construction of a second, dedicated 33kV line linking the Ngawha geothermal power plant to the Top Energy network.

Our planning and design team had a very successful year. In a first for Top Energy, the team designed, specified and purchased a 110kV transformer and circuit breaker, as the first major step in the refurbishment and replacement of the transmission assets purchased from Transpower in 2012. These new units will be delivered and installed in November 2014.

Our planning and design team had a very successful year

Vegetation Control

The management of trees and vegetation encroaching on the network is an ongoing problem and we continue to dedicate resources to a continuous cycle of cutting back growth from the limit zone near our power lines.

Vegetation control efforts have been concentrated in areas most affected by tree damage. We successfully cleared all critical vegetation around a 56-kilometre stretch of 110kV transmission line, a major task which was completed over several months.

The benefits to consumers are illustrated by the vegetation control work undertaken around feeder lines in and around Russell. During two recent significant storms there was no loss of supply to that area.

We successfully cleared all critical vegetation around a 56-kilometre stretch of 110kV transmission line

CONTRACTING

Staff Development

Our staff are our most important asset and where possible we aim to support our community by recruiting local people. During the last year, four linesmen graduated with line mechanic qualifications and are now registered and working on our network. In addition, we took on six new trainees, including two school leavers, with two training as electrician/linesmen, two as linesmen, and two as high and low voltage cable jointers.

Pacific Contracts

We created a Pacific Contracting Group, focused on upcoming tenders in the region, and this has paid dividends for us. New Zealand and Australian government agencies have committed to a $600 million aid programme to install solar power on several Pacific islands; especially those with small populations, in remote locations, which have traditionally relied on generators using fossil fuels.

In a joint venture with PowerSmart, a major New Zealand supplier of off-grid solar power systems, we will be working on a $2 million project to reticulate four small, remote islands lying more than a thousand kilometres from Rarotonga. As part of a $23 million aid project, we are installing new high and low voltage cables, to support the photovoltaic cells being installed. This work will require four Top Energy electricians to live on the islands until the contract is completed in December 2014. A procurement contract has been secured with the Solomon Islands Electricity Authority and we are targeting further infrastructural work in Fiji, Tonga and Samoa, as well as more work in Rarotonga and the Solomon Islands.

We created a Pacific Contracting Group, focused on upcoming tenders in the region, and this has paid dividends for us

Other External Contracts

We continued providing maintenance and capital project capacity for Counties Power in Counties Manukau and have also carried out contract work in the Waikato area for our neighbouring lines company, Northpower. This involved working as a sub-contractor to Northpower as that company upgraded transmission lines for Transpower.

Vegetation Management

Trees and vegetation encroaching on power lines are a major and ongoing issue for any lines company. In the Far North this is also a significant issue and results in outages for customers during storms and high winds; when Cyclone Lusi struck in March 2014 major damage was caused throughout the area.

When Cyclone Lusi struck in March 2014 major damage was caused throughout the area

During the last year we carried out a programme of planned vegetation control on our network, exceeding our targeted number of tree removals while remaining under budget. Our efforts were concentrated on the feeders that traditionally create the most outages, between Kawakawa and Russell, reducing the number and duration of outages for customers.

Our state-of-the-art shelter belt trimmer was used extensively on contract work for private landowners. It also came into its own on planned shelter belt clearance programmes between Kerikeri and Kaitaia.

Transmission Network

We built 50 new 110kV pole structures between Kaikohe and Wiroa and a new zone substation at Wiroa. This work precedes the installation of transmission lines to connect the new substation to the network.

Metering

We have developed strong relationships with meter reading service providers in the Far North and have a number of contracts in place which include customer-focused key performance indicators. Our processes have been refined to ensure the highest level of customer service.

Strategic Restructure

The Contracting team continues to focus on efficiency improvements and ensuring that we are delivering the best service possible, to both external customers and the Network division, as our largest customer.

A restructure towards the end of the financial year has streamlined our business

A restructure towards the end of the financial year has streamlined our business, with a strong focus on ensuring that we have the right people in the right jobs. The Group procurement team, supporting the Contracting division's requirements, contributes to cost reductions by negotiating and securing excellent service agreements and deals for the supply of metering equipment, fuel, traffic management and sub-contractor digger works.

NGAWHA
Geothermal Generation

Ngawha Expansion

We are intending to expand the geothermal electricity generation capacity at the Ngawha power station through the construction of two additional 25MW power stations. This project is in its early stages of planning and we are consulting with key stakeholders, including those likely to be directly affected by the project.

We anticipate that the first power station could be commissioned in 2023

Once stakeholder consultation and environmental assessments have been completed, application will be made to the Northland Regional Council and Far North District Council for the consents required for construction of the proposed power stations. We plan to do this by the end of 2014 and anticipate that the first power station will be commissioned in 2023. This will coordinate with the forecast increase in national electricity demand.

An estimated investment of around $250 million is needed to build the two power stations, which will be initially funded by Top Energy and then later by bringing in other investors.

The construction of two new geothermal power stations at the existing Ngawha site will produce electricity, as well as a heat resource, which could be utilised in complementary business development opportunities such as wood processing, dairy milk processing, horticulture and aquaculture. It is expected that these types of businesses could create a significant number of new jobs in the Kaikohe area.

Operational Performance

The Ngawha geothermal plant again achieved zero Lost Time Injuries (LTIs), enabling us to recently reach the milestone figure of 2000 days with no LTIs. We continue to maintain our Public Safety Management System and, during the last year, the Ngawha plant became the first part of Top Energy's business to achieve ISO 9001 accreditation.

The Ngawha geothermal plant again achieved zero Lost Time Injuries (LTIs), enabling us to reach the milestone figure of 2000 days with no LTIs

Plant availability for the year was good and exceeded our target, despite the planned shutdown in November 2013. The shutdown involved the largest package of work undertaken since the construction of the second generation station in 2008. This work saw a large number of specialist geothermal contractors, some from overseas, converging on the site at the same time and was completed on time and to budget.

Our contingency plans were tested and found to be robust when the release of a safety valve occurred. We worked closely with emergency services to ensure a safe and positive outcome from this event. We gained particular recognition for our response from the Civil Defence Emergency Management groups.

Visitor Centre

Our visitor centre and site tours continued to be very popular. We hosted groups from Auckland University, several local schools, many geoscientists from around New Zealand and from overseas, and other industry parties. The local community took advantage of bus tours provided in conjunction with the Kaikohe A & P Show, with up to 400 people visiting the site.

World Geothermal Congress

The World Geothermal Congress is a prestigious conference held every five years and attended by people working in the geothermal industry from all over the globe. Scientists from New Zealand's geothermal community, working with Ngawha Generation Limited, have submitted a paper to the next congress, detailing the advances we have made in the control of heat exchanger fouling when stibnite is present.

GRAZING NORTH

Property Purchases

Top Energy owns a number of properties east of Kaikohe. The bulk of the land lies between State Highway 12 and Remuera Settlement Road and is operating as a dairy farm. Recently a number of smaller blocks have been purchased on the south side of the State Highway. This land is intended to provide for the drilling of wells and the construction of geothermal fluid pipelines to feed the new power stations to be operated by Ngawha Generation.

The farm runs a herd of about 350 animals and during the milking session to 31 May 2014 has produced almost 94,000 kg of milk solids. The previous owner produced 66,000 kg during the 2012/13 session.

A number of the properties have houses on them, which are not associated with the farm management and are treated as residential tenancies. These houses are required to be revalued each year.

Testing for Geothermal Fluid

We intend to hold the farm land until we are able to drill test wells to confirm the existence of a viable geothermal fluid source.

It is expected that any development involving wells, pipelines and possible power station will only occupy a small part of the total area held, and therefore it should be possible to continue to operate an income-generating activity on the surface.

Should the well-drilling programme establish that the area is not suitable for power generation, Top Energy would then expect to sell the land as a producing dairy farm. Its value will be best maintained by maximising the performance of the farm.

From 1 June 2014 the dairy farm will be operated under a 50/50 sharemilking agreement, with the expectation of further increasing production to more than 130,000 kg milk solids.

We intend to hold the farm land until we are able to drill test wells to confirm the existence of a viable geothermal fluid source

PHONE PLUS

Phone Plus

Phone Plus is a wholly-owned subsidiary of Top Energy and provides a 24-hour contact centre service from our base in Kaikohe, backed up by our team at Albany on the North Shore.

We have a strong focus on training and development and have introduced individualised training plans to ensure that all team members provide the highest level of customer service.

We consistently aim for excellence, providing a quality service to our clients and enabling strategic growth within our business.

Phone Plus provides a 24-hour contact centre service from our base in Kaikohe

Staff Profile: Sheryl Johnston

Sheryl Johnston has been with Phone Plus since the company was formed in August 2000. Prior to that, Sheryl worked for Top Energy and, later this year, will complete 20 years of service in the Top Energy Group.

Using her experience, Sheryl can manage a diverse range of client requirements, including outbound campaigns for Christchurch Radiology Group and National Heart Foundation, both highly successful projects for Phone Plus.

She has achieved the NZQA Level 3 qualification in Contact Centre Operations and is also a qualified NZQA Assessor for Level 3 participants.

Sheryl will have completed 20 years of service in the Top Energy Group

Staff Profile: *Cheyne Davis*

Cheyne Davis commenced her employment with Phone Plus in August of 2011. Cheyne is 22 years old, with two young children. She is participating in Phone Plus' Learning Planet study framework - which was introduced in 2013 - providing her with an opportunity to increase her skills and capabilities.

There are more than 50 modules in this training programme including Questioning Skills, Creating Positive First Impressions, Difficult Customer Types, Listening Skills, Managing Customers' Needs, Handling Conflict and Learning and Delivery Styles. Cheyne has completed seven of these modules in the past eight months.

She has been mentored by the Kaikohe Team Leader, Lauren Wilkinson-Pou, to be able to fill the Subject Matter Expert (SME) role needed to maintain our services for Pulse Energy, a key Phone Plus client. As an SME, Cheyne has responsibility for working side by side with Pulse to stay well informed of any service updates or impacts.

During 2013, this involved Cheyne spending three weeks in our Albany contact centre upskilling 20 Phone Plus agents on the various products and services offered by Pulse Energy.

Case Study: Ministry of Social Development SuperGold Card

We have been working for the Ministry of Social Development's SuperGold Card programme over the last two years and have successfully completed four contracts for the organisation, two of them in the last year.

Work has been focused on enrolling new providers and services into the programme, which offers discounts for New Zealand Seniors. We have targeted services in rural areas and the health and wellbeing sector, as well as businesses in the automotive, grocery, retail and trade sectors.

Our work led to the number of participating businesses rising to more than 11,000. Lindsay Meehan, General Manager, Senior Services, said: "The recruitment campaigns that have been undertaken over the last two years have had a dramatic effect on the growth of new businesses for the SuperGold programme. This has increased the value of the programme, especially for those cardholders outside of the main city centres, who may not have access to free off-peak transport."

Our work led to the number of participating businesses rising to more than 11,000

Our PEOPLE

Orange Umbrella

Workplace safety is critical to our business and we are constantly looking for ways to involve staff in the development of an outstanding safety culture.

In the last year we introduced the Orange Umbrella programme, a workplace safety programme with a strong emphasis on risk management. All field staff took part in surveys and independently-facilitated workshops, producing action plans for continual improvement in our safety processes. Internal safety champions were identified as well as process leaders, key field staff who are critical to the project.

The Orange Umbrella programme demonstrates our strong management commitment to safety. We have completed the first round of surveys and workshops and will enter a second round in the next financial year.

The Orange Umbrella programme demonstrates our strong management commitment to safety

Staff Reward and Recognition

We launched a programme to recognise and reward staff demonstrating exceptional performance and dedication.

The Applaud programme provides positive reinforcement for those staff whose workplace behaviours align strongly with our organisational values, who successfully complete challenging tasks, or who achieve significant results through exceptional performance.

Staff Development

At Top Energy we have a focus on upskilling our staff and assisting with their professional development. In the last year, 14 staff completed a range of industry qualifications, including Level 3-4 National Certificate in Electrical Supply (Line Mechanic), Level 3-4 National Certificate in Electricity Supply (Operator) and Level 3-4 National Certificate in Arboriculture.

Participants included trainees who are new to the industry, as well as experienced staff seeking to develop their skills and pursue other opportunities across the company. Some staff undertook and completed multiple qualifications.

We continued our internal leadership programme which is now into its second year, developing the leadership capability of our supervisors and managers.

We also continued our involvement with the Rotary Youth Leadership Awards, the second successive year that a Top Energy employee has been selected to represent the Far North.

Alongside these programmes we also provide a mentoring programme, with senior staff assisting with career development through guidance, support and encouragement.

We have a focus on upskilling our staff and assisting with their professional development

Top Energy Management Systems

Our objective is to achieve ISO 9001 accreditation and we have begun our journey with a comprehensive value stream mapping (VSM) project to bring together all our policies and procedures.

This has resulted in a clear set of procedures for all staff to follow and gives our customers trust and confidence in our ability to provide safe and efficient services.

All documentation has been completed and we are now working to implement necessary changes identified through the process.

This will be followed by an extensive auditing scheme, which will put us in good stead to achieve ISO 9001 certification in the coming year.

This will put us in good stead to achieve ISO 9001 certification in the coming year

Long Service Awards

In the last year two staff were rewarded for their long service. Both Gordon Ramsay and Richard Hodge reached the milestone of completing 25 years' service to the company.

Our COMMUNITY

Lindvart Park Floodlights

Top Energy partnered with the Far North District Council to install floodlights worth $200,000 at Lindvart Park, the main sporting hub for Kaikohe.

With the council contributing half of the total needed, we approached our local suppliers and contractors who donated materials and expertise and then we met the balance of the cost.

We provided the equipment and our staff volunteered their time, after hours and on weekends, to carry out the construction work.

Top Energy partnered with the Far North District Council to install floodlights at Lindvart Park

Northland Electricity Rescue Helicopter

This year saw the twenty-fifth anniversary of the Northland Emergency Services Trust, which operates the region's vital, life-saving helicopter rescue service.

To date the service, which is funded through sponsorship and public donations, has carried more than 15,000 patients.

We are proud to continue our sponsorship of the service and its three helicopters, which we have maintained for almost all of the 25 years that the rescue service has been operating. In conjunction with Northpower, we match public donations dollar for dollar, up to $150,000, to keep the service flying high for Northlanders.

We are proud to continue our sponsorship of the service

Young Enterprise Scheme (YES)

Since 2009 we have partnered with the Lion Foundation to sponsor the Northland YES scheme, which sees school students set up and run their own businesses.

In the last year we boosted our funding of this important initiative, to support more budding entrepreneurs.

Three Northland teams represented the region at the national finals in Wellington, including Northland winner Nick Fewtrell, from Kerikeri High School, whose firm Innoluminate makes glow-in-the-dark stickers for light switches.

Fellow Kerikeri High students Sophie Sutherland and Rachel Draper won the national award for Excellence in Enterprising Music with their company, Distinctiv Records.

We boosted our funding to support more budding entrepreneurs

Science Fair

We continued our sponsorship of the Far North Science and Technology Fair, which we have supported every year since 2002. This year there were more than 140 entries, involving 200 students representing nine Far North schools.

Category winners were presented with cash prizes sponsored by Top Energy, with the Best in Show award going to Kerikeri High School student Melanie Jones for her study into the control of invasive kikuyu grass on coastal dunes.

WaterSafe

Children in the North have benefited from free swimming lessons since 1998, thanks to our ongoing sponsorship of the WaterSafe scheme.

A total of 57 primary schools in the area have signed up, with 11 Sport Northland trainers delivering 21,500 swimmer lessons to children, and 1,500 training modules for poolside teachers, in the last year.

Far North children have enjoyed free swimming lessons since 1998

A & P Shows

Every year we support our community by taking part in A & P Shows around the Far North. This year we won the Best Trade Exhibit award at the Kaitaia show.

Top Energy Group
FINANCIALS

Financial report for the year ended 31 March 2014

Directors' Statement

The Directors present the annual report of Top Energy Limited and the Top Energy Limited Group, incorporating the financial statements and the auditor's report, for the year ended 31 March 2014.

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

The Board of Directors of the Company authorised the financial statements presented on pages 27 to 76 for issue on 17 June 2014.

For and on behalf of the Board.

P Byrnes
Director

G Steed
Director

17 June 2014

Statements of comprehensive income

For the year ended 31 March 2014

		CONSOLIDATED		PARENT	
	Notes	**2014** *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Operating revenue	5	61,248	59,226	44,290	46,390
Operating expenses	6	(29,257)	(26,728)	(23,269)	(20,887)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**31,991**	**32,498**	**21,021**	**25,503**
Depreciation and amortisation	6	(14,864)	(13,647)	(8,827)	(8,369)
Finance costs	7	(8,586)	(8,101)	(8,580)	(8,081)
Earnings before tax and fair value movements of financial assets (EBTF)		**8,541**	**10,750**	**3,614**	**9,053**
Fair value gains (losses) on financial assets	8	6,642	(943)	6,614	(943)
Profit before income tax		**15,183**	**9,807**	**10,228**	**8,110**
Income tax expense	9	(4,121)	(3,429)	(2,750)	(1,877)
Profit from continuing operations		**11,062**	**6,378**	**7,478**	**6,233**
(Loss) from discontinued operation	10	–	(101)	–	(101)
Profit for the year		**11,062**	**6,277**	**7,478**	**6,132**
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Gain on revaluation of non-current assets		78,015	–	–	–
Income tax relating to revaluation of non-current assets		(21,844)	–	–	–
		56,171	**–**	**–**	**–**
Items that may be reclassified subsequently to profit or loss:					
Changes in fair value of available for sale financial assets		(114)	–	–	–
		(114)	–	–	–
Other comprehensive income for the year, net of tax		56,057	–	–	–
Total comprehensive income for the year, net of tax		**67,119**	**6,277**	**7,478**	**6,132**
Profit is attributable to:					
Equity holders of Top Energy Limited		11,051	6,276		
Non-controlling interest		11	1		
		11,062	**6,277**		
Total comprehensive income for the year is attributable to:					
Equity holders of Top Energy Limited		67,108	6,276		
Non-controlling interest		11	1		
		67,119	**6,277**		

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

Statements of financial position

As at 31 March 2014

	Notes	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000	PARENT 2014 $'000	PARENT 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	5	62	1	1
Trade and other receivables	12	7,622	7,411	15,657	13,153
Inventories	13	983	1,007	983	1,007
Current tax benefit	14	44	1,785	–	1,688
Intangible assets	15	461	451	–	–
Total current assets		**9,115**	**10,716**	**16,641**	**15,849**
Non-current assets					
Property, plant and equipment	16	341,168	252,797	185,227	176,441
Investment properties	17	665	–	–	–
Intangible assets	18	4,000	3,911	3,130	3,173
Biological assets	19	938	457	457	457
Available-for-sale financial assets	20	399	–	–	–
Derivative financial instruments	21	505	–	505	–
Trade and other receivables	22	–	–	41,695	44,100
Deferred tax assets	23	36	37	–	–
Investments in subsidiaries	42	–	–	9,701	9,400
Total non-current assets		**347,711**	**257,202**	**240,715**	**233,571**
Total assets		356,826	267,918	257,356	249,420
LIABILITIES					
Current liabilities					
Trade and other payables	24	6,643	8,103	5,832	7,129
Interest bearing liabilities	25	1,714	1,581	1,699	1,576
Non-interest bearing liabilities	26	–	–	251	203
Current tax liabilities	27	682	446	391	–
Derivative financial instruments	21	1,972	1,827	1,972	1,827
Provisions	28	315	421	315	421
Total current liabilities		**11,326**	**12,378**	**10,460**	**11,156**
Non-current liabilities					
Interest bearing liabilities	29	133,435	127,750	133,435	127,750
Derivative financial instruments	21	1,933	8,187	1,933	8,187
Provisions	30	127	129	127	129
Deferred tax liabilities	31	46,043	22,373	17,504	15,794
Total non-current liabilities		**181,538**	**158,439**	**152,999**	**151,860**
Total liabilities		192,864	170,817	163,459	163,016
NET ASSETS		**163,962**	**97,101**	**93,897**	**86,404**
EQUITY					
Contributed equity	33	25,267	25,267	25,267	25,267
Reserves	34	56,057	–	–	–
Retained earnings	34	82,638	71,672	68,630	61,137
Equity attributable to the equity holders of Top Energy Ltd		163,962	96,939	93,897	86,404
Non-controlling interest	35	–	162	–	–
Total equity		**163,962**	**97,101**	**93,897**	**86,404**

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

Statements of changes in equity

For the year ended 31 March 2014

CONSOLIDATED	*Notes*	**Share capital** *$'000*	**Reserves** *$'000*	**Retained earnings** *$'000*	**Non-controlling interest** *$'000*	**Total equity** *$'000*
		ATTRIBUTABLE TO EQUITY HOLDERS OF THE TOP ENERGY LIMITED GROUP				
Balance at 1 April 2012		**25,267**	**–**	**65,471**	**161**	**90,899**
Comprehensive income						
Profit for the year		–	–	6,276	–	6,276
Total comprehensive income		**–**	**–**	**6,276**	**–**	**6,276**
Transactions with owners						
Dividends	36	–	–	(75)	–	(75)
Total contributions by and distributions to owners		–	–	(75)	–	(75)
Changes in ownership interests in subsidiaries that do not result in a loss of control						
Result attributable to minorities	35	–	–	–	1	1
Total transactions with owners		**–**	**–**	**(75)**	**1**	**(74)**
Balance as at 31 March 2013		**25,267**	**–**	**71,672**	**162**	**97,101**
Balance as at 1 April 2013		**25,267**	**–**	**71,672**	**162**	**97,101**
Comprehensive income						
Profit for the year		–	–	11,051	–	11,051
Gain on the revaluation of generation plant, net of tax	34	–	56,171	–	–	56,171
Fair value gain / (loss) on available-for-sale financial assets	20	–	(114)	–	–	(114)
Total comprehensive income		**–**	**56,057**	**11,051**	**–**	**67,108**
Transactions with owners						
Dividends	36	–	–	(85)	–	(85)
Total contributions by and distributions to owners		–	–	(85)	–	(85)
Changes in ownership interests in subsidiaries that do not result in a loss of control						
Result attributable to non-controlling interest	35	–	–	–	11	11
Purchase of non-controlling interest	35	–	–	–	(173)	(173)
Total transactions with owners		**–**	**–**	**(85)**	**(162)**	**(247)**
Balance as at 31 March 2014		**25,267**	**56,057**	**82,638**	**–**	**163,962**

PARENT		**Share capital** *$'000*	**Retained earnings** *$'000*	**Total equity** *$'000*
Balance as at 1 April 2012		**25,267**	**55,080**	**80,347**
Comprehensive income				
Profit for the year		–	6,132	6,132
Total comprehensive income		**–**	**6,132**	**6,132**
Transactions with owners				
Dividends	36	–	(75)	(75)
Total transactions with owners		**–**	**(75)**	**(75)**
Balance as at 31 March 2013		**25,267**	**61,137**	**86,404**
Balance as at 1 April 2013		**25,267**	**61,137**	**86,404**
Comprehensive income				
Profit for the year		–	7,478	7,478
Total comprehensive income		**–**	**7,478**	**7,478**
Transactions with owners				
Equity adjustment on acquisition of subsidiary		–	100	100
Dividends	36	–	(85)	(85)
Total transactions with owners		**–**	**15**	**15**
Balance as at 31 March 2014		**25,267**	**68,630**	**93,897**

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

Cash flow statements

For the year ended 31 March 2014

		CONSOLIDATED		PARENT	
	Notes	**2014** *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Cash flows from operating activities					
Receipts from customers (exclusive of goods and services tax)		61,238	59,038	40,631	39,647
Payments to suppliers and employees (exclusive of goods and services tax)		(31,164)	(26,462)	(24,767)	(21,179)
		30,074	**32,576**	**15,864**	**18,468**
Dividends received		–	–	–	2,500
Interest received		2	109	3,790	4,544
Interest paid		(8,576)	(8,000)	(8,570)	(7,980)
Income taxes received (paid)		(318)	(1,060)	1,040	–
Net cash inflow / (outflow) from operating activities	*44*	**21,182**	**23,625**	**12,124**	**17,532**
Cash flows from investing activities					
Purchases of property, plant and equipment		(25,386)	(34,679)	(19,441)	(33,394)
Proceeds from sale of property, plant and equipment		171	254	1,965	220
Purchases of biological assets		(434)	–	–	–
Purchases of investment properties		(637)	–	–	–
Purchase of available-for-sale financial assets		(513)	–	–	–
Purchases of non-controlling interest		(173)	–	–	–
Investments in subsidiaries		–	–	(201)	–
Increase / (repayment) of loan from parent		30	(22)	30	(22)
Net cash inflow / (outflow) from investing activities		**(26,942)**	**(34,447)**	**(17,647)**	**(33,196)**
Cash flows from financing activities					
Proceeds from borrowings		5,685	10,940	5,685	10,940
Repayment of inter-company loans by subsidiaries		–	–	(170)	4,811
Dividends paid to the Group's shareholders	*36*	(85)	(75)	(85)	(75)
Net cash inflow / (outflow) from financing activities		**5,600**	**10,865**	**5,430**	**15,676**
Net increase (decrease) in cash and cash equivalents		(160)	43	(93)	12
Cash at bank and on hand at the beginning of the financial year		9	(34)	(47)	(59)
Cash and cash equivalents at end of year	*11,25*	**(151)**	**9**	**(140)**	**(47)**

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

1 : General information

Top Energy Limited (the Company) provides electricity line function and electricity construction services in New Zealand.

The Company and its subsidiaries (together, the Group) are engaged in the operation of a geothermal power station in New Zealand and in the provision of other goods and services to customers both in New Zealand and overseas.

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

These financial statements were approved for issue by the Board of Directors on 17 June 2014.

2 : Summary of significant accounting policies

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

(a) Basis of preparation

Statutory base

Top Energy Limited is registered under the Companies Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993, 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 profit-oriented entities. The financial statements comply with International Financial Reporting Standards.

Entities reporting

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

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

The Parent and the Group are designated as profit-oriented entities for financial reporting purposes.

Historic cost convention

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

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

Comparative figures

To ensure consistency with the current period, comparative figures have been restated where appropriate. There have been no material restatements in these financial statements in respect of the year ended 31 March 2013.

Functional and presentation currency

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

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Energy Limited (the 'Company' or 'parent entity') as at 31 March 2014 and the results of all subsidiaries for the year then ended. Top Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the parent entity.

Minority interests in the results and equity of subsidiaries are shown separately in the Group's consolidated statement of comprehensive income and statement of financial position.

(ii) Amalgamations

An amalgamation is an acquisition of an entity that is already under common control. Where entities are amalgamated, the carrying values of the assets acquired and liabilities assumed are measured at their book values and combined in the books of the acquiring company at the acquisition date.

(c) Available for sale investments

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

For investments traded in active markets, fair value is determined by reference to Stock Exchange quoted bid prices. For other investments, fair value is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

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

Available-for-sale investments are classified as non-current assets, unless they are expected to be realised within 12 months of the balance date or unless they will need to be sold to raise operating capital.

(d) Biological assets

(i) Dairy herd and trees

The Group's biological assets comprise a herd of dairy cows and quantities of trees. Both groups of assets are carried in the statement of financial position at fair value less costs to sell. Changes in the fair value of biological assets are recognised in profit or loss.

Valuations of the Group's biological assets are obtained at balance date from suitably qualified, independent professional valuers.

(e) 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 profit or loss in the period in which they are incurred.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within the total of interest-bearing liabilities, in current liabilities, in the statement of financial position.

(g) Contract work in progress

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

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract, and an allocation of overhead expenses incurred in connection with the relevant Group company's construction activities in general.

(h) Derivatives

Derivatives are initially recognised 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 immediately in profit or loss, as the derivative instruments do not qualify for hedge accounting.

(i) Dividend distributions

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

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

(j) Employee benefits

(i) Wages and salaries, annual leave and sick 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. The Group's liabilities for sick leave are non-accumulating and are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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, experience of employee departures and periods of service. 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.

(k) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance 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 balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance 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.

(l) Foreign currency translation

(i) Transactions and balances
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.

(m) Goods and Services Tax (GST)

The profit or loss component of the statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(n) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances indicating 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).

(o) Income tax

The tax expense or revenue 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, respectively.

The income tax expense or revenue 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes' assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's (or Company's) share of the net identifiable assets of the acquired business or entity at the date of acquisition. Goodwill on acquisitions of businesses and subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in 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 cash-generating units, 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.

(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.

The Group capitalises the direct costs of acquiring easements, including registration and legal costs and lump sum payments made to compensate the landowner for diminution in the value of the land that is subject to the easement.

(v) Customer intangibles

Customer relationships acquired as part of a business combination are recognised separately from goodwill. Customer relationships have a finite life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of consumer relationships over their estimated useful lives. The estimated useful life varies between business segments, from five to 10 years.

(q) Interest-bearing liabilities

Interest-bearing liabilities are recognised initially at fair value, net of transaction costs incurred. Interest-bearing liabilities are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss component of the statement of comprehensive income over the period of the borrowings using the effective interest method.

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

(r) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of 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. Costs are assigned to individual items of inventory on the basis of weighted average costs. 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.

(s) Investment property

Investment property, comprising three dwellings, is held for long-term rental yields and is not occupied by any member of the Group. Investment property is measured initially at cost, including transaction costs. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Group obtains regular open market valuations of the investment properties from suitably qualified independent valuers. Changes in fair values are recorded in the statement of comprehensive income within profit or loss as an constituent of fair value gains or losses on financial assets in the period in which they arise.

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

(t) Investments and other financial assets

CLASSIFICATION

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

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

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

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statements of financial position (notes 2(f) and (z)).

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

RECOGNITION AND MEASUREMENT
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the profit or loss component of the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss component of the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the profit and loss component of the statements of comprehensive income as part of other income when the Group's right to receive payments is established.

OFFSETTING FINANCIAL INSTRUMENTS
Financial assets and liabilities are offset and the net amount reported in the 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.

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

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

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

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

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

(u) Leases

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

(v) Property, plant and equipment

Property, plant and equipment, including the distribution network

Property, plant and equipment (excluding generation plant) and the distribution network are shown at cost, less subsequent depreciation. On transition to NZ IFRS the Group has taken the deemed cost exemption available under NZ IFRS 1 to take the previous NZ FRS revaluations of the distribution asset and of land and buildings that were carried out at 31 March 2004 as deemed cost as at that date, on the grounds that the revaluations represented fair value at the date they were made.

Additions to the distribution system, land and buildings made subsequently to 31 March 2004 are shown at historic cost. Depreciation on these asset classes has been charged on both the deemed cost element and the subsequent additions.

Generation assets

Until 31 March 2014, the Group's generation assets and its access to geothermal resource assets were accounted for at cost, less subsequent depreciation. Effective 31 March 2014 the Group changed its accounting policy in respect of generation plant and equipment. A valuation was undertaken as at that date and the carrying value has been restated in these financial statements. This gave rise to a revaluation surplus that has been recognised through other comprehensive income and accumulated in equity under the heading of revaluation reserve. Valuations will henceforth be undertaken at sufficiently regular intervals so that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Other property, plant and equipment

All other property, plant and equipment is stated at 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	
– Lines, transformers and sub-stations	45-60
– Switchgear	35
– SCADA communications equipment	15
Freehold buildings	50
Freehold building fit-outs	5-10
Investment property chattels	5-10
Plant, equipment and furniture	5-20
Plant and equipment - electronic	5-10
Chainsaws	3
Resource Consents	20
Wellsite assets	20
Generation plant and equipment	5-50
Diminishing Value basis	*Rate*
Motor vehicles	20%

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

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

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

(w) Provisions

Provisions are recognised when: 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. Restructuring provisions include any applicable lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(x) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating any profits on intra-divisional sales within the Parent Company and all material transactions between members of the Group on consolidation. Revenue is recognised as follows:

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

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

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

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

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

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

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

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

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

(vi) Interest income
Interest income is recognised as it arises.

(vii) Dividend income
Dividend income is recognised when the right to receive payment is established.

(y) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company or the Group prior to the end of the accounting period and which are unpaid at that date. The amounts are unsecured and are usually paid within 30 days of recognition.

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.

Each type of carbon emission unit is surrendered in order of their expiry, shortest-dated first. Units that have no expiry date are surrendered after units that do have an expiry date, on a first-in, first-out basis.

The Group recognises a liability in respect of its obligation to surrender carbon emission units, within current liabilities - payables. The liability is measured at the cost of the units to be surrendered, recognised in accordance with the above paragraph.

(z) 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 within one year or less of balance date, they are classified as current assets. If not, they are presented as non-current assets.

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

(aa) Changes in accounting policies

All accounting policies have been applied on a basis consistent with those applied during the prior year except for the change from cost basis to revaluation basis in respect of one class of property, plant and equipment. Details of the financial effect of that change are given in notes 16 and 34(a).

(ab) 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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 April 2013:

Amendments to NZ IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities – effective for annual periods beginning on or after 1 January 2013. This amends the disclosure requirements in NZ IFRS 7 Financial Instruments: Disclosure to require information about all recognised financial instruments that are set off in accordance with NZ IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under NZ IAS 32. This amendment has not affected any of the amounts recognised in the financial statements.

NZ IFRS 10 Consolidated Financial Statements, NZ IAS 27 Separate Financial Statements (revised 2011), NZ IAS 28 Investments in Associates and Joint Ventures (revised 2011) – effective for annual reporting periods beginning on or after 1 January 2013. These standards replace NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC-12 Consolidation – Special Purpose Entities. There has been minimal impact on the Group from these standards as the only Group entity with less than 100% Group ownership is already consolidated on an equity basis, and the Group has no investments in associates or participation in joint ventures.

NZ IFRS 12 Disclosure of Interests in Other Entities – effective for annual periods beginning on or after 1 January 2013 with early adoption permitted. This Standard applies to entities that have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. It establishes disclosure objectives and specifies minimum disclosures that an entity must provide to meet those objectives. The adoption of this standard requires the Group to disclose information that helps users of its financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on its financial statements. This standard has no financial effect.

NZ IFRS 13 Fair Value Measurement – effective for annual periods beginning on or after 1 January 2013, with early application permitted. This Standard establishes a single framework for measuring fair value where that is required by other Standards, and applies to both financial and non-financial items measured at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an exit price). Adoption of this standard has resulted in a number of additional disclosures in the financial statements, but has not resulted in any material measurement changes.

NZ IAS 1 (amendment) Presentation of Financial Statements. The amendment retains the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements. Items of other comprehensive income are required to be grouped into those that may and may not subsequently be reclassified to profit or loss. Tax on items of other comprehensive income is required to be allocated on the same basis. The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendment. This amendment has not affected any of the amounts recognised in the financial statements, but has made changes to the disclosure of items of other comprehensive income.

NZ IAS 19 Employee benefits. This standard has had no direct effect on the Group as the Group's exposure in respect of retirement benefits is in the form of Kiwisaver contributions which are recognised and settled as they arise.

Annual Improvements to NZ IFRSs: 2010-2012 Cycle – effective for annual periods beginning on or after 1 July 2014 with earlier application permitted. The Group has applied the amendments to NZ IAS 16 Property, Plant and Equipment in respect of the revaluation of generation plant that was undertaken at 31 March 2014. None of the other amendments in this cycle have any direct impact on the Group.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2014 but which the Group has not early adopted:

NZ IFRS 9 Financial instruments – effective for annual reporting periods beginning on or after 1 January 2015 with early adoption permitted. This standard introduces new requirements for the classification and measurement of financial assets. All recognised financial assets that are currently in the scope of NZ IAS 39 will be measured at either amortised cost or fair value. In order for financial assets to be measured at amortised cost certain criteria must be met. A revision to NZ IFRS 9 also adds guidance on the classification and measurement of financial liabilities and the derecognition of financial instruments.

Most of the requirements in NZ IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to NZ IFRS 9. Most of the requirements in NZ IAS 39 in relation to the derecognition of financial assets and financial liabilities have been retained, but additional disclosures are now required under NZ IFRS 7. This new standard and subsequent revision are likely to affect the Group's accounting for its financial assets and liabilities. However, the Group is yet to assess NZ IFRS 9's full impact and has not yet decided when to adopt NZ IFRS 9.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities – effective for annual periods beginning on or after 1 January 2014.

The amendments set out new requirements for investment entities. Where an entity qualifies as an "investment entity" it does not consolidate its subsidiaries but measures its investments at fair value. Consideration of the criteria for meeting the definition of an "investment entity" will require a degree of judgement based on facts and circumstances, and these changes may impact entities beyond those traditionally seen as investment-type entities. The Group is yet to assess the full impact of these amendments.

NZ IAS 32 (amendment) Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities - effective for annual periods beginning on or after 1 January 2014 and requires retrospective application for comparative periods. The amendments are intended to clarify existing application issues relating to the offsetting rules and reduce the level of diversity in current practice. The amendment clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The Group does not anticipate any significant impact to result from the application of this amendment.

Amendments to NZ IAS 36 Impairment of Assets - effective for annual reporting periods beginning on or after 1 January 2014 with earlier adoption permitted. This amendment removes certain disclosures regarding the recoverable amount of cash-generating units included in NZ IAS 36 arising from the issue of NZ IFRS 13.

IFRIC 21 Levies sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to paying a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not expected to be material.

Annual Improvements to NZ IFRSs: 2011-2013 Cycle – effective for annual periods beginning on or after 1 July 2014 with earlier application permitted. None of the amendments in this cycle have any direct impact on the Group.

3 : Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 March 2014 foreign exchange risk exposure arose primarily in respect of a liability denominated in US dollars. The liability relates to the purchase of materials and equipment which are due for settlement at various dates between June 2014 and December 2014. The total commitment at 31 March 2014 was US$792,225. To limit the effect of currency exposure, prior to balance date the Group entered into a series of forward foreign currency contracts for amounts totalling US$988,225. The remaining contracts have been retranslated at the exchange rate applying at the balance date and adjusted for credit risk. The resulting unrealised loss has been charged to profit or loss and included in the statement of financial position.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from an investment held by the Group and classified on the balance sheet as available for sale.

(iii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Throughout the years ended 31 March 2014 and 2013, 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. At 31 March 2014, if interest rates had changed by -/+1% (=100bp) from the average period rate of 3.7% 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 $44,000 higher / lower (2013: $74,000 higher / lower based on an average rate for the period of 4.2%).

If the above sensitivity calculation were applied to the total of interest rate swaps entered into by the Group at balance date, the effect of a change of -/+ 1% (=100bp) in the floating rate element of those swaps would result in an increase / reduction in the fair value derivative loss recognised at balance date of $1,505,000 (2013: $2,902,000).

(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 credit rating of 'A' are accepted. If other 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 other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits by customers is regularly monitored by management.

Two customers comprised 58% of the Group's total trade accounts receivable as at 31 March 2014 (2013: 51% of the Group's total trade accounts receivable). Subsequent to the balance dates, the amounts then due were cleared. The Group does not expect the non-performance of any material obligations as at the balance date.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At 31 March 2014 there were unrealised gains of $505,000 on interest rate swaps of $10,000,000 and no unrealised gains on forward foreign exchange contracts. At 31 March 2013 there were no unrealised gains on interest rate swaps and the Group had not entered into any forward foreign exchange contracts.

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

(c) Liquidity risk

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

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

		Less than 1 year *$'000*	Between 1 & 2 years *$'000*	Between 2 & 5 years *$'000*	Over 5 years *$'000*
At 31 March 2014	**Group**				
	Bank overdrafts and loans	5,398	8,164	122,389	15,000
	Other loans	1,639	–	–	–
	Trade and other payables	6,315	–	–	–
	Parent				
	Bank overdrafts and loans	5,383	8,164	122,389	15,000
	Other loans	1,639	–	–	–
	Trade and other payables	5,759	–	–	–
At 31 March 2013	**Group**				
	Bank overdrafts and loans	4,563	53,128	83,036	–
	Other loans	1,605	–	–	–
	Trade and other payables	8,079	–	–	–
	Parent				
	Bank overdrafts and loans	4,563	53,128	83,036	–
	Other loans	1,605	–	–	–
	Trade and other payables	7,308	–	–	–

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 balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

For the purposes of calculating the undiscounted contractual cashflows on the interest rate swaps, it has been assumed that the base rate driving the floating portion will remain the same throughout the term of each contract.

	Less than 1 year *$'000*	Between 1 & 2 years *$'000*	Between 2 & 5 years *$'000*	Over 5 years *$'000*
At 31 March 2014				
Forward foreign exchange contracts – held for trading				
– inflow	–	–	–	–
– outflow	(61)	–	–	–
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(2,882)	(2,855)	(6,293)	(1,493)
At 31 March 2013				
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(3,358)	(3,308)	(8,330)	(3,507)

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

(d) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid 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 the relevant balance date. Quoted market prices or dealer quotes for similar instruments are used as the basis for valuing interest rate swaps 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. The Group employs specialist independent valuers to calculate these valuations.

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

The Group applies the provisions of IFRS 7 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 balance date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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 primarily equity investments quoted on a recognised stock exchange that are classified as trading securities or available-for-sale.

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

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

Specific valuation techniques used to value financial instruments include:

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

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

	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*	Total balance *$'000*
CONSOLIDATED – At 31 March 2014				
Assets				
Assets at fair value through profit or loss				
– Trading derivatives	–	505	–	505
– Biological assets	–	938	–	938
– Investment properties	–	665	–	665
Available-for-sale financial assets				
– Equity securities	399	–	–	399
Total assets	**399**	**2,108**	**–**	**2,507**
Liabilities				
Liabilities at fair value through profit or loss				
– Trading derivatives	–	3,905	–	3,905
Total liabilities	**–**	**3,905**	**–**	**3,905**
CONSOLIDATED – At 31 March 2013				
Assets				
Assets at fair value through profit or loss				
– Biological assets	–	457	–	457
Total assets	**–**	**457**	**–**	**457**
Liabilities				
Liabilities at fair value through profit or loss				
– Trading derivatives	–	10,014	–	10,014
Total liabilities	**–**	**10,014**	**–**	**10,014**
PARENT – At 31 March 2014				
Assets				
Assets at fair value through profit or loss				
– Trading derivatives	–	505	–	505
– Biological assets	–	457	–	457
Total assets	**–**	**962**	**–**	**962**
Liabilities				
Liabilities at fair value through profit or loss				
– Trading derivatives	–	3,905	–	3,905
Total liabilities	**–**	**3,905**	**–**	**3,905**
PARENT – At 31 March 2013				
Assets				
Assets at fair value through profit or loss				
– Biological assets	–	457	–	457
Total assets	**–**	**457**	**–**	**457**
Liabilities				
Liabilities at fair value through profit or loss				
– Trading derivatives	–	10,014	–	10,014
Total liabilities	**–**	**10,014**	**–**	**10,014**

There were no transfers between levels 1 and 2 during the year.

(e) Financial instruments by category

FINANCIAL ASSETS as per balance sheet	Loans and receivables *$'000*	Assets at fair value through profit or loss *$'000*	Available for sale financial assets *$'000*	Total *$'000*
CONSOLIDATED – At 31 March 2014				
Derivative financial instruments	–	505	–	505
Trade and other receivables	6,439	–	–	6,439
Available for sale financial assets	–	–	399	399
Other financial assets	461	–	–	461
Cash and cash equivalents	5	–	–	5
	6,905	**505**	**399**	**7,809**
CONSOLIDATED – At 31 March 2013				
Trade and other receivables	6,587	–	–	6,587
Other financial assets	451	–	–	451
Cash and cash equivalents	62	–	–	62
	7,100	**–**	**–**	**7,100**
PARENT – At 31 March 2014				
Derivative financial instruments	–	505	–	505
Trade and other receivables	56,726	–	–	56,726
Cash and cash equivalents	1	–	–	1
	56,727	**505**	**–**	**57,232**
PARENT – At 31 March 2013				
Trade and other receivables	56,843	–	–	56,843
Cash and cash equivalents	1	–	–	1
	56,844	**–**	**–**	**56,844**

FINANCIAL LIABILITIES as per balance sheet	Financial liabilities at fair value through profit or loss *$'000*	Financial liabilities at amortised cost *$'000*	Total *$'000*
CONSOLIDATED – At 31 March 2014			
Borrowings	–	135,149	135,149
Derivative financial instruments	3,905	–	3,905
Trade and other payables	–	6,320	6,320
	3,905	**141,469**	**145,374**
CONSOLIDATED – At 31 March 2013			
Borrowings	–	129,331	129,331
Derivative financial instruments	10,014	–	10,014
Trade and other payables	–	8,080	8,080
	10,014	**137,411**	**147,425**
PARENT – At 31 March 2014			
Borrowings	–	135,134	135,134
Derivative financial instruments	3,905	–	3,905
Trade and other payables	–	5,761	5,761
	3,905	**140,895**	**144,800**
PARENT – At 31 March 2013			
Borrowings	–	129,326	129,326
Derivative financial instruments	10,014	–	10,014
Trade and other payables	–	7,308	7,308
	10,014	**136,634**	**146,648**

4 : Critical accounting estimates and judgments

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

(a) Critical 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 addressed below.

(i) Fair value of derivatives

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. The Group uses its judgement to select a variety of methods and make assumptions that are based mainly on market conditions existing at each balance date.

(ii) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy in note 2(p)(i). The recoverable amounts have been determined based on value-in-use calculations. These require estimates as to future profitability of the relevant business units to which goodwill has been allocated (refer to note 18(a)). The Directors believe the carrying value of goodwill is supportable.

(iii) Valuation and impairment of distribution network and generation assets

The Group considers annually whether the carrying values of the distribution network and generation assets are supportable, based on their expected value-in-use. The carrying value of the distribution network at 31 March 2013 (the latest available date) did not exceed its Regulatory Asset Basis value as defined in the Electricity Distribution Information Disclosure Determination 2012.

From 31 March 2014, generation plant held by Ngawha Generation Ltd has been stated at revalued amounts. The first revaluation was undertaken effective on that date. The revaluation was undertaken by PricewaterhouseCoopers (PwC), who are independent of the Group and of Ngawha Generation Ltd.

A discounted cash flow (DCF) method was applied by PwC in estimating the fair value of the generation plant assets. The underlying period over which the cashflows were estimated was for the 10 years ending 31 March 2024. The forecasts included estimates of future revenues, operating costs, capital expenditure, tax depreciation charges, working capital movements and tax payments.

The significant assumptions and value drivers made in the valuation process were: the projected wholesale electricity price path; asset lives; direct operating costs; carbon costs; tax depreciation rates; capital expenditure; changes in working capital; and Ngawha Generation Ltd's weighted average cost of capital.

The Directors consider that the carrying values of the distribution network and generation assets are supportable.

(iv) Expected useful life and depreciation rates for generation assets

In setting the expected useful lives of 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.

(b) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

(i) Line revenue recognition

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

(ii) Revenue recognition

The Company uses the percentage completion method in accounting for its fixed price contracts to deliver, design and construct services. Use of the percentage-of-completion method requires the Company to estimate the total cost of the contracts in order to determine the proportion of costs to date to the total costs, which it uses as an approximation of the percentage completed.

(iii) Impairment of available-for-sale equity investments

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

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $114,000 in its 2014 financial statements (2013: $nil), being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the profit or loss component of the statement of comprehensive income.

5 : Revenue

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
From continuing operations				
Sales revenue				
Electricity line revenue	41,622	41,034	41,622	41,034
Network line charge discount	(5,018)	(5,073)	(5,018)	(5,073)
Capital contributions	490	600	490	600
Electricity sales	17,495	17,204	–	–
Contracting	3,080	2,602	3,080	2,602
Contact centre services	2,481	2,090	–	–
Farming income	722	–	–	–
	60,872	**58,457**	**40,174**	**39,163**
Other revenue				
Rents and sub-lease rentals	59	72	32	72
Interest received	2	109	3,790	4,544
Dividends	3	–	–	2,500
Other revenue	312	588	294	111
	376	**769**	**4,116**	**7,227**
	61,248	**59,226**	**44,290**	**46,390**
From discontinued operations				
Industrial electrical contracting division	–	886	–	886
	–	**886**	–	**886**

Dividend income of the Parent in the year ended 31 March 2013 arose from two subsidiaries and comprised $1,950,000 from Ngawha Generation Ltd and $550,000 from Ngawha Geothermal Resource Co Ltd, both of which were paid on 27 March 2013. There was no dividend income in the Parent in the year ended 31 March 2014. These amounts were eliminated on consolidation.

6 : Expenses

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature				
Raw materials and consumables used	1,559	939	1,536	731
Employee benefits expense	15,244	13,949	12,209	11,391
Other expenses	7,343	7,567	2,246	2,532
Transmission charges	5,111	4,273	7,278	6,233
	29,257	**26,728**	**23,269**	**20,887**
Profit before income tax includes the following specific expenses:				
Depreciation				
Distribution system	6,124	5,843	6,124	5,843
Generation plant	5,797	4,558	–	–
Plant and equipment	1,091	1,573	936	911
Vehicles	929	1,027	899	1,005
Freehold buildings	77	70	65	63
Leasehold buildings	55	53	38	36
Total depreciation	14,073	13,124	8,062	7,858
Amortisation				
Software	791	522	765	510
Amortisation of customer intangibles	–	1	–	1
Total amortisation	791	523	765	511
Total depreciation and amortisation	**14,864**	**13,647**	**8,827**	**8,369**
Impairment charge - see also note 18(a)	–	80	–	80
Net loss (gain) on disposal of property, plant and equipment	(94)	16	(94)	18
Rental expense relating to operating leases				
Minimum lease payments	789	693	612	571
Employee benefit expense				
Wages and salaries, including restructuring costs and termination benefits (see below)	14,439	13,304	11,499	10,807
ACC levies and employee medical insurance	467	443	428	412
Pension costs - defined contribution plans	338	202	282	172
	15,244	**13,949**	**12,209**	**11,391**

Employee benefit expense includes restructuring costs of $346,000 in the year ended 31 March 2014 for both the Group and the Parent (2013: $nil for Group and Parent).

Items reported above exclude the expenses of discontinued operations in respect of the year ended 31 March 2013. There were no discontinued operations in the year ended 31 March 2014.

Auditors' fees

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
(a) Assurance services				
Audit services				
Audit of the financial statements - Deloitte	118	122	76	94
Total remuneration for audit services	**118**	**122**	**76**	**94**
Other assurance services				
Audit of regulatory statements	63	48	63	48
Other assurance services	–	16	–	–
Total remuneration for other assurance services	**63**	**64**	**63**	**48**
Total remuneration for assurance services	**181**	**186**	**139**	**142**

7 : Finance costs

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Interest and finance charges paid/payable	8,586	8,101	8,580	8,081
Total finance costs	**8,586**	**8,101**	**8,580**	**8,081**

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Net gain (loss) on interest rate swaps	6,675	(943)	6,675	(943)
Net gain (loss) on forward foreign currency contracts	(61)	–	(61)	–
Fair value adjustment to investment property	28	–	–	–
	6,642	**(943)**	**6,614**	**(943)**

9 : Income tax expense

(a) Income tax expense

	CONSOLIDATED		PARENT	
$'000	**2014** $'000	2013 $'000	**2014** $'000	2013
Current tax				
Current tax on profits for the year	2,291	2,649	1,035	1,825
Adjustments in respect of prior years	5	699	5	149
Total current tax	**2,296**	**3,348**	**1,040**	**1,974**
Deferred tax				
Origination and reversal of temporary differences	1,814	(70)	1,701	(422)
Under (over) provided in prior years	11	112	9	286
Total deferred tax	**1,825**	**42**	**1,710**	**(136)**
Income tax expense	**4,121**	**3,390**	**2,750**	**1,838**
Income tax expense is attributable to:				
Profit (loss) from continuing operations	4,121	3,429	2,750	1,877
Profit (loss) from discontinued operations	–	(39)	–	(39)
Aggregate income tax expense	**4,121**	**3,390**	**2,750**	**1,838**
Deferred income tax expense (benefit) included in income tax expense comprises:				
Decrease (increase) in deferred tax assets *(note 23)*	(1)	–	–	–
Increase (decrease) in deferred tax liabilities *(note 31)*	1,826	42	1,710	(136)
	1,825	**42**	**1,710**	**(136)**

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

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Profit from continuing operations before income tax expense	15,183	9,807	10,228	8,110
(Loss) from discontinued operations before income tax expense	–	(140)	–	(140)
	15,183	**9,667**	**10,228**	**7,970**
Tax at the New Zealand tax rate of 28% (2013: 28%)	4,251	2,707	2,864	2,232
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
– Non-deductible expenditure	11	40	9	39
– Income not subject to tax	(144)	(168)	(137)	(868)
Adjustment in respect of prior years	16	811	14	435
Tax losses utilised	(13)	–	–	–
Income tax expense	**4,121**	**3,390**	**2,750**	**1,838**

(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 – At 31 March 2014			
Revaluation of generation plant	78,015	(21,844)	56,171
Other comprehensive income	**78,015**	**(21,844)**	**56,171**

There was no charge or credit in the Parent company, nor for the Group, for the year ended 31 March 2013.

10 : Discontinued operations

(a) Summary of discontinued operations

Effective 31 October 2012 the Top Electrical division of Top Energy Ltd ceased trading. The business was taken on by a local electrical contracting company which also purchased certain tangible assets and stock in trade and took on the liability of the business' existing lease over its premises.

(b) Financial performance and cash flow information - Disposal of the Top Electrical division of Top Energy Ltd

The figures reported for 2013 relate to the 7 months ended 31 October 2012.

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Revenue	–	886	–	886
Expenses	–	(985)	–	(985)
(Loss) before income tax	**–**	**(99)**	**–**	**(99)**
Income tax benefit	–	28	–	28
(Loss) after income tax of discontinued operations	**–**	**(71)**	**–**	**(71)**
(Loss) on sale of the division before income tax	–	(41)	–	(41)
Income tax benefit	–	11	–	11
(Loss) on sale of the division after income tax	**–**	**(30)**	**–**	**(30)**
(Loss) from discontinued operations	**–**	**(101)**	**–**	**(101)**
Cash flow:				
Net cash inflow from operating activities	–	29	–	29
Net cash (outflow) from investing activities	–	(43)	–	(43)
Net (decrease) in cash generated by the division	**–**	**(14)**	**–**	**(14)**

(c) Carrying amounts of assets and liabilities at balance date – Top Electrical

The carrying amounts of assets disposed of as at 31 October 2012 were:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Property, plant and equipment	–	98	–	98
Inventories	–	7	–	7
Total assets	**–**	**105**	**–**	**105**

(d) Details of the sale values of Top Electrical

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Consideration received or receivable:				
Cash	–	64	–	64
Total disposal consideration	**–**	**64**	**–**	**64**
Deduct: carrying amount of net assets sold	–	(105)	–	(105)
Loss on sale before income tax	–	(41)	–	(41)
Income tax benefit	–	11	–	11
Loss on sale after income tax	**–**	**(30)**	**–**	**(30)**

11 : Current assets – Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Cash on hand	1	1	1	1
Bank balances	4	61	–	–
	5	**62**	**1**	**1**

(a) Reconciliation to cash at the balance date

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Balances as above	5	62	1	1
Bank overdrafts *(note 25)*	(156)	(53)	(141)	(48)
Cash and cash equivalents	**(151)**	**9**	**(140)**	**(47)**

(b) Cash at bank and on hand

These items are non-interest bearing.

(c) Fair value

The carrying amount for cash and cash equivalents equals their fair value.

12 : Current assets – Receivables

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Net trade receivables				
Trade debtors	6,648	6,793	4,543	4,782
Provision for doubtful receivables	(209)	(206)	(195)	(147)
Net trade receivables	**6,439**	**6,587**	**4,348**	**4,635**
Net related party receivables				
Receivables from subsidiaries	–	–	10,683	8,108
Prepayments				
Sundry prepayments	989	824	626	410
Accrued income	194	–	–	–
	1,183	**824**	**626**	**410**
Total current receivables	**7,622**	**7,411**	**15,657**	**13,153**

At 31 March 2014, the element of Ngawha Generation Ltd's interest bearing loan due to its Parent that is anticipated to be repaid within one year is $3,855,000 (2013: $7,398,000). The remainder of the above balances are not interest-bearing.

The effective average interest rate applied by Top Energy Ltd on the loan to Ngawha Generation Ltd during the year ended 31 March 2014 was 7.2% (2013: 8.1%).

No other subsidiaries are charged interest on their outstanding loan balances. All other related party loans are repayable on demand.

(a) Impaired receivables

At 31 March 2014 current trade receivables of the Group with a nominal value of $209,000 (2013: $206,000) and of the Parent with a nominal value of $195,000 (2013: $147,000) were impaired. These were provided for in full. The ageing of these impaired receivables is as follows:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
One to three months	98	121	84	67
More than three months	111	85	111	80
	209	**206**	**195**	**147**

At 31 March 2014, trade receivables of the Group of $296,000 (2013: $142,000) and of the Parent of $189,000 (2013: $108,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
One to three months	277	113	170	82
More than three months	19	29	19	26
	296	**142**	**189**	**108**

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
At 1 April	206	213	147	171
Provision for impairment arising during the year	3	–	48	–
Provision for impairment released in the year	–	(7)	–	(24)
At 31 March	**209**	**206**	**195**	**147**

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

(b) Bad and doubtful trade receivables

The Group has recognised a gain of $9,000 (2013: loss of $28,000) and the Parent Company has recognised a loss of $2,000 (2013: loss of $12,000) in respect of bad and doubtful trade receivables during the year ended 31 March 2014. These amounts have been included in 'other expenses' in profit or loss.

The Parent has provided $1,451,000 (2013: $1,352,000) against the related party receivable from Phone Plus 2000 Limited at 31 March 2014. This provision has been eliminated on consolidation.

(c) Foreign exchange and interest rate risk

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

(d) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group holds a bond from one electricity retailer for $28,750 under the terms of a use of systems agreement. The Group does not hold any other collateral as security. Refer to note 3 for more information on the Group's risk management policy.

13 : Current assets – Inventories

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Raw materials				
Raw materials at cost	1,450	1,204	1,450	1,204
Construction work in progress				
Contract costs incurred and recognised profits less recognised losses	303	45	303	45
Progress billing	(770)	(242)	(770)	(242)
	983	**1,007**	**983**	**1,007**

14 : Current assets – Current tax benefit

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Excess of tax paid for current period over amount due	3	5	–	–
Excess of tax paid for previous periods over amount due	–	1,688	–	1,688
Tax benefit of losses	41	92	–	–
	44	**1,785**	**–**	**1,688**

15 : Current assets – Intangible assets

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Emission Trading Scheme Units	461	451	–	–
	461	**451**	**–**	**–**

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 Group had not entered into any forward contracts in respect of Emission Trading Scheme units at either balance date.

16 : 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	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
At 1 April 2012									
Cost	166,832	10,294	108,089	10,494	9,618	3,609	3,202	446	312,584
Accumulated depreciation	(36,295)	–	(29,696)	(6,740)	(4,773)	–	(616)	(35)	(78,155)
Net book amount	**130,537**	**10,294**	**78,393**	**3,754**	**4,845**	**3,609**	**2,586**	**411**	**234,429**
Year ended 31 March 2013									
Opening net book amount	130,537	10,294	78,393	3,754	4,845	3,609	2,586	411	234,429
Additions	15,460	12,456	230	1,684	665	1,284	31	23	31,833
Disposals	–	–	–	(1,741)	(764)	–	–	(65)	(2,570)
Transfers and reclassifications	10,294	(10,294)	132	(132)	–	–	–	–	–
Depreciation charge	(5,843)	–	(4,558)	(1,580)	(1,036)	–	(69)	(65)	(13,151)
Depreciation released on disposals	–	–	–	1,661	576	–	–	19	2,256
Closing net book amount	**150,448**	**12,456**	**74,197**	**3,646**	**4,286**	**4,893**	**2,548**	**323**	**252,797**
At 31 March 2013									
Cost	192,586	12,456	109,646	9,108	9,520	4,893	3,233	403	341,845
Accumulated depreciation	(42,138)	–	(35,449)	(5,462)	(5,234)	–	(685)	(80)	(89,048)
Net book amount	**150,448**	**12,456**	**74,197**	**3,646**	**4,286**	**4,893**	**2,548**	**323**	**252,797**

CONSOLIDATED	Distribution system $'000	Capital work in progress $'000	Generation plant $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
Year ended 31 March 2014									
Opening net book amount	150,448	12,456	74,197	3,646	4,286	4,893	2,548	323	252,797
Additions	11,861	7,948	1,247	790	686	2,239	246	35	25,052
Disposals	–	–	(4)	(14)	(421)	–	–	–	(439)
Transfers and reclassifications	7,513	(8,059)	(21)	21	–	–	–	–	(546)
Depreciation charge	(6,124)	–	(5,797)	(1,091)	(929)	–	(77)	(55)	(14,073)
Depreciation released on disposals	–	–	3	5	354	–	–	–	362
Revaluation of generation plant	–	–	78,015	–	–	–	–	–	78,015
Closing net book amount	**163,698**	**12,345**	**147,640**	**3,357**	**3,976**	**7,132**	**2,717**	**303**	**341,168**
At 31 March 2014									
Cost	211,960	12,345	818	9,905	9,785	7,132	3,479	439	255,863
Valuation	–	–	146,822	–	–	–	–	–	146,822
Accumulated depreciation	(48,262)	–	–	(6,548)	(5,809)	–	(762)	(136)	(61,517)
Net book amount	**163,698**	**12,345**	**147,640**	**3,357**	**3,976**	**7,132**	**2,717**	**303**	**341,168**

PARENT	Distribution system $'000	Capital work in progress $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
At 1 April 2012								
Cost	166,832	10,294	8,272	9,440	2,803	2,990	310	200,941
Accumulated depreciation	(36,295)	–	(5,303)	(4,696)	–	(613)	(29)	(46,936)
Net book amount	**130,537**	**10,294**	**2,969**	**4,744**	**2,803**	**2,377**	**281**	**154,005**
Year ended 31 March 2013								
Opening net book amount	130,537	10,294	2,969	4,744	2,803	2,377	281	154,005
Additions	15,460	12,456	1,299	633	717	13	23	30,601
Disposals	–	–	(1,525)	(696)	–	–	(65)	(2,286)
Transfers and reclassifications	10,294	(10,294)	–	–	–	–	–	–
Depreciation charge	(5,843)	–	(918)	(1,014)	–	(63)	(47)	(7,885)
Depreciation released on disposals	–	–	1,448	539	–	–	19	2,006
Closing net book amount	**150,448**	**12,456**	**3,273**	**4,206**	**3,520**	**2,327**	**211**	**176,441**
At 31 March 2013								
Cost	192,586	12,456	8,046	9,377	3,520	3,002	267	229,254
Accumulated depreciation	(42,138)	–	(4,773)	(5,171)	–	(675)	(56)	(52,813)
Net book amount	**150,448**	**12,456**	**3,273**	**4,206**	**3,520**	**2,327**	**211**	**176,441**

PARENT	Distribution system $'000	Capital work in progress $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
Year ended 31 March 2014								
Opening net book amount	150,448	12,456	3,273	4,206	3,520	2,327	211	176,441
Additions	11,861	6,638	510	577	–	–	35	19,621
Disposals	–	–	(15)	(421)	(1,792)	–	–	(2,228)
Transfers and reclassifications	7,513	(8,415)	–	–	–	–	–	(902)
Depreciation charge	(6,124)	–	(936)	(899)	–	(65)	(38)	(8,062)
Depreciation released on disposals	–	–	4	353	–	–	–	357
Closing net book amount	**163,698**	**10,679**	**2,836**	**3,816**	**1,728**	**2,262**	**208**	**185,227**
At 31 March 2014								
Cost	211,960	10,679	8,541	9,533	1,728	3,002	303	245,746
Accumulated depreciation	(48,262)	–	(5,705)	(5,717)	–	(740)	(95)	(60,519)
Net book amount	**163,698**	**10,679**	**2,836**	**3,816**	**1,728**	**2,262**	**208**	**185,227**

(a) Depreciation charge included in result of discontinued activities

The totals shown above as depreciation charges for the year ended 31 March 2013 include $26,000 for the Group and the Parent charged on assets that were employed in activities that were subsequently discontinued. There were no such amounts for the year ended 31 March 2014.

(b) Valuation of generation plant

An independent valuation of the Group's generation plant was performed by valuers to determine its fair value as at 31 March 2014. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 34).

In setting the expected useful lives of 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. As this is a non-cash revaluation, it has been appropriately excluded from the cash flow statement.

	$'000
Recurring fair value measurements at 31 March 2014 using significant unobservable inputs (Level 3)	
Generation plant	146,822
	146,822

There were no transfers into or out of level 3 during the year. The revaluation was made effective 31 March 2014. Consequently, there are no comparative figures to report.

(c) Fair value measurements using significant unobservable inputs (Level 3)

	Generation Plant *$'000*
Carrying value under the cost basis at 31 March 2014	68,807
Net revaluation gain recognised in other comprehensive income	78,015
Closing balance at 31 March 2014	**146,822**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

(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 2014, the fair values of the generation plant assets were determined by a specialist team within PricewaterhouseCoopers, Auckland. The external valuations of the generation plant have been performed using an approach based principally on predicted future cash flows.

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 have been performed using unobservable inputs. The external valuers have determined these inputs based on: historical and projected electricity output data; the projected wholesale electricity price path; and operating, maintenance and capital expenditure projections.

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

Description	Fair value at 31 March 2014 *($'000)*	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Generation plant	146,822	Discounted cash flow	Projected wholesale price path (revenue) taking into consideration a three year electricity supply agreement, ASX prices and the Ministry of Economic Development 2011 Outlook. Weighting has also been applied to the possibility of the Tiwai smelter closure.	The higher the revenue, the higher the fair value
			Operating costs, taking into account management's experience and knowledge of the asset's condition and required maintenance plans.	The higher the operating costs, the lower the fair value
			Capital expenditure, taking into account management's experience and knowledge of the asset's condition.	The higher the capital expenditure, the lower the fair value
			Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model of 8.5%	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 with a change in revenue driven by a change in the wholesale price path. A 10% movement in revenue changes the mid-point valuation by approximately 17% (average). The valuation is moderately sensitive to movements in WACC and operating costs. The average impact on the mid-point valuation of a movement in WACC of 0.5% and a movement of 10% in operating costs is 8% and 6% respectively. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure. The average impact on the mid-point valuation of a movement in terminal growth rate of 0.5% and capital expenditure of 10% is 5% and 2% respectively. This highlights the low-cost nature of the geothermal generation assets.

(f) Capitalised borrowing costs

Capital work in progress during the periods reported above comprises capital projects undertaken by the Network division of Top Energy Ltd 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 capital projects has been capitalised.

The amount capitalised by the Group during the year ended 31 March 2014 was $496,000 (2013: $244,000). Interest capitalised was at the average rate of 3.7% for the year ended 31 March 2014 (2013: 4.2%).

17 : Non-current assets – Investment properties

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
At fair value				
Opening balance at 1 April	**–**	**–**	**–**	**–**
Acquisitions	637	–	–	–
Net gain (loss) from fair value adjustment	28	–	–	–
Closing balance at 31 March	**665**	**–**	**–**	**–**

(a) Amounts recognised in profit or loss for investment properties

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Rental income	27	-	-	-
Direct operating expenses from property that generated rental income	(20)	-	-	-
Net surplus	**7**	**-**	**-**	**-**

(b) Valuation basis

The investment properties were valued as at 30 September 2013 by Telfer Young, registered valuers and associates of the New Zealand Institute of Valuers, at a total value of $665,000. The valuers have recent experience in the location and category of the investment being valued. The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

(c) Leasing arrangements

The investment properties comprise three dwellings that are situated on Grazing North Ltd's land and which were formerly agricultural dwellings. These properties are let for residential purposes on open tenancies whereby the landlord can give 90 days' notice of termination to the tenants and the tenants can give 30 days' notice of vacation to the landlord. At balance date two of the three properties were tenanted.

The rentals charged are at market rate and are payable weekly.

18 : Non-current assets – Intangible assets

CONSOLIDATED	Goodwill $'000	Computer software $'000	Customer intangible $'000	Easements $'000	Total $'000
At 1 April 2012					
Cost	764	2,566	57	458	3,845
Accumulated amortisation and impairment	–	(2,118)	(56)	–	(2,174)
Net book amount	**764**	**448**	**1**	**458**	**1,671**
Year ended 31 March 2013					
Opening net book amount	764	448	1	458	1,671
Additions	–	1,845	–	1,001	2,846
Disposals	(80)	(102)	(57)	–	(239)
Impairment charge	(80)	–	–	–	(80)
Amortisation charge	–	(522)	(1)	–	(523)
Amortisation released on disposals	–	99	57	–	156
Impairment eliminated on disposal	80	–	–	–	80
Closing net book amount	**684**	**1,768**	**–**	**1,459**	**3,911**
At 31 March 2013					
Cost	684	4,309	–	1,459	6,452
Accumulated amortisation and impairment	–	(2,541)	–	–	(2,541)
Net book amount	**684**	**1,768**	**–**	**1,459**	**3,911**
Year ended 31 March 2014					
Opening net book amount	684	1,768	–	1,459	3,911
Additions	127	217	–	368	712
Transfers and reclassifications	–	–	–	168	168
Amortisation charge	–	(791)	–	–	(791)
Closing net book amount	**811**	**1,194**	**–**	**1,995**	**4,000**
At 31 March 2014					
Cost	811	4,526	–	1,995	7,332
Accumulated amortisation and impairment	–	(3,332)	–	–	(3,332)
Net book amount	**811**	**1,194**	**–**	**1,995**	**4,000**

PARENT	Goodwill $'000	Computer software $'000	Customer intangible $'000	Easements $'000	Total $'000
At 1 April 2012					
Cost	80	2,208	57	458	2,803
Accumulated amortisation and impairment	–	(1,773)	(56)	–	(1,829)
Net book amount	**80**	**435**	**1**	**458**	**974**
Year ended 31 March 2013					
Opening net book amount	80	435	1	458	974
Additions	–	1,792	–	1,001	2,793
Disposals	(80)	(24)	(57)	–	(161)
Impairment charge	(80)	–	–	–	(80)
Amortisation charge	–	(511)	(1)	–	(512)
Amortisation released on disposals *(note 6)*	–	22	57	–	79
Impairment eliminated on disposal	80	–	–	–	80
Closing net book amount	**–**	**1,714**	**–**	**1,459**	**3,173**
At 31 March 2013					
Cost	–	3,976	–	1,459	5,435
Accumulated amortisation and impairment	–	(2,262)	–	–	(2,262)
Net book amount	**–**	**1,714**	**–**	**1,459**	**3,173**
Year ended 31 March 2014					
Opening net book amount	–	1,714	–	1,459	3,173
Additions	–	186	–	368	554
Transfers and reclassifications	–	–	–	168	168
Amortisation charge	–	(765)	–	–	(765)
Closing net book amount	**–**	**1,135**	**–**	**1,995**	**3,130**
At 31 March 2014					
Cost	–	4,162	–	1,995	6,157
Accumulated amortisation and impairment	–	(3,027)	–	–	(3,027)
Net book amount	**–**	**1,135**	**–**	**1,995**	**3,130**

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Geothermal Resource Co Ltd $'000	Top Electrical division of Top Energy Ltd $'000	Ngawha Generation Ltd $'000	Ngawha Properties Ltd $'000	Total $'000
At 31 March 2014					
Cost at 1 April 2013	–	–	684	–	684
Additions	–	–	–	127	127
Transfer on amalgamation	–	–	127	(127)	–
At 31 March 2014	**–**	**–**	**811**	**–**	**811**
At 31 March 2013					
Cost at 1 April 2012	684	80	–	–	764
Impairment charge in the year	–	(80)	–	–	(80)
Disposal of Top Electrical division	–	(80)	–	–	(80)
Impairment eliminated on disposal	–	80	–	–	80
Transfer on amalgamation	(684)	–	684	–	–
At 31 March 2013	**–**	**–**	**684**	**–**	**684**

On 31 October 2012 the business of the Top Electrical division of Top Energy Ltd was disposed of. The directors had previously determined that the goodwill allocated to that division was not recoverable and consequently an impairment charge was made to reduce its carrying value to nil effective 30 September 2012.

On 31 March 2013 Ngawha Geothermal Resource Co Ltd was amalgamated into Ngawha Generation Ltd. Consequently the goodwill originally allocated to Ngawha Geothermal Resource Co Ltd has been transferred to Ngawha Generation Ltd, as shown above.

Goodwill has arisen on 30 November 2013 from the purchase by Top Energy Ltd of the balance of the shares in Ngawha Properties Ltd that Top Energy Ltd did not already own. On 31 March 2014 Ngawha Properties Ltd was amalgamated into Ngawha Generation Ltd. Consequently the goodwill originally allocated to Ngawha Properties Ltd has been transferred to Ngawha Generation Ltd, as shown above.

(b) Impairment testing of goodwill

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

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 2020, and a pre-tax discount rate of 8.5% (2013: 10%). At 31 March 2014 and 2013 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.

19 : Non-current assets – Biological assets

Through its subsidiary Grazing North Ltd, the Group commenced running a dairy farming operation in May 2013. There is also an area of growing timber on the farm's land.

The Parent has also owned an area of forestry for many years.

Movements in these assets are as follows:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Carrying amount at 1 April	457	457	457	457
Purchases	434	–	–	–
Gain / (loss) arising from changes in fair value less estimated costs to sell	47	–	–	–
Carrying amount at 31 March	**938**	**457**	**457**	**457**

At 31 March 2014 the Group's biological assets comprised a dairy herd of 369 head with an estimated market value less costs to sell of $446,000 and 68 hectares of forestry plantation with an estimated market value of $492,000.

The fair value less estimated costs to sell of the dairy herd has been determined in accordance with an independent valuation performed at 31 March 2014 by PGG Wrightson Ltd.

The fair value less estimated costs to sell of the bulk (62 hectares) of the forestry plantation has been determined in accordance with an independent valuation performed at 30 September 2013 by Crighton Anderson Property & Infrastructure Ltd.

The directors consider that the value has not materially changed in the period between the valuation and balance date. The balance of 6 hectares was acquired during the year and is included at cost on the basis that this equated to market value at the time of acquisition and has not materially changed subsequently.

Both valuers are specialists in their respective fields and have extensive experience of valuing the relevant classes of assets.

(a) Financial risk management strategies

The Group is exposed to financial risks arising from changes in the price of milk. The Group relies on the financial strength and global market position of Fonterra to minimise the risks of price fluctuations and other adverse market movements.

The Group and Parent are also exposed to financial risks arising from changes in the price of timber. The Group does not anticipate that timber prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of such a decline. The limited extent of the tree plantations and the non-core nature of this activity allow the Group to wait for suitable market conditions before arranging for felling and sale of the timber.

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
At 1 April	–	–	–	–
Additions	513	–	–	–
Net gains / (losses) transferred to equity	(114)	–	–	–
At 31 March	**399**	**–**	**–**	**–**

The available-for-sale financial assets comprise 66,000 shares in Fonterra Co-operative Group Ltd ("Fonterra"). Fonterra's shares are quoted on the New Zealand stock exchange. The shares were purchased at their quoted market value from the vendor of the dairy farm in May 2013. It is a requirement of the supply contract with Fonterra that the supplier holds sufficient Fonterra shares in order to be able to supply the contracted volume of milk.

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

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

21 : Derivative financial instruments

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Non-current assets				
Interest rate swaps - at fair value through profit or loss - see below (a)(ii)	505	–	505	–
Total derivative financial instrument assets	**505**	**–**	**505**	**–**
Current liabilities				
Forward foreign exchange contracts - at fair value through profit or loss - see below (a)(i)	61	–	61	–
Interest rate swaps - at fair value through profit or loss - see below (a)(ii)	1,911	1,827	1,911	1,827
Total current derivative financial instrument liabilities	**1,972**	**1,827**	**1,972**	**1,827**
Non-current liabilities				
Interest rate swaps - at fair value through profit or loss - see below (a)(ii)	1,933	8,187	1,933	8,187
Total non-current derivative financial instrument liabilities	1,933	8,187	1,933	8,187
Total derivative financial instrument liabilities	**3,905**	**10,014**	**3,905**	**10,014**
Net (liabilities) in relation to derivative financial instruments	**(3,400)**	**(10,014)**	**(3,400)**	**(10,014)**

For further information refer to note 2(h)

(a) Instruments used by the Group and the Parent

(i) Forward foreign exchange contracts

During the year ended 31 March 2014, Top Energy Ltd entered into a series of forward foreign exchange contracts denominated in US dollars in respect of equipment required for the Ngawha power station. The original principal amount was US$988,225 which, at the committed contract exchange rates, equated to NZ$1,225,861.

When translated at the closing spot rate on 31 March 2014, the NZ dollar equivalent of the remaining US dollar commitment (US$792,225) was NZ$914,936. 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.

The final forward foreign exchange contract in the above series is due to mature on 21 December 2014.

The Group did not enter into any forward foreign exchange contracts during the year ended 31 March 2013.

(ii) Interest rate swaps

The Parent 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 2014 the notional principal amount of current contracts totalled $129,000,000 (31 March 2013: $129,000,000). At 31 March 2014 the Parent had not committed to enter into any further contracts to replace maturing contracts. At 31 March 2013 the Parent had committed to enter into two contracts, with a total notional principal value of $10,000,000, to replace maturing contracts.

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

(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).

22 : Non-current assets – Receivables

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Related party receivables	–	–	41,695	44,100
	–	**–**	**41,695**	**44,100**

The above balances relate to the non-current portion of the inter-company loan made by Top Energy Ltd to Ngawha Generation Ltd.

23 : Non-current assets – Deferred tax assets

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
The balance comprises temporary differences attributable to:				
Doubtful debts	4	17	–	–
Employee benefits	16	11	–	–
Non-deductible provisions	9	7	–	–
Fixed assets	7	2	–	–
Total deferred tax assets	**36**	**37**	**–**	**–**
Movements				
Balance at 1 April	37	37	–	–
Credited / (charged) to the income statement	(1)	–	–	–
Balance at 31 March	**36**	**37**	**–**	**–**
Expected settlement				
Deferred tax assets to be recovered within 12 months	29	35	–	–
Deferred tax assets to be recovered after more than 12 months	7	2	–	–
	36	**37**	**–**	**–**

24 : Current liabilities – Payables

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Trade payables	3,256	4,802	2,762	4,437
GST payable	322	24	322	24
ACC levies, PAYE and other payroll taxes	316	321	278	286
Payroll creditors	970	993	831	902
Accruals	1,779	1,963	1,639	1,480
	6,643	**8,103**	**5,832**	**7,129**

(a) Foreign currency risk

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

25 : Current liabilities – Interest-bearing liabilities

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Bank overdrafts	156	53	141	48
Total interest bearing bank borrowings	**156**	**53**	**141**	**48**
Loan from parent entity	1,558	1,528	1,558	1,528
Total other interest bearing borrowings	**1,558**	**1,528**	**1,558**	**1,528**
Total current interest bearing borrowings	**1,714**	**1,581**	**1,699**	**1,576**

The bank loans and overdraft of the parent entity and some subsidiaries are subject to a negative pledge in favour of the Bank of New Zealand Ltd. See note 29 for further details.

26 : Current liabilities – Non-interest-bearing liabilities

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Unsecured				
Related party payables	–	–	251	203
	–	**–**	**251**	**203**

27 : Current liabilities – Current tax liabilities

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Income tax payable	682	446	391	–
	682	**446**	**391**	**–**

28 : Current liabilities – Provisions

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Employee benefits	315	421	315	421
	315	**421**	**315**	**421**

The provision for employee benefits relates to entitlements to retirement gratuity payments. 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. The total provision has been allocated between amounts due within 12 months (as above) and amounts due after 12 months (see note 30). The current portion of the provision represents the full entitlement of all employees who have reached the age of 50 by the balance date, and has been calculated by reference to those employees' current wage and salary levels.

29 : Non-current liabilities – Interest-bearing liabilities

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Bank loans	133,435	127,750	133,435	127,750
Total non-current interest bearing liabilities	**133,435**	**127,750**	**133,435**	**127,750**

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

Total liabilities (both current and non-current) in respect of which a negative pledge has been given to the Group's bank by all Group companies except for Ngawha Properties Ltd are as follows:

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Bank overdrafts and bank loans	133,591	127,803	133,576	127,798
Total liabilities covered by the negative pledge	**133,591**	**127,803**	**133,576**	**127,798**

(b) Banking covenants

The bank loans and overdraft are subject to a negative pledge that imposes certain covenants on a Guaranteeing Group. The Guaranteeing Group comprises all Group companies as at 31 March 2014. The negative pledge states that (subject to certain exceptions) the Guaranteeing Group will not provide any other security over its assets, and will ensure that the following financial ratios are met:

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

(ii) borrowing costs will not exceed 33.33% of Group earnings before borrowing costs, taxation, depreciation and amortisation, and unrealised gains or losses from foreign exchange, interest swaps, futures and options (EBITDAF); and

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

None of the above covenants was breached during the year.

Effective 1 April 2014, the borrowing costs ratio referred to above has been relaxed from 33.33% to 40%.

30 : Non-current liabilities – Provisions

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Employee benefits	127	129	127	129
	127	**129**	**127**	**129**

The provision for employee benefits relates to entitlements to retirement gratuity payments. 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. The total provision has been allocated between amounts due within 12 months (see note 28) and amounts due after 12 months (as above). In setting the assumptions necessary to calculate the element of the provision due after 12 months from balance date, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The totals of expected future payments are discounted to present value using the rate on New Zealand government bonds.

31 : Non-current liabilities – Deferred tax liabilities

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
The balance comprises temporary differences attributable to:				
Property, plant and equipment	47,372	25,645	19,219	19,430
Intangible assets	54	8	55	10
Financial assets at fair value through profit or loss	(952)	(2,803)	(952)	(2,803)
Other temporary differences	(431)	(477)	(818)	(843)
Net deferred tax liabilities	**46,043**	**22,373**	**17,504**	**15,794**
Movements				
Balance at 1 April	22,373	22,331	15,794	15,930
Charged / (credited) to profit or loss	1,826	42	1,710	(136)
Tax charged/(credited) directly to equity *(note 9)*	21,844	–	–	–
Balance at 31 March	**46,043**	**22,373**	**17,504**	**15,794**
Expected maturity of deferred tax liabilities				
Within 12 months	(831)	(989)	(1,217)	(1,354)
In excess of 12 months	46,874	23,362	18,721	17,148
	46,043	**22,373**	**17,504**	**15,794**

32 : Imputation credits

	GROUP		TOP ENERGY ELECTRICAL BUSINESS IMPUTATION GROUP	
	2013 *$'000*	2012 *$'000*	**2013** *$'000*	2012 *$'000*
Balances				
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2013: 28%)	2,381	790	392	–

As from 1 April 2008 Top Energy Ltd and two of its subsidiaries formed an imputation group which was named the Top Energy Electrical Business Imputation Group. This group was created to utilise imputation credits held in the two subsidiaries. One of the subsidiaries has subsequently been sold.

The balance of the Imputation Group's credits belongs to all members of the group jointly, so cannot be allocated in their individual financial statements.

The above amounts represent the balance of the imputation account 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.

33 : Contributed equity

(a) Share capital

CONSOLIDATED AND PARENT	2014 *Shares*	2013 *Shares*	2014 *$'000*	2013 *$'000*
Ordinary shares				
– Authorised, issued and fully paid	25,000,000	25,000,000	25,267	25,267
Total contributed equity			**25,267**	**25,267**

(b) Ordinary shares

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

(c) Capital risk management

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

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

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

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

During the years ended 31 March 2014 and 2013 the Group's strategy was to maintain a gearing ratio of less than 60%. The gearing ratios at 31 March 2014 and 31 March 2013 were as follows:

	CONSOLIDATED	
	2014 *$'000*	2013 *$'000*
Total borrowings	136,144	130,301
Less: cash and cash equivalents *(note 11)*	(5)	(62)
Net debt	**136,139**	**130,239**
Total equity	163,963	96,939
Exclude: derivatives at valuation	3,400	10,014
Exclude: available-for-sale financial assets valuation movement	114	–
Total capital	**303,616**	**237,192**
Gearing ratio	**44.8%**	**54.9%**

The decrease in the gearing ratio at 31 March 2014 compared to the previous year is the result of the revaluation of the Group's generation plant. If the effect of the revaluation were excluded for the purposes of the calculation, the gearing ratio for 2014 would have been reported as 55.0%.

34 : Reserves and retained earnings

(a) Reserves

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Property, plant and equipment revaluation reserve	56,171	–	–	–
Available-for-sale investments revaluation reserve	(114)	–	–	–
	56,057	**–**	**–**	**–**
Movements:				
Property, plant and equipment revaluation reserve				
Balance at 1 April	–	–	–	–
Revaluation - gross surplus	78,015	–	–	–
Deferred tax arising on revaluation	(21,844)	–	–	–
Balance at 31 March	**56,171**	**–**	**–**	**–**
Available-for-sale investments revaluation reserve				
Balance at 1 April	–	–	–	–
Fair value gains / (losses) in year	(114)	–	–	–
Balance at 31 March	**(114)**	**–**	**–**	**–**

(b) Retained earnings

Movements in retained earnings were as follows:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Balance at 1 April	71,672	65,471	61,137	55,080
Net profit for the year	11,051	6,276	7,478	6,132
Dividends	(85)	(75)	(85)	(75)
Equity adjustment on acquisition of subsidiary	–	–	100	–
Balance at 31 March	**82,638**	**71,672**	**68,630**	**61,137**

35 : Non-controlling interest

	CONSOLIDATED	
	2014 $'000	2013 $'000
Interest in:		
Share capital	100	100
Retained profits	73	62
Purchase of non-controlling interest by Top Energy Ltd	(173)	–
	–	**162**
Movements in the non-controlling interest were as follows:		
Balance at 1 April	162	161
Minority's interest in the profits of Ngawha Properties Limited	11	1
Purchase of non-controlling interest by Top Energy Ltd	(173)	–
Balance at 31 March	**–**	**162**

The non-controlling interest comprised an 11.1% shareholding in Ngawha Properties Ltd that has been held by a non-related third party. Top Energy Ltd purchased this interest from the third party effective 30 November 2013, whereupon Ngawha Properties Ltd became a wholly-owned subsidiary of Top Energy Ltd. The profit reported above for 2014 as attributable to the non-controlling interest relates to the period from 1 April 2013 until 30 November 2013, in accordance with the accounting treatment set out in note2(b)(i).

36 : Dividends

(a) Ordinary shares

	CONSOLIDATED		PARENT	
	2014 $'000	2013 $'000	**2014** $'000	2013 $'000
Dividend of 0.34 cents per ordinary share paid on 28 March 2014	85	–	85	–
Dividend of 0.3 cents per ordinary share paid on 27 March 2013	–	75	–	75
Total dividends provided for or paid	**85**	**75**	**85**	**75**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 28 March 2014 and 27 March 2013 were not imputed.

37 : Director disclosures

The following persons were directors of the Top Energy Limited Group during the financial year ended 31 March 2014:

(i) Chairman - non-executive
Mr Paul Byrnes

(ii) Other non-executive directors
Mr Michael Simm (Deputy Chairman)
Mr Andrew Kelleher
Mr Richard Krogh
Mr Gregory Steed
Mr Paul White

Dr Robert Kirkpatrick served as the independent director of Ngawha Generation Limited throughout the years ended 31 March 2013 and 2014.

Sir Graham Latimer served as a director of Ngawha Properties Ltd until his resignation on 4 February 2014.

Mr Rihari Dargaville has acted as alternate director for Sir Graham Latimer since 13 February 2013. In accordance with the Constitution of Ngawha Properties Ltd, the resignation of Sir Graham Latimer automatically terminated Mr Dargaville's appointment as his alternate.

Mr Russell Shaw and Mr Steven James were appointed as directors of Grazing North Ltd on 20 May 2013.

Mr Andrew Kelleher resigned as a director of Top Energy Ltd, Ngawha Generation Ltd and Phone Plus 2000 Ltd on 30 April 2014.

(a) Details of the remuneration of each director of Top Energy Limited are set out in the following tables.

		PRIMARY			POST-EMPLOYMENT		
	Cash salary and fees $	**Cash bonus** $	**Non-monetary benefits** $	**Super-annuation** $	**Retirement benefits** $	**Options** $	**Total** $
2014							
P Byrnes	77,700	–	–	–	–	–	77,700
A Kelleher	47,125	–	–	–	–	–	47,125
R Krogh	41,375	–	–	–	–	–	41,375
M Simm	49,263	–	–	–	–	–	49,263
G Steed	41,375	–	–	–	–	–	41,375
P White	41,375	–	–	–	–	–	41,375
Total	**298,213**	**–**	**–**	**–**	**–**	**–**	**298,213**
2013							
P Byrnes	69,550	–	–	–	–	–	69,550
A Kelleher	42,562	–	–	–	–	–	42,562
R Krogh (appointed 1.3.2013)	3,167	–	–	–	–	–	3,167
M Simm	44,062	–	–	–	–	–	44,062
G Steed	37,000	–	–	–	–	–	37,000
P White	37,000	–	–	–	–	–	37,000
P White-Robinson (resigned 29.5.2012)	5,667	–	–	–	–	–	5,667
Total	**239,008**	**–**	**–**	**–**	**–**	**–**	**239,008**

In addition to the remuneration detailed above, the following amounts were paid to the directors of other Group companies.

Dr Robert Kirkpatrick received fees of $41,375 in his capacity as Independent Director for Ngawha Generation Ltd for the year ended 31 March 2014 (2013: $37,000).

Sir Graham Latimer received fees of $4,583 in respect of his directorship of Ngawha Properties Ltd for the period ended 4 February 2014 (year to 31 March 2013: $5,000).

Mr Russell Shaw and Mr Steven James were not remunerated in respect of their directorships of Grazing North Ltd. Both are employed by Top Energy Ltd and are remunerated by that company.

(b) Directors' interests in other entities

The following directors of Top Energy Ltd have provided particulars of declared interests in the following entities during the accounting period. The declaration serves as notice that the Director may benefit from any transactions between the Company and the identified entity.

P A Byrnes

- Appointed as a director of DFL - HRV Ltd
- Appointed as a director of Dorchester Oxford Ltd
- Appointed as a director of Payment Management Services Ltd
- Appointed as a director of Turners Auctions Ltd and subsidiaries

M W Simm

- Appointed as Chairman of BNZ Partners Northland
- Appointed as Chairman of the Waitangi National Trust Board of Management

G M Steed

- Resigned as Chairman of the NZ Shippers Council

A M Kelleher

- Appointed as a director of Wharekapua Ltd

P I White

- Appointed as Chairman of the Ngai Tupoto ki Motukaraka Ahuwhenua Trust
- Appointed as a director of TRTTK Ltd.
- Resigned as a member of FITEC

The Group has had a business relationship with Turners Auctions Ltd for a number of years. This has not been affected by the appointment of Mr P Byrnes as a director of that group of companies.

(c) Beneficiary interests in the Top Energy Consumer Trust

Mr A Kelleher, Mr M Simm and Mr P White, directors of Top Energy Ltd, Sir Graham Latimer, former director of Ngawha Properties Ltd, Mr S James and Mr R Shaw, directors of Grazing North Ltd, and all of the Group's key management personnel are connected to Top Energy Ltd's electricity distribution network and therefore are beneficiaries of the Top Energy Consumer Trust, the parent entity of Top Energy Ltd.

Details of key management personnel compensation are given at note 40.

38 : Contingencies

As at 31 March 2013 and 2014, a Guaranteeing Group had executed a deed of pledge in favour of the Bank of New Zealand Ltd. The Guaranteeing Group comprises all Group companies except for Ngawha Properties Ltd. The deed of pledge prohibits each company within the Guaranteeing Group from giving security over its assets to a third party in preference to the Bank of New Zealand Ltd.

Following the amalgamation of Ngawha Properties Ltd on 31 March 2014, the Guaranteeing Group comprises all companies within the Top Energy Group.

The Group has provided performance bonds and guarantee bonds to unrelated third parties in respect of the costs of existing and potential future obligations arising from its business activities. It has also received bonds from unrelated third parties in respect of the amounts of retention monies and potential remedial costs arising from any non-performance by those third parties of their obligations.

At 31 March 2014 the total value of contingent obligations entered into by the Group was $600,000 (2013: $660,000) and the total value of contingent receivables from third parties was $528,000 (2013: $333,000).

Contingencies no longer current

As an element of the disposal of Top Electrical, Top Energy Ltd assigned the lease on the division's business premises with effect from 31 October 2012. In the event that the assignee of the lease failed to meet the rental commitments over the remaining period of the lease, Top Energy Ltd had undertaken to make good the shortfall. The lease expired on 14 April 2014 at which time the contingency ceased. At 31 March 2013, Top Energy Ltd's maximum contingent liability was $24,140.

39 : Commitments

(a) Capital commitments

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Property, plant and equipment	3,373	4,221	1,690	4,221
	3,373	**4,221**	**1,690**	**4,221**

(b) Operating leases

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Within one year	633	633	447	507
Later than one year but not later than five years	2,201	1,777	1,549	1,609
Later than five years	1,746	1,040	651	1,040
	4,580	**3,450**	**2,647**	**3,156**

40 : Related party transactions

(a) Parent entity

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

The Company paid a dividend of $85,000 to the Trust during the year ended 31 March 2014 (2013: $75,000). These dividends were to assist with the Trust's running costs. The Company continued to pay interest to the Trust on the balance of funds loaned, totalling $56,000 in the year ended 31 March 2014 (2013: $64,000).

As at 31 March 2014, a balance of $1,558,000 was owed by the Company to the Trust (31 March 2013: $1,528,000) and this has been included in current liabilities in the statement of financial position. All transactions between the Company and the Trust are made on normal business terms.

(b) Directors

The names of persons who were directors of the company at any time during the financial year are given at note 37.

(c) Key management personnel remuneration

	Short-term benefits *$'000*	**Post-employ-ment benefits** *$'000*	**Other long-term benefits** *$'000*	**Termination benefits** *$'000*	**Total** *$'000*
Year ended 31 March 2014	**3,657**	**33**	**35**	**19**	**3,744**
Year ended 31 March 2013	4,025	46	28	–	4,099

There were no contracts for share-based payments during the years ended 31 March 2014 and 2013.

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

During the year ended 31 March 2014 the Group purchased communications consultancy services from Angela Shaw Communications to the value of $12,800 (2013: $13,995). Angela Shaw Communications is the business vehicle of Mrs Angela Shaw, who is a related party to the Group's CEO, Mr Russell Shaw. There were no other transactions with key management personnel or entities related to them, other than the payment of remuneration, during the year ended 31 March 2014 (2013: none).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 42. All transactions between the Parent and its subsidiaries are made on normal business terms and have been included in receivables or payables in the Statement of Financial Position, as applicable. The following related-party transactions occurred during the year between Top Energy Ltd and its subsidiaries:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Grazing North Ltd				
– Vegetation services supplied by Top Energy Ltd	–	–	4	–
– Operating cost from Top Energy Ltd	–	–	50	–
Ngawha Generation Ltd				
– Cost of funding	–	–	3,788	4,027
– Injection charges	–	–	128	352
– Ngawha Connection Agreement charges	–	–	73	123
– Operating cost from Top Energy Ltd	–	–	1,270	1,361
– Rent charge from Top Energy Ltd	–	–	–	8
– Capacity charges to Top Energy Ltd	–	–	(2,295)	(2,317)
– Dividend to Top Energy Ltd	–	–	–	1,950
Ngawha Geothermal Resource Co Ltd				
– Cost of funding	–	–	–	408
– Operating cost from Top Energy Ltd	–	–	–	324
– Dividend to Top Energy Ltd	–	–	–	550
Phone Plus 2000 Ltd				
– Operating cost to Top Energy Ltd	–	–	(109)	(96)
– Operating cost from Top Energy Ltd	–	–	200	175
– Property expenses recharged from Top Energy Ltd	–	–	88	87
	–	**–**	**3,197**	**6,952**

The above transactions were eliminated on consolidation. The following balances were owed to Top Energy Ltd by its subsidiaries (owed by Top Energy Ltd to its subsidiaries) at the balance dates shown:

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Loans advanced to:				
Grazing North Ltd	–	–	6,193	–
Ngawha Generation Ltd	–	–	45,514	51,498
Ngawha Properties Ltd	–	–	–	(1)
Phone Plus 2000 Ltd	–	–	2,057	2,023
	–	**–**	**53,764**	**53,520**

As 31 March 2014 Top Energy Ltd had made a provision of $1,451,000 (31 March 2013: $1,352,000) against the debt due from Phone Plus 2000 Ltd.

The balance shown as due from Ngawha Generation Ltd at 31 March 2013 is after giving effect to the amalgamation of Ngawha Geothermal Resource Co Ltd, which occured on that date. Immediately prior to its amalgamation, Ngawha Geothermal Resource Co Ltd owed Top Energy Ltd $4,868,000.

The balance shown as due from Ngawha Generation Ltd at 31 March 2014 is after giving effect to the amalgamation of Ngawha Properties Ltd, which occured on that date. Immediately prior to its amalgamation, Ngawha Properties Ltd was owed $48,000 by Top Energy Ltd.

All transactions and balances between the Parent and its subsidiaries are eliminated on consolidation.

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Balance at 1 April	1,528	1,550	1,528	1,550
Loan advanced from the Trust	85	75	85	75
Loan repaid to the Trust	(55)	(97)	(55)	(97)
Balance at 31 March	**1,558**	**1,528**	**1,558**	**1,528**

(g) Guarantees

The bank loans and overdraft are subject to a negative pledge that imposes certain covenants on a Guaranteeing Group that comprises all companies within the Group (except Ngawha Properties Ltd prior to its amalgamation). The negative pledge states that (subject to certain exceptions) the Guaranteeing Group will not provide any other security over its assets, and will ensure that various financial ratios are maintained. Further details of those financial ratios are given at note 29.

(h) Terms and conditions

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

41 : Business combinations

(a) Amalgamations

On 31 March 2013 Ngawha Geothermal Resource Company Ltd was amalgamated into Ngawha Generation Ltd using the short-form amalgamation process under the Companies Act 1993. Until the date of amalgamation, Ngawha Geothermal Resource Company Ltd had been a wholly-owned subsidiary of Top Energy Ltd. Under the amalgamation, Ngawha Generation Ltd took control of all of the assets of Ngawha Geothermal Resource Company Ltd and assumed responsibility for its liabilities. Ngawha Geothermal Resource Company Ltd has been removed from the New Zealand register of companies. At 31 March 2013, the investment held by the Parent in Ngawha Generation Ltd reflected the combined investment value of Ngawha Geothermal Resource Company Ltd.

On 31 March 2014 Ngawha Properties Ltd was amalgamated into Ngawha Generation Ltd using the short-form amalgamation process under the Companies Act 1993. At the date of amalgamation, Ngawha Properties Ltd was a wholly owned subsidiary of Top Energy Ltd. Under the amalgamation, Ngawha Generation Ltd took control of all of the assets of Ngawha Properties Ltd and assumed responsibility for its liabilities. Ngawha Properties Ltd has been removed from the New Zealand register of companies. At 31 March 2014, the investment held by the Parent in Ngawha Generation Ltd reflected the combined investment value of Ngawha Properties Ltd.

(b) New Subsidiary

On 20 May 2013 Top Energy Ltd acquired the entire share capital of Grazing North Ltd. The consideration was nil as the company had negative net assets. Subsequent to the acquisition, the Group transferred land and other assets to Grazing North Ltd, at their carrying values.

Grazing North Ltd purchased a dairy farm on 30 May 2013. The farm is located near to Kaikohe. It is the Group's intention to continue to operate the dairy farm for the foreseeable future.

42 : Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2014

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent %	Proportion of ordinary shares held by the Group %	Proportion of ordinary shares held by non-controlling interests %
Grazing North Ltd	New Zealand	Farming	100	100	–
Ngawha Generation Ltd	New Zealand	Electricity generation	100	100	–
Phone Plus 2000 Ltd	New Zealand	Call centre services	100	100	–

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

There was no non-controlling interest at 31 March 2014 (at 31 March 2013: $162,000). The non-controlling interest at 31 March 2013 comprised a minority holding in Ngawha Properties Ltd of 11.1%. This was bought out by the Group effective 30 November 2013, at which point Ngawha Properties Ltd became a fully-owned subsidiary of Top Energy Ltd.

Ngawha Properties Ltd was amalgamated into Ngawha Generation Ltd on 31 March 2014 and was removed from the register of New Zealand companies. Consequently it is not included in the table above.

The non-controlling interest in Ngawha Properties Ltd was not material to the Group at 31 March 2013 nor during the subsequent period up until the date when it ceased.

The consolidated financial statements incorporate the assets, liabilities and results of the above subsidiaries in accordance with the accounting policy described in note 2(b):

Parent company's interests in its subsidiaries	**2014** *$'000*	2014 *$'000*
Shares at cost less impairment losses		
Shares in subsidiaries	9,701	9,400

43 : Events occurring after the balance date

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

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

	CONSOLIDATED		PARENT	
	2014 *$'000*	2013 *$'000*	**2014** *$'000*	2013 *$'000*
Profit for the year	**11,062**	**6,277**	**7,478**	**6,132**
Adjustments made for:	-	-	-	-
Depreciation and amortisation charged	14,864	13,673	8,827	8,397
Impairment of goodwill	-	80	-	80
Net (gain) loss on sale of non-current assets	(94)	63	(94)	65
Fair value (gain) loss on biological assets	(47)	-	-	-
Fair value (gains) / losses on other financial assets at fair value through profit or loss	(6,642)	943	(6,614)	943
Changes in working capital:				
Decrease (increase) in trade debtors	148	(963)	117	4,228
Decrease (increase) in inventories	24	322	24	243
Decrease (increase) in other operating assets	(369)	18	(216)	(57)
Increase (decrease) in trade creditors	(1,238)	1,699	(1,319)	928
Increase (decrease) in other operating liabilities	(330)	(847)	(38)	(473)
Increase (decrease) in income taxes payable	1,977	2,317	2,079	1,993
Increase (decrease) in provision for deferred income tax	1,827	43	1,710	(136)
(Deduct) add items reclassified as investing or financing activities	-	-	170	(4,811)
Net cash inflow from operating activities	**21,182**	**23,625**	**12,124**	**17,532**

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
TOP ENERGY LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND STATEMENT OF
CORPORATE INTENT PERFORMANCE INDICATORS
FOR THE YEAR ENDED 31 MARCH 2014

The Auditor-General is the auditor of Top Energy Limited (the company) and group. The Auditor-General has appointed me, Andrew Burgess, using the staff and resources of Deloitte, to carry out the audit of the financial statements and statement of corporate intent performance indicators of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 27 to 76, that comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the statement of corporate intent performance indicators of the company and group on page 11.

Opinion

Financial statements and the statement of corporate intent performance indicators

In our opinion,

- the financial statements of the company and group on pages 27 to 76:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the company and group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date;
- the statement of corporate intent performance indicators of the company and group on page 11:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 17 June 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of corporate intent performance indicators are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of corporate intent performance indicators. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of corporate intent performance indicators. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of corporate intent performance indicators whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of corporate intent performance indicators that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of corporate intent performance indicators; and
- the overall presentation of the financial statements and statement of corporate intent performance indicators.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of corporate intent performance indicators. Also we did not evaluate the security and controls over the electronic publication of the financial statements.

Deloitte.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of corporate intent performance indicators that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of corporate intent performance indicators that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and statement of corporate intent performance indicators, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit and the provision of other assurance service, we have no relationship with or interests in the company or any of its subsidiaries.

Deloitte

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

DIRECTORY

Principal business	Electricity generation and lines distribution business	
Directors	**Mr Paul Byrnes**	BCom ACA ACIS CMA – ***Chairman***
	Mr Michael Simm	JP BCA AFInstD – ***Deputy Chairman***
	Mr Andrew Kelleher	BA AFA (resigned 30 April 2014)
	Mr Richard Krogh	B Eng (Hons) MIPENZ MInstD
	Mr Gregory Steed	BCom CA MInstD
	Mr Paul White	BArch DBA MBS
Officers	**Mr Russell Shaw**	B Eng (Hons) MSc C Eng MIET FIPENZ MInstD – ***Chief Executive***
	Mr Steven James	ACA – General Manager – Corporate Services

Registered office	Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri
Auditor	Andrew Burgess of Deloitte on behalf of the Auditor-General
Bankers	Bank of New Zealand, Kaikohe

www.topenergy.co.nz

www.phoneplus.co.nz