TOP ENERGY
Te Puna Hihiko

ANNUAL REPORT 2014 / 15

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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 $367 million and employs over 200 staff.

CHAIRMAN'S
Report

The financial year to 31 March 2015 has, once again, delivered a number of significant challenges, both in relation to the lines business with adverse weather events, and an unexpected plant failure at Ngawha. Despite these events, the Group achieved an EBITDAF result that is 5% above budgeted profit and within 4% of last year's result. It is a credit to the senior leadership team and all staff that these testing challenges have been met and that in every case positive outcomes above and beyond what would normally be expected under the circumstances, have been achieved.

Our on-going focus on health and safety has produced excellent results this year

Our on-going focus on health and safety has produced excellent results this year. There was only one LTI during the year and the severity of that incident was relatively minor. We have continued engaging with all our staff, to embed the safety culture that we want and need and we continue to develop systems and procedures to empower the staff to ensure that they work safely at all times. Our progress is evidenced by achieving recertification under the WPSMS at a tertiary level, and certification under ISO 9001.

Group Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Movements were $30.8m, a reduction from the previous year of $1.3m. Once again, the revaluation of derivatives relating to interest rate swaps, has resulted in a non-cash cost of $5.4m for the period, reflecting the reversal of the previous year's interest rate rises. The revaluation of the Ngawha generation plant at 31 March 2014 to $147.6 million, has resulted in an increase in the depreciation charge of over $5m.

Cash-flow from operations increased by almost $2m to $23m. These funds, together with additional borrowings of $9.3m, were invested in the construction of new assets costing $33m, over $26m of which were additions to the lines business distribution assets. The capital works programme successfully completed this year for the distribution system has been the biggest ever undertaken by the company.

As reported at the half year, adverse weather events have had a significant impact on both financial and service level results. The storm in July, the worst since Cyclone Bola in 1988, was particularly severe and resulted in some customers being without power for up to eleven days. I would like to record my appreciation of our Contracting and Network staff who worked very long hours and in atrocious conditions at that time. As a result of this storm and a number of other subsequent significant weather events, it was simply not possible for us to achieve the service levels that we had set at the beginning of the year. After adjusting for major event days (as defined by the Commercial Commission), we incurred lost supply minutes of 599 minutes (measured by the SAIDI methodology), against a target of 318.

Good progress continues to be made in relation to the $200 million Network investment program

Good progress continues to be made in relation to the $200 million Network investment program referred to as the TE2020 project. The main feature of this project is the construction of a 110kV transmission line between Kaikohe and Kaitaia generally following the eastern coastline. Work completed to date has strengthened the lines supply system in the southern area. It is notable that the impact of storms reported above, was relatively minor on the southern part of the network reflecting immediate benefits of these network investments to date for consumers in that area.

The Ngawha generation plant experienced an unexpected turbine bearing failure in September 2014. It was decided to bring forward the replacement of the OEC3 pre-heaters that had been planned for November and it was fortunate that the units were delivered earlier than planned. The installation was a major project and the fact that the work was successfully completed in a far shorter period than suppliers of the units would normally allow, was a credit to the planning and project management of our Ngawha management team.

The Group lodged applications to expand the Ngawha generation activities from the existing 25MW to a total of 75MW

Immediately prior to Christmas 2014 the Group lodged applications with the Northland Regional Council and the Far North District Council for resource consents to expand the Ngawha generation activities from the existing 25MW to a total of 75MW. It is intended that this expansion will take place in two stages of 25MW each. Hearings are expected in August 2015 and we hope to receive the consents by the end of October 2015. This timeline may be stretched out if there are appeals and if, as a result, the applications, have to be referred to the Environment Court.

Market conditions for wholesale electricity have recovered from the previous lows largely brought about by the threatened closure of the Tiwai Point smelter, although prices are not expected to increase significantly until after the national market supply issues arising from the continued Tiwai production questions are resolved. However, the time frames that we are working to will place us with consented generation capacity at a time when the supply position is better known. The consenting process project commenced in April 2013 and has involved the engagement of numerous independent geothermal, environmental and legal experts. Consultation with affected parties has been extensive. The total cost to date is approaching $3 million.

Simon Young joined the Board of Top Energy Ltd at the AGM in June 2014. A position became vacant shortly after that time and the shareholder undertook a recruitment search which resulted in the appointment of James Parsons, effective from 1 April 2015. James has extensive experience in the agricultural sector, serving as Chairman of both Beef & Lamb NZ Ltd and the New Zealand Meat Board. He has also served on a number of boards and community organisations in the North.

Greg Steed was appointed to chair the Board's Audit and Risk Committee in May 2014.

On behalf of the Board, I wish to record our appreciation to all staff for their commitment and to acknowledge their efforts which have contributed to such a creditable performance and financial outcome for this year.

Paul Byrnes
Chairman

Our DIRECTORS

From left to right: Paul White, Simon Young, Richard Krogh, Paul Byrnes (Chairman), Robert Kirkpatrick (Ngawha Director), Greg Steed, Russell Shaw (Chief Executive), James Parsons

Paul Byrnes – *Chairman*

Paul Byrnes is a professional director and business consultant with over 30 years commercial experience across a number of industry sectors. Having previously held senior management and CEO positions in both private and listed companies, he is currently a non-executive director of listed investment group Hellaby Holdings Ltd and Executive Director and CEO of listed lending, insurance and auctioneers Turners Limited. Paul is a qualified accountant.

Greg Steed – *Chairman, Audit & Risk Committee*

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 Ltd, where he held the positions of Manger, Distribution, and Manager, Accounting. Greg is a director of Rugby League Northland.

Richard Krogh

Richard Krogh has significant energy sector experience, having been the CEO of PowerCo Ltd, New Zealand's second largest electricity and gas 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.

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. Paul is a Principal of Torea Tai Consultants Ltd which provides a range of management, organisational development and Maori development services.

Simon Young

Simon Young has over 15 years experience in the electricity sector, ranging over generation, distribution lines and retail. Previously he has held a number of Managing Director roles with Empower, Opunake Hydro and Alliant Energy New Zealand. He is currently General Manager of Opunake Hydro, as well as a director of the Lines Company Ltd

James Parsons – *Appointed from 1 April 2015*

James Parsons was appointed a director effective from 1 April 2015. James has extensive experience in the agriculture sector, chairing both the New Zealand Meat Board and Beef + Lamb New Zealand Ltd. He is also a director of the New Zealand International Business Forum. James grew up and operated a sheep and beef farming business in the North Hokianga until 2013. He currently farms near Dargaville.

Robert Kirkpatrick (Dr)

Independent Director – Ngawha Generation Limited

Robert has over 40 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 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

I am very pleased to report that the focus our staff have applied to health and safety issues has produced excellent results with only one Lost Time Injury occurring during the entire year. While one is more than we would ever want, it is a significant improvement over the previous year. Sending our staff home safe and unharmed is our number one goal.

During the last year we had a number of very significant situations that could have had a material impact on reported profits

During the last year we had a number of very significant situations that could have had a material impact on reported profits. The Ngawha Power station experienced a bearing failure, gale force winds and flooding caused wide scale outages across the Network in July, and in December one of our transmission towers started to slip down a gully in the Mangamuka Ranges. These issues were all professionally and successfully dealt with and an above budget profit result was still delivered.

The last financial year started with the implementation of a restructure of the Contracting and Network Divisions. Our staff have confronted and dealt with the issues which arise from this sort of situation and we have ended the year with a much improved performance. In particular, the Pacific Islands section of the Contracting Division produced an excellent result, making a material contribution to overall Group profits.

The July 2014 storms, the most severe experienced in the Far North since Cyclone Bola in 1988, involved both high winds and extensive flooding across the region. The worst hit was the far Far North, with some consumers being without power for over seven days. An isolated community on the west coast suffered the loss of power for eleven days.

Our response to these events involved the rebuilding of significant sections of our network, including the replacement of concrete poles which had been snapped at ground level. The response of our staff and the support we received from other lines companies was splendid and we were able to restore power to our customers without any safety incidents.

Our response to these events involved the rebuilding of significant sections of our network

A storm in December 2014 resulted in a transmission tower carrying the 110kV line from Kaikohe to Kaitaia, starting to slip down a hill in the Mangamuka Ranges. The design and construction of a replacement structure clear of the affected area was complex and took some time. While this was occurring we had to secure the damaged tower and try to stop it sliding further down the hill. If we had lost the tower, supply to over 10,000 customers in and around Kaitaia would have been lost for a period of weeks. Dedication and focus by our staff, and the co-operation of the land owners, Iwi and contractors, meant that a disaster was avoided, with the replacement tower was in place on 15 March 2015.

The annual shutdown of the Ngawha power station had been scheduled for November to coincide with the installation and commissioning of new pre-heaters. A programme such as this requires extensive and detailed planning. In September a bearing failed on the turbine of station 2. To minimise the loss of revenue which arises from any shutdown, the annual shutdown and pre-heaters installation works were brought forward. The way this work was managed and the contribution of the staff and contractors, were outstanding and in spite of the forced outage our overall availability for the year exceeded our target.

The project to build a new 110kV transmission line up the east coast of the district has continued during the year. The first two stages, from Kaikohe to the Wiroa substation, were completed by year end. This means that the supply into Kerikeri and the Bay of Islands is now much more secure than it was previously. While there remains work to be done on this part of the network, the foundations are in place, which allows us to now focus on the next set of priorities.

The project to build a new 110kV transmission line up the east coast of the district has continued during the year

Stage III of the project known as the TE2020 project, is the longest section and involves about 95 properties over which we must get landowner consent for the construction. The majority of landowners have either signed the necessary documentation or indicated that they are prepared to do so. A small number of landowners are reluctant to seek a solution with us and these situations are holding up the progress of this next stage. We will, however, continue to discuss these property owners' concerns with them, seeking a way forward.

Our management of the dairy farm near Kaikohe has moved on to establish a 50:50 share-milking relationship with our previous Contract Milker. This has resulted in an increase in production from 78,000 kgMS last year to 137,000 kgMS in the current year, a 75% increase. The milk solids payout has, of course, collapsed from $8.35 last year to $4.50 this year but the operations and structures are in place to take advantage of the increases in price when they occur. We have applied a significant degree of focus on health and safety issues on the farm, probably to a greater degree than many in the agricultural sector.

It has been a challenging year, requiring our staff to be focused and dedicated in all their activities and they have definitely produced results that they can be proud of. I would like to express my appreciation to all the staff for all their efforts during the past year.

Russell Shaw
Chief Executive

FINANCIAL
Summary

The Group's financial performance (EBITDAF) was ahead of target by $1.3m, although it was 3.7% lower than 2014.

Group revenue was virtually the same as last year. The expected drop in income of 19% from the wholesale price for the Ngawha generator was offset by increases in network revenue (5.7%) and a 61% increase in external Contracting.

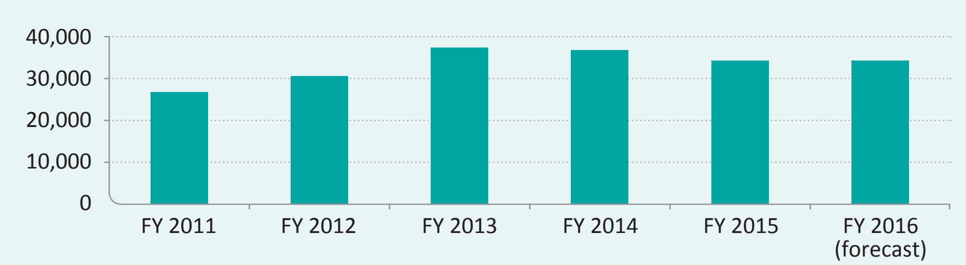
Operating expenses increased by 3.5%, mainly arising from higher contracting material costs and electricity transmission charges. These costs were offset by a reduction in employee related expenses of 3.7%, following the restructure completed in March 2014.

Group equity reduced by $3.0m, principally due to higher depreciation charges relating to a revaluation of the Ngawha plant and a negative fair value adjustment on financial derivatives of $5.3m. A transfer from the revaluation reserve to revenue reserves of $4.1m reflects one year's amortisation of the Ngawha revaluation surplus that had been taken to reserves at March 2014.

Operating cash flows improved by $1.9m to $23.1m, assisted by higher closing trade payables with several large network projects completed in March. Interest costs increased to $9.3m as debt levels, to partly funds the capital works completed, increased. The Group invested $32.2m in new assets, with the additional cash required provided from debt facilities.

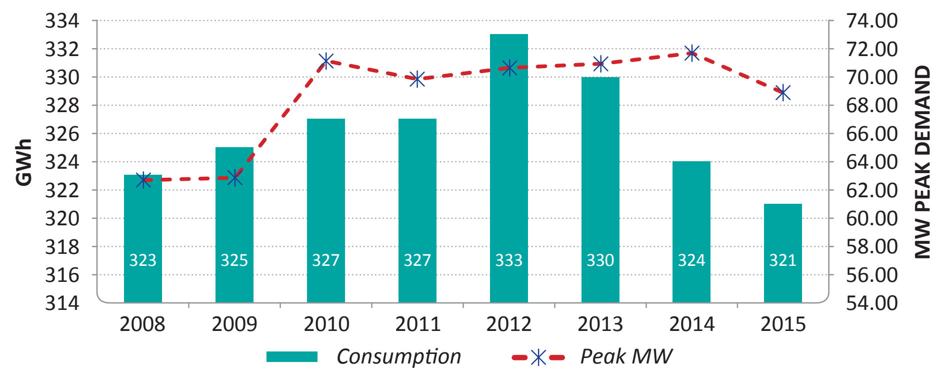
It is expected that the EBITDAF for 2016 will be very similar to 2015 with no significant changes occurring to the Groups operations.

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



FY2012 to FY2015 EBITDAF is normalised by adding to the Statements of Comprehensive Income, the $5.1m discount to EBITDAF of $25.6m, $32.5m, $32.0m and $30.8m respectively to allow comparability with prior year figures. FY2016 EBITDAF forecast has been normalised for a $5.1m discount.

Total Energy Sold *2008 to 2015*



Network consumption continues to slowly decline. The reduction was approximately 1% from the previous year, reflecting the effects of energy efficiency improvements and to a smaller extent, an increase in distributed generation uptake with new solar installations. To ensure the correct electricity pricing signals are in place, a 5 year pricing strategy has been determined to ensure that consumers pay a price that is reflective of the cost to supply electricity to their premise. Initial changes to the pricing (tariff) schedule have been implemented effective 1 April 2015, with further changes planned.

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

FINANCIAL PERFORMANCE TARGETS FOR:	**Actual** *31.03.2015*	Target *31.03.2015*	Actual *31.03.2014*
Electricity network business			
(i) Profit before finance and tax as a percentage of total tangible assets	5.6%	4.4%	6.3%
(ii) Net profit after tax as a percentage of average shareholder's funds	5.2%	2.4%	6.3%
(iii) Return on investment	5.9%	5.3%	6.9%
Other non-network business			
(iv) Profit before finance and tax as a percentage of total tangible assets	5.6%	5.5%	6.1%
(v) Net profit after tax as a percentage of average shareholder's funds	2.4%	3.8%	4.2%
Group			
(v) Net profit after tax as a percentage of average shareholder's funds	4.4%	2.8%	5.8%
(vii) Ratio of shareholder's funds to total assets	1:2.51	1:2.65	1:2.50
(viii) Return on investment	5.3%	4.8%	6.0%

(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** *31.03.2015*	Target *31.03.2015*	Actual *31.03.2014*
Electricity network business			
(i) System Average Interruption Duration Index (SAIDI). The average duration of high voltage outages (including planned) per customer (minutes)	599.9	318.0	464.9
(ii) System Average Interruption Frequency Index (SAIFI). The average number of outages (including planned) per year for any customer	6.3	4.2	5.5

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

Major Weather Events

Weather events this year challenged Top Energy's operational teams to deliver both immediate fault response and the planned upgrade programmes. The challenge was met in both cases. Our teams delivered the planned upgrade programme as well as receiving unprecedented support from the community during the two major weather events.

Cyclone Ita in April and the severe and protracted storm in early July were two of the biggest events we have had in the region since Cyclone Bola in 1988. During the July storm, we had 87 high voltage faults resulting in half of our 32,000 customers losing supply – some for up to eleven days. In an average year we will receive about 18,000 faults calls but in July we handled 15,000 calls.

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These major events highlighted three notable issues. The first was the fantastic support from our community. The people of the Far North were understanding and patient at a time when a lot of Northland's power, communications and transport services were knocked out. We must also recognize the stellar performance of our operational teams. They were out there in atrocious conditions, prioritising restoration, safely and effectively. The third issue is to recognise that the majority of the faults were caused by trees bringing down overhead lines. We continue to encourage tree owners to address the risks that trees represent to the security of the power supply to our community.

Tree Maintenance

When branches fall on power lines or trees fall through lines, there is a domino effect of damage and loss of supply to a wide area, impacting many customers. We spend over $2 million a year on tree management and working with tree owners to keep trees and vegetation away from power lines. We must continue to remind tree owners that the responsibility for keeping trees and vegetation trimmed, rests with the tree owner. Our staff are available to help with this responsibility and to ensure the tree cutting work is done safely and effectively.

Lifelines and Emergency Management Information System (EMIS)

The significance of our role in Lifeline Utilities, a Civil Defence organisation, was also highlighted during the weather events of 2014. Lifeline Utilities was set up in 1999 to co-ordinate utilities services across New Zealand in times of emergency. Its aim is to keep communities as resilient as possible during these events.

Top Energy is a member of Lifeline Utilities and during the July storm event we had dedicated staff assigned to the Emergency Management Information Systems (EMIS) including twice daily calls into local Civil Defence. Other organisations, like the Northland District Health Board, are also part of Lifeline Utilities and the priority is to keep the community informed and updated about the restoration of essential services to the areas impacted.

Northland Civil Defence Emergency Management was recently awarded a Minister's Silver Award for the work done during the July 2014 storm.

The significance of our role in Lifeline Utilities, a Civil Defence organisation, was highlighted during the weather events of 2014

Upgrades and Maintenance

As well as dealing with the aftermath of the storms, we remained on track and on budget with several major upgrade projects. The budgeted capital works programme amounted to $25 million for the year and we were successful in commissioning $25.1 million of assets into service.

We replaced the Kaikohe 33kV substation and the 11kV side of the Moerewa 33kV/11kV Zone Substation. New supply lines were installed to Opononi and to Kaeo.

Construction of the second 110kV supply line from Kaikohe to Kaitaia is planned for completion in 2026 and the first two stages between Kaikohe and Wiroa were completed and commissioned at 33kV this year.

We remained on track and on budget with several major upgrade projects

New Transformer has Road Trip

One of the most challenging planned capital projects this year was the delivery and installation of a 110kV replacement transformer for the Kaitaia transmission substation. The 85 tonne transformer load was the heaviest to be carried on State Highway 1 since the delivery of the Juken New Zealand Ltd's boilers and, as such, the delivery truck needed some reinforcements to make it up the Mangamuka Ranges. Two trucks pulled the loaded vehicle while another pushed, to complete the twisting hill climb and the transformer's dimensions allowed just 100mm clearance each side of the Rangiahua bridge railings. All up, the configuration weighed in at 190 tonnes.

This was the first 110kV transformer that Top Energy has bought and is part of the refurbishment of assets purchased from Transpower in 2012.

Replacement of Remote Tower

Another equally challenging capital project was the unplanned replacement of a lattice tower on the 110kV Kaitaia supply line. Heavy rain in the Mangamuka Ranges shortly before Christmas 2014 caused a 100m-long landslip in rough terrain. This dislodged and severely damaged the tower that is part of the line providing the only high-voltage electricity supply to Kaitaia and surrounding areas.

The site was in terrain that could not be accessed by vehicle, so all crews and equipment were flown into the site. A specialist helicopter was required, using techniques for working around transmission lines. A replacement structure was built during February and March and two supply outages were required to enable our own staff, working with external specialist crews, to finally swing the lines from the failing tower to the new one.

The $550,000 engineering and repair project was completed on schedule, just hours before the heaviest winds and rain from Cyclone Pam arrived in the region. This operation prevented a tower collapse that could potentially have disrupted power supplies to Kaitaia and surrounding districts for at least a week.

CONTRACTING

New Team Members

At the beginning of last year, Top Energy completed a restructure across the Contracting business. As a result, Contracting brought new senior management into the team, to increase efficiency and productivity. The team has delivered on the goals set to improve both safety and output. We've had 365 days with no LTIs and there is a new sense of commitment to safety standards and service delivery within the Group.

Productive Year

The district has been subjected to a number of major weather events, notably in April, July and December. The storm in July was rated as the worst storm the district has experienced since Cyclone Bola in 1988. The storm was particularly challenging, with most of our staff having to work long hours in atrocious conditions. Their efforts were particularly note worthy; as was the support we received from our community.

The 2014/15 year involved one of the largest capital works programmes that the Company has embarked on in recent years and the Contracting division worked alongside a number of specialist contractors to ensure that the programme was delivered. In addition to the scheduled works, the potential collapse of a damaged lattice tower on the Kaitaia 110kV supply line required an urgent response and reallocation of resources.

The 2014/15 year involved one of the largest capital works programmes that the Company has embarked on

Pacific Solar Contract – External Works

This year, our Pacific Contracting Group successfully completed a $2.4 million project in Rarotonga, supporting PowerSmart, a major New Zealand supplier of off-grid solar power systems.

This is part of a three year $550 million aid programme commitment that New Zealand and Australian Government agencies have made to upgrade power networks and install solar power on remote Pacific Islands. With small populations these islands have traditionally relied on fossil fuel generators.

Four Top Energy electricians spent four months on four small, remote islands one thousand kilometres from Rarotonga, installing new high and low voltage cables to support the new photovoltaic cells. The project was completed on time and within budget.

This year, our Pacific Contracting Group successfully completed a $2.4 million project in Rarotonga

We are consolidating our position in the Pacific and securing permanent contracts becoming the preferred supplier. This is a competitive market but our extensive experience throughout the Pacific Islands places us to be able to deliver the outcomes required.

In addition to the work undertaken in the Pacific, we also deliver outcomes for local councils, other lines companies, electricity retailers and local developers.

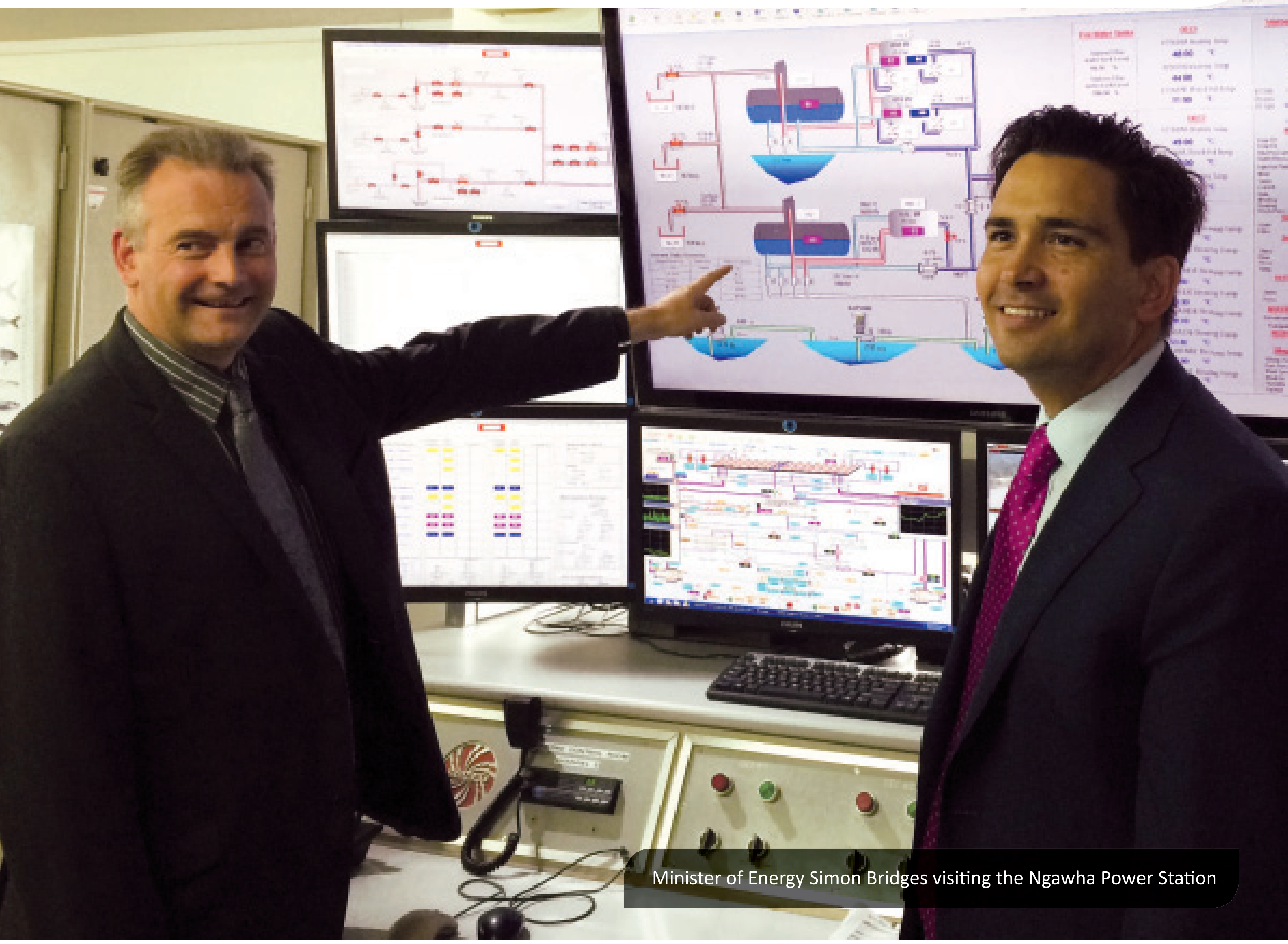
Future Focus

Consistency of delivery to all our customers is the future focus for Contracting. One good year is a great start but the next step is to continue this cycle of improvement. We also want to create consistency across the company in communication, in operations, and in presentation – to our customers.

Consistency of delivery to all our customers is the future focus for Contracting

We want to keep up our good safety record, iron out any remaining issues, and re-examine where we can reduce costs to be even more efficient and productive.

Ngawha Geothermal Generation
OPERATIONS



Minister of Energy Simon Bridges visiting the Ngawha Power Station

Record Performance

Our twelve staff at the Ngawha Power Station continued their exemplary performance in the area of safety, achieving a total of 2353 days with no Lost Time Injuries (LTIs) by the end of financial year 2015. This figure underpins our continuing focus on health and safety.

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

Our twelve staff at the Ngawha Power Station continued their exemplary performance in the area of safety

Two Big Projects

We had an unexpected turbine bearing failure during the year and, because of this, we brought forward the heat exchanger replacement project scheduled for later in the year. Co-operation and assistance from other geothermal operators around the country, who made specialist tools and equipment available, was very much appreciated.

The replacement of the OEC3 heat exchanger cost $3.5 million, involving equipment designed and fabricated in Israel and shipped to New Zealand. Despite the need to adjust the notice period, the whole process went well, with contractors adjusting their plans to suit our revised schedule.

Another major project this year was the delivery of a new transformer in February this year. The unit was built in Indonesia, costing $1.75 million installed and we are now working on it's commissioning.

The size of these projects created a lot of interest, drawing many local and overseas visitors – including an unprecedented two visits in one year from Minister of Energy, Honourable Simon Bridges.

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Full Functioning

It was very pleasing that the Ngawha Power Station remained on-line throughout the storms of April and July 2014, supporting the N etwork.

Fire Brigade Briefing

30 personnel from the local fire brigade took part in a briefing and Hazardous Materials (Hazmat) exercise at the Ngawha Power Station. The event was an opportunity to show the fire brigade our installed systems, explain the plant operation, for them to meet with our plant operators and to complete an exercise at the site.

Community Liaison

Ngawha Power Station hosted interested residents from the local Ngawha Springs village for a site tour in May 2014, as part of our regular community liaison meetings. We sent an invitation to every resident and the site visit gave those attending a chance to meet the staff, see the operations, and enjoy a light lunch. We received really positive feedback from the event.

Ngawha Power Station hosted interested residents from the local Ngawha village

Visitor Centre

Our visitor centre and site tours continue to be popular with schools, universities, industry parties, geo-scientists and government representatives from New Zealand and other countries.

World Geothermal Congress

Three scientists, who have been involved in the development and operation of the Ngawha Power Station for many years, attended the 2015 World Geothermal Congress this year in Melbourne. One presented a paper based on his experiences at Ngawha, on reducing heat exchanger fouling when stibnite (a metal/mineral deposit) is present, a particular challenge on our site.

Ngawha Geothermal Generation EXPANSION

Expansion Project Planning Progress

We are making steady progress with plans to extend the geothermal power station's current 25MW capacity.

We intend to construct two new 25MW power stations in a two stage process. The first station will be commissioned in 2020-23 and the second in 2023-2026 depending on the wholesale electricity price path and to allow a spread of our financial and technical resources.

As part of the expansion, Top Energy has purchased an additional 47 hectares of land adjacent to the existing power plant site to provide for well drilling and pipelines. Drilling precedes the construction of power stations and five new production wells and six new reinjection wells are required for the 50MW expansion.

We have completed extensive scientific research and reservoir modelling analysis that confirm the Ngawha geothermal field can support an expansion of 50MW. We are now preparing for the resource consent hearing, scheduled for August this year.

We intend to construct two new 25MW power stations in a two stage process

Resource Consent Process

We have applied for resource consents to use the geothermal field for 35 years, which takes us through until 2050 and covers both the original power stations as well as the two proposed power stations. The consent application was filed in December 2014, the hearing is scheduled for 10 August 2015, and we expect a decision in September-October 2015.

We have applied for resource consents to use the geothermal field for 35 years, which takes us through until 2050

Both the Northern Regional Council (NRC) and the Far North District Council (FNDC) are involved in this consenting process and each has separate areas of responsibility; however, they have agreed to have a joint hearing of Commissioners.

The NRC is concerned with the right to use the geothermal field, so they are primarily interested in the reservoir science, water takes and modelling analysis, while the FNDC deals with the station structures, buildings and earthworks. Both councils deal with the environmental effects – noise, ecology, traffic, landscape, handling of hazardous substances, archaeology, surface water, ground water and seismic impact.

Twenty one experts, in addition to our own staff, have contributed to the Assessment of Environmental Effects (AEE), to thoroughly assess all of the environmental impacts.

We are working with those submitters who oppose aspects of the development, to address their concerns by proposing appropriate conditions of consent - reaching agreement before the hearing where possible.

As well as addressing the environmental issues, there are two other main areas to consider.

- We have a management plan that details how we will implement our proposals, including the sustainable management of the geothermal field until 2050. These demonstrate that we can do what our scientific models say we can do.
- We must have regard for the cultural and spiritual values of the Tangata Whenua – in this case Ngapuhi, Ngati Rangi, and Ngati Hine as well as other local stakeholders.

Community Consultation is All Important

Communication with people in and around Ngawha village is a priority for us. All the neighbours and local businesses are aware of the planned expansion. Any major issues that have arisen have been worked through and addressed.

Communication with people in and around Ngawha village is a priority for us

Our development at Ngawha must address two key issues:

The geothermal hot pools run by Parahirahi C1 Trust are of local and national significance. We must run our operations in such a way that there is no degradation of the pools. We are in frequent consultation with the Trust, as we continue to protect the geothermal source of the pools.

We also must maintain reservoir pressure limits prescribed by the NRC. We run a robust management system to comply with this requirement.

We have acquired additional properties on the north side of SH12 including a dairy farm. These properties have potential as a business park, to utilize electricity and hot water associated with the power plant expansion. Milk drying, wood processing, or a data centre would be ideal complementary industries to harness this resource.

PHONE PLUS

Phone Plus

Phone Plus is a wholly owned subsidiary of Top Energy and provides 24 hour contact centre services from our two centres – our rural centre in Kaikohe and our metropolitan base in Albany on the North Shore of Auckland. While a key priority is providing a high class responsive contact service for our customers, the wider objective for Phone Plus is to contribute to the economic development of the Far North community by offering local people sustainable job opportunities.

We have a strong focus on training and development to ensure all team members provide the highest level of customer service. Our support and training investment means our staff members can develop their skill base and make their own contribution to the well being of their families and whanau and the wider community.

The wider objective is to contribute to the economic development of the Far North community

External Contracts

As well as looking after our own and after hours requirements of other Far North organisations, we hold many external contracts with other New Zealand organisations including the Ministry of Social Development, Meridian Energy, Pulse Energy, Sovereign Insurance, Chrisco, Yesshop and Nature Bee.

July Storm

Having two geographically separate contact centre sites, operating seamlessly as one 'virtual' centre, enables us to quickly scale up to service peaks in call volumes. We experienced a record number of 15,000 calls during the week long July 2014 storm.

This event required us to deploy all available staff at both sites, on extended rosters. In this way we were able to provide up-to-date information and support to the power consumers of the Far North, on a 24/7 basis.

In handling these calls our first priority is always to identify any public safety risk and to pass the information on to the Top Energy control centre as quickly as possible. Acting as the contact point between our repair staff and our customers, we are then able to provide our customers with information on known or expected restoration times. We had wonderful community support during this challenging time and we received many compliments on our service.

We were able to provide up-to-date information and support to the power consumers of the Far North, on a 24/7 basis

Future Growth

Our focus is to consolidate and grow our business in our specialty areas of energy, financial services and the Government sector - areas where we have built a reputation for high quality, responsive and flexible services. The sustainability of the Kaikohe call centre for the 25 staff employed there is a key priority, with further employment to be generated as Phone Plus grows.

Our PEOPLE

Orange Umbrella

The Orange Umbrella programme was introduced in 2014, focusing on workplace safety, with a strong emphasis on risk management. Workshops and staff surveys have continued during the year with Action Strategy Workshops to identify key themes for improvement. Three themes have been assigned to Project Teams (Tools & Equipment, Paperwork and Supervisor Role) with a focus on desired future states and possible solutions to current problems. The teams will be reporting back on findings and recommending improvement actions during 2015.

The Orange Umbrella programme was introduced in 2014

The survey results between round one and round two have confirmed that the programme has improved the safety engagement across the Contracting business by 10% with further improvements expected during the year ahead.

Long Service Recognition

Five employees were recognized for achieving significant long service milestones, accumulating 145 years of experience between them.

Sheryl Johnston and Heather Fitchett achieved 20 years, Peter Horrobin 25 years, and Wayne Ferguson and Dave Mikkelsen have each been with the Company and its predecessor power board for 40 years.

Quality and Safety Management Systems

It has been a busy year as we concluded our journey to achieve ISO 9001 accreditation. In 2013, the Ngawha power station achieved accreditation. A committed team, with support from the wider Group, has now delivered accreditation for Top Energy, a fantastic effort which has involved hundreds of hours of documenting, training and auditing.

The results are quality systems and guidelines for staff to utilise in their everyday tasks, delivering service to our customers and other stakeholders.

We have concluded our journey to achieve ISO 9001 accreditation

Staff Development

At Top Energy we have a commitment to upskilling our staff and assisting with their professional development. During the last year, eleven staff completed a range of industry qualifications, including Level 3-4 National Certificate in Electricity Supply (Operator), Level 3 National Certificate in Electricity Supply (Cable Jointer – Low Voltage), Level 4 National Certificate in Electricity Supply (Cable Jointer – High Voltage) and Level 3-5 National Certificate in Arboriculture. And our training and development programmes continue with new trainees enrolling in other industry qualifications.

At Top Energy we have a commitment to upskilling our staff and assisting with their professional development

We have continued our involvement with the Rotary Youth Leadership Awards (RYLA). This was the third successive year that a Top Energy employee has been selected to represent Northland. The programme motivates and encourages young people with leadership potential to plan for their futures and begin to take the steps to achieve their goals.

In addition to these programmes, we introduced the Belbin Team Roles Model to a number of teams in the business. This model identifies the different roles that contribute to the success of a team. It also provides a common, non-threatening and meaningful team language, enabling individuals and teams to communicate and work together with a greater understanding. This model will be introduced to more teams in the future.

Culture Survey

The IBM Staff Culture Survey was conducted in March 2015. The online survey is run by an independent organisation and measures employee satisfaction across a number of different areas such as their job, their working relationships and the opportunities available for them at work . Initial results show that our Engagement Index (the measure of how much staff feel engaged at work) continues to increase from the first survey we conducted back in 2012.

The survey results will now be analysed in depth to ensure the focus of our many programmes continues, with the aim of constant improvement.

Reward and Recognition

Last year we launched the Applaud programme by which Managers can formally recognize, encourage and reward high performance from individuals and teams.

There are three categories – Display, Achieve and Exceed. During the year we acknowledged the specific, noteworthy contributions of more than 135 of our staff.

Our COMMUNITY

From left to right: Tim Couling (Okaihau Primary Principal), pupil Nick Harrison, Russell Shaw (Chief Executive Top Energy) and Colleen Atchison (Sport Northland)

Northland Electricity Rescue Helicopter

We are proud to continue our sponsorship of Northland Emergency Services Trust and its three helicopters which provide the region's vital, life-saving helicopter rescue service. This is the 26th year of their operation and we have maintained our sponsorship for almost all of that time. In conjunction with NorthPower, we match public donations dollar for dollar, up to $150,000, to keep the service flying for Northlanders.

To date the service has carried more than 17,000 patients.

We are proud to continue our sponsorship of Northland Emergency Services Trust

WaterSafe – 200,000th lesson

On the 9th March 2015, Nick Harrison of Okaihau Primary School became the 200,000th child to go through the programme.

The award winning WaterSafe programme, which teaches primary school age children water safety skills, has been running in the Far North and sponsored by Top Energy, for 18 years.

Top Energy Business Development Fund

The inaugural year of this fund saw two deserving companies earn a $30k grant each. Bonze Lures in Opua and Top Trail Hire & Tours Ltd based in Kaikohe, both demonstrated that their businesses were in alignment with the aim of the Fund, which is to encourage and promote economic growth in the Far North.

The inaugural year of this fund saw two deserving companies earn a $30k grant each

Top Energy Far North Science and Technology Fair

This year, five Far North students who won Gold at the Top Energy Far North Science and Technology Fair were nominated to attend the Royal Society's 'Realise the Dream'. Winners this year were Jason Leaming with his project 'Vermiculture in Dairy Effluent Ponds', and Alex Edwards with 'What is in your River?'.

The Top Energy Far North Science and Technology Fair is open to Year 7 to 13 students and can cover any area of science or technology.

YES National Awards

Top Energy has sponsored the Young Enterprise Scheme in Northland since 2009 and Northland continues to do us proud at the National Awards. This year Kiani Pou, Te Awhina Kopa and Nathan Tarawa of Northland College won the Manaaki Solutions Award for Excellence in Maori Business at the YES Regional Awards in Northland, and also won the He Kai Kei Aku Ringa Award for Rangatahi Entrepreneurs at the Lion Foundation Young Enterprise Scheme National Awards in Wellington. Jessica Prak-Khin and Ally Standing of Springbank School with their company Ecovado also represented Northland at the YES National Awards.

Northland continues to do us proud at the YES National Awards

R. Tucker Thompson

2014 was the first year that the R. Tucker Thompson Challenge Youth Voyage Trophy was won by a Far North School. Cole Rumsey and Daniel Crene from Northland College brought it home, and demonstrated that they had what it takes in terms of leadership, initiative and teamwork.

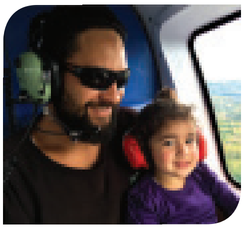
Top Energy sponsors two schools from the Far North, Northpower sponsors three schools from their area and the R. Tucker Thompson Sail Training Trust sponsors one school from either area. Participants have to enter a 'safety at sea' competition and the winners are chosen from the many entries received.

Other Community Events

Bay of Islands Pastoral Industrial Association
8 November 2014

Broadwood (North Hokianga A&P Show)
21 February 2015

Kaitaia and Districts A&P Show
28 February 2015



NEST Helicopter Rides
23 November 2014

NZ Mounted Games
5-7 December 2014

Top Energy Group
FINANCIALS

Financial report for the year ended 31 March 2015

Directors' Statement

The Directors present the annual report of the Top Energy Limited Group, incorporating the financial statements and the auditor's report, for the year ended 31 March 2015.

The Board of Directors of the Company authorised the financial statements presented on pages **27 to 67** for issue on 16 June 2015.

For and on behalf of the Board.

P Byrnes
Director

G Steed
Director

16 June 2015

Consolidated statement of comprehensive income

For the year ended 31 March 2015

		CONSOLIDATED	
	Notes	**2015** *$'000*	2014 *$'000*
Operating revenue	*5*	61,097	61,248
Operating expenses	*6*	(30,284)	(29,257)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**30,813**	**31,991**
Depreciation and amortisation	*6*	(20,233)	(14,864)
Finance costs	*7*	(9,258)	(8,586)
Earnings before tax and fair value movements of financial assets (EBTF)		**1,322**	**8,541**
Fair value (losses) gains on financial assets	*8*	(5,293)	6,642
(Loss) profit before income tax		**(3,971)**	**15,183**
Income tax benefit (expense)	*9*	1,071	(4,121)
(Loss) profit for the year		**(2,900)**	**11,062**
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		(36)	(114)
		(36)	(114)
Other comprehensive income for the year, net of tax		**(36)**	**56,057**
Total comprehensive income for the year, net of tax		**(2,936)**	**67,119**
Profit is attributable to:			
Equity holders of Top Energy Limited		(2,900)	11,051
Non-controlling interest		–	11
		(2,900)	**11,062**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		(2,936)	67,108
Non-controlling interest		–	11
		(2,936)	**67,119**

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

Consolidated statement of financial position

As at 31 March 2015

	Notes	CONSOLIDATED 2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents	*10*	3	5
Trade and other receivables	*11*	7,445	7,622
Inventories	*12*	269	983
Current tax benefit	*13*	165	44
Intangible assets	*14*	546	461
Total current assets		**8,428**	**9,115**
Non-current assets			
Property, plant and equipment	*15*	354,177	341,168
Investment properties	*16*	365	665
Intangible assets	*17*	3,684	4,000
Biological assets	*18*	546	938
Available for sale financial assets	*19*	432	399
Derivative financial instruments	*20*	–	505
Deferred tax assets	*21*	46	36
Total non-current assets		**359,250**	**347,711**
Total assets		**367,678**	**356,826**
LIABILITIES			
Current liabilities			
Trade and other payables	*22*	9,333	6,643
Interest bearing liabilities	*23*	1,585	1,714
Current tax liabilities	*24*	1,080	682
Derivative financial instruments	*20*	1,778	1,972
Provisions	*25*	352	315
Total current liabilities		**14,128**	**11,326**
Non-current liabilities			
Interest bearing liabilities	*26*	142,775	133,435
Derivative financial instruments	*20*	6,928	1,933
Provisions	*27*	124	127
Deferred tax liabilities	*28*	42,783	46,043
Total non-current liabilities		**192,610**	**181,538**
Total liabilities		**206,738**	**192,864**
NET ASSETS		**160,940**	**163,962**
EQUITY			
Contributed equity	*30*	25,267	25,267
Reserves	*31*	51,908	56,057
Retained earnings	*31*	83,765	82,638
Total equity		**160,940**	**163,962**

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

Consolidated statement of changes in equity

For the year ended 31 March 2015

		ATTRIBUTABLE TO EQUITY HOLDERS OF TOP ENERGY LIMITED				
CONSOLIDATED ONLY	*Notes*	**Share capital** *$'000*	**Other reserves** *$'000*	**Retained earnings** *$'000*	**Non-controlling interest** *$'000*	**Total equity** *$'000*
Balance as at 1 April 2014		**25,267**	**56,056**	**82,638**	**–**	**163,961**
Comprehensive income						
(Loss) for the year		–	–	(2,900)	–	(2,900)
Depreciation on revalued assets transferred to retained earnings	*31*	–	(4,112)	4,112	–	–
Fair value (loss) on available for sale financial assets	*19*	–	(36)	–	–	(36)
Total comprehensive income		**–**	**(4,148)**	**1,212**	**–**	**(2,936)**
Transactions with owners						
Dividends	*33*	–	–	(85)	–	(85)
Total transactions with owners		**–**	**–**	**(85)**	**–**	**(85)**
Balance as at 31 March 2015		**25,267**	**51,908**	**83,765**	**–**	**160,940**
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	*31*	–	56,171	–	–	56,171
Fair value (loss) on available for sale financial assets	*19*	–	(114)	–	–	(114)
Total comprehensive income		**–**	**56,057**	**11,051**	**–**	**67,108**
Transactions with owners						
Dividends	*33*	–	–	(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 interests	*32*	–	–	–	11	11
Purchase of non-controlling interest	*32*	–	–	–	(173)	(173)
Total transactions with owners		**–**	**–**	**(85)**	**(162)**	**(247)**
Balance as at 31 March 2014		**25,267**	**56,057**	**82,638**	**–**	**163,962**

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

Consolidated cash flow statement

For the year ended 31 March 2015

		CONSOLIDATED	
	Notes	**2015** *$'000*	2014 *$'000*
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		60,975	61,235
Payments to suppliers and employees (exclusive of goods and services tax)		(26,716)	(31,161)
		34,259	**30,074**
Interest received		6	2
Interest paid		(9,253)	(8,576)
Income taxes received (paid)		(1,919)	(318)
Net cash inflow / (outflow) from operating activities	*41*	**23,093**	**21,182**
Cash flows from investing activities			
Purchases of property, plant and equipment		(32,965)	(25,386)
Proceeds from sale of property, plant and equipment		363	171
Purchases of biological assets		-	(434)
Proceeds from sale of biological assets		450	-
Purchases of investment properties		-	(637)
Purchases of available for sale financial assets		(69)	(513)
Purchases of non-controlling interest		-	(173)
Increase / (repayment) of loan from parent		(4)	30
Net cash inflow / (outflow) from investing activities		**(32,225)**	**(26,942)**
Cash flows from financing activities			
Proceeds from borrowings		9,340	5,685
Dividends paid to the Group's shareholders	*33*	(85)	(85)
Net cash inflow / (outflow) from financing activities		**9,255**	**5,600**
Net increase (decrease) in cash and cash equivalents		123	(160)
Cash at bank and on hand at the beginning of the financial year		(151)	9
Cash and cash equivalents at end of year	*10*	**(28)**	**(151)**

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

1 : General information

Top Energy Limited (the Company) provides electricity line function and electrical construction and other services.

The Company and its subsidiaries (together, the Group) operate a geothermal power station and provide 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 16 June 2015.

2 : Summary of significant accounting policies

(a) Basis of preparation

Statutory base

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

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

Entities reporting

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

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

All Group companies are designated as profit-oriented entities 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 2014.

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 2015 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.

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

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. The minority interest ceased in the year ended 31 March 2014.

(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 twelve months of the balance date or unless they will need to be sold to raise operating capital.

(d) Biological assets

The Group's biological assets at 31 March 2014 comprised a herd of dairy cows and quantities of trees. Effective 31 May 2014 the dairy herd was sold under the terms of a 50:50 sharemilking agreement. At 31 March 2015 the remaining biological assets are carried in the statement of financial position at fair value less costs to sell.

(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 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 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 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 identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(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, as applicable.

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 CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Computer software

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

(iii) Emission Trading Scheme assets

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

(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.

(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 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 a constituent of fair value gains or losses on financial assets in the period in which they arise.

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

(t) Investments and other financial assets

CLASSIFICATION

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

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

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

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. 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 and loss component of the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 and loss component of the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss component of the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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

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

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 statement 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 statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value, using an observable market price.

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

(ii) Assets classified as available for sale
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 and 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 all of the following conditions are met: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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 5 years from the date of receipt (10 years for contributions received prior to 1 September 2011) within which a part or all of the contribution may be refunded to the customer.

(iv) Contracting revenue

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

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

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

(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.

(vi) Interest income

Interest income is recognised as it is earned.

(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.

(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

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

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

There are a number of Standards, Amendments and Interpretations which have been approved. The Group expects to adopt these when they become mandatory. None is expected to result in a material impact on the Group's financial statements.

3 : Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts 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 aging analysis for credit risk.

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

(a) Market risk

(i) Foreign exchange risk

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

At 31 March 2015 and 2014 foreign exchange risk exposure arose primarily in respect of liabilities denominated in US dollars. Both liabilities related to separate contracts for the purchase of materials and equipment which were due for settlement at various dates subsequent to the relevant balance date. The total commitment at 31 March 2015 was US$500,000 (2014: US$792,225). To limit the effect of currency exposure, prior to the 31 March 2015 balance date the Group entered into a series of forward foreign currency contracts for amounts totalling US$555,000 (2014: US$988,225). The contracts remaining at balance date were retranslated at the exchange rate applying at the balance date and adjusted for credit risk. This created an unrealised loss at 31 March 2015 (2014: unrealised loss) which was charged to profit or loss and included in the statement of financial position.

The forward foreign exchange contracts in force at 31 March 2014 were settled during the year ended 31 March 2015 as they fell due.

(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 2015 and 2014, 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 2015, if interest rates had changed by +/- 1% (=100bp) from the average period rate of 4.3% 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 $99,000 higher / lower (2014: $44,000 higher / lower based on an average rate for the period of 3.7%).

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 a reduction/ increase in the fair value derivative loss recognised at balance date of +$6,708,000/ -$7,218,000 respectively (2014: + or - $1,505,000).

(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 Standard & Poor's credit rating of 'A' (or equivalent) 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 any other relevant factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. Customers' credit limits are regularly monitored by management.

Two customers comprised 54% of the Group's total trade accounts receivable as at 31 March 2015 (2014: 58% 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 2015 there were no unrealised gains on interest rate swaps, nor on forward foreign exchange contracts. 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.

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 2015				
Bank overdrafts and loans	9,313	51,357	97,718	–
Other loans	1,633	–	–	–
Trade and other payables	9,333	–	–	–
At 31 March 2015				
Bank overdrafts and loans	5,398	8,164	122,389	15,000
Other loans	1,639	–	–	–
Trade and other payables	6,315	–	–	–

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 2015				
Forward foreign exchange contracts – held for trading				
– inflow	–	–	–	–
– outflow	(2)	–	–	–
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(3,536)	(3,476)	(8,413)	(7,586)
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)

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 assets and liabilities that are measured at fair value. Refer to note 15 for disclosures of generation plant that are measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
At 31 March 2015				
Assets				
Assets at fair value through profit or loss				
– Biological assets	–	546	–	546
– Investment properties	–	365	–	365
Available-for-sale financial assets				
– Equity securities	432	–	–	432
Total assets	**432**	**911**	**–**	**1,343**
Liabilities				
Liabilities at fair value through profit or loss				
– Trading derivatives	–	8,706	–	8,706
Total liabilities	**–**	**8,706**	**–**	**8,706**
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**

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

(e) Financial instruments by category

FINANCIAL ASSETS as per balance sheet	**Loans and receivables** *$'000*	**Assets at fair value through profit or loss** *$'000*	**Available for sale financial assets** *$'000*	**Total** *$'000*
At 31 March 2015				
Trade and other receivables	6,658	–	–	6,658
Available for sale financial assets	–	–	432	432
Other financial assets	546	–	–	546
Cash and cash equivalents	3	–	–	3
	7,207	**–**	**432**	**7,639**
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**

FINANCIAL LIABILITIES as per balance sheet	**Financial liabilities at fair value through profit or loss** *$'000*	**Financial liabilities at amortised cost** *$'000*	**Total** *$'000*
At 31 March 2015			
Borrowings	–	144,360	144,360
Derivative financial instruments	8,706	–	8,706
Trade and other payables	–	9,333	9,333
	8,706	153,693	162,399
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**

4 : Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including future events the expectation of which 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 note17(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 2014 (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 valuation. The first revaluation was undertaken as at 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) methodology 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 ten 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 Group 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. It also evaluates the financial health of, and short-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of $150,000 in its 2015 financial statements (2014: $114,000), being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the profit or loss component of the statement of comprehensive income.

5 : Revenue

From continuing operations	2015 $'000	2014 $'000
Sales revenue		
Electricity line revenue	43,714	41,622
Network line charge discount	(5,104)	(5,018)
Capital contributions	596	490
Electricity sales	14,292	17,495
Contracting	4,969	3,080
Contact centre services	2,029	2,481
Farming income	494	722
	60,990	**60,872**
Other revenue		
Rents and sub-lease rentals	58	59
Interest received	6	2
Dividends	7	3
Other revenue	36	312
	107	**376**
Total revenue from continuing operations	**61,097**	**61,248**

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

6 : Expenses

	2015 $'000	2014 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	3,189	1,559
Employee benefits expense	14,680	15,244
Other expenses	6,778	7,343
Transmission charges	5,637	5,111
	30,284	**29,257**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	6,600	6,124
Generation plant	10,818	5,797
Plant and equipment	1,022	1,091
Vehicles	861	929
Freehold buildings	81	77
Leasehold buildings	74	55
Total depreciation	19,456	14,073
Amortisation		
Software	777	791
Total amortisation	777	791
Total depreciation and amortisation	**20,233**	**14,864**
Net loss (gain) on disposal of property, plant and equipment	(24)	(94)
Rental expense relating to operating leases		
Minimum lease payments	826	789
Employee benefit expense		
Wages and salaries, including restructuring costs and termination benefits (see below)	13,899	14,439
ACC levies and employee medical insurance	396	467
Pension costs - defined contribution plans	385	338
	14,680	**15,244**

Employee benefit expense for the year ended 31 March 2014 included restructuring costs of $346,000. There were no such costs for the year ended 31 March 2015.

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:

(a) Assurance services

	2015 *$'000*	2014 *$'000*
Audit services		
Audit of the financial statements - Deloitte	119	118
Total remuneration for audit services	119	118
Other assurance services		
Audit of regulatory statements - Deloitte	56	63
Total remuneration for other assurance services	56	63
Total remuneration for assurance services	**175**	**181**

7 : Finance costs

	2015 $'000	2014 $'000
Interest and finance charges paid/payable	9,258	8,586
Total finance costs	**9,258**	**8,586**

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

	2015 $'000	2014 $'000
Net gain (loss) on interest rate swaps	(5,365)	6,675
Net gain (loss) on forward foreign currency contracts	72	(61)
Fair value adjustment to investment property	–	28
	(5,293)	**6,642**

(a) Revaluation of investment property

The investment properties were revalued as at 31 March 2015. This gave rise to no change to the previous carrying value.

9 : Income tax expense

(a) Income tax expense

	2015 $'000	2014 $'000
Current tax		
Current tax on profits for the year	2,104	2,291
Adjustments in respect of prior years	95	5
Total current tax	**2,199**	**2,296**
Deferred tax		
Origination and reversal of temporary differences	(3,378)	1,814
Under (over) provided in prior years	108	11
Total deferred tax	**(3,270)**	**1,825**
Income tax expense	**(1,071)**	**4,121**
Profit (loss) from continuing operations	(1,071)	4,121
Aggregate income tax expense	**(1,071)**	**4,121**
Deferred income tax expense (benefit) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets *(note 21)*	(10)	(1)
Increase (decrease) in deferred tax liabilities *(note 28)*	(3,260)	1,826
	(3,270)	**1,825**

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

	2015 $'000	2014 $'000
(Loss) profit from continuing operations before income tax expense	(3,971)	15,183
Tax at the New Zealand tax rate of 28% (2014: 28%)	(1,112)	4,251
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
– Non-deductible expenditure	5	11
– Income not subject to tax	(167)	(144)
Adjustment in respect of prior years	203	16
Tax losses utilised	–	(13)
Income tax expense	**(1,071)**	**4,121**

(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
At 31 March 2015			
Revaluation of generation plant	78,015	(21,844)	56,171
Other comprehensive income	–	–	–
At 31 March 2014			
Revaluation of generation plant	78,015	(21,844)	56,171
Other comprehensive income	**78,015**	**(21,844)**	**56,171**

10 : Current assets – Cash and cash equivalents

	2015 *$'000*	2014 *$'000*
Cash on hand	1	1
Bank balances	2	4
	3	**5**

(a) Reconciliation to cash at the balance date

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

	2015 *$'000*	2014 *$'000*
Balances as above	3	5
Bank overdrafts *(note 23)*	(31)	(156)
Cash and cash equivalents	**(28)**	**(151)**

(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.

11 : Current assets – Receivables

	2015 *$'000*	2014 *$'000*
Net trade receivables		
Trade debtors	6,776	6,648
GST receivable	254	–
Provision for doubtful receivables	(372)	(209)
Net trade receivables	**6,658**	**6,439**
Prepayments		
Sundry prepayments	758	989
Accrued income	29	194
	787	**1,183**
Total current receivables	**7,445**	**7,622**

(a) Impaired receivables

At 31 March 2015 current trade receivables of the Group with a nominal value of $372,000 (2014: $209,000) were impaired. These were provided for in full. The ageing of these impaired receivables is as follows:

	2015 *$'000*	2014 *$'000*
1 to 3 months	116	98
More than 3 months	256	111
	372	**209**

At 31 March 2015, trade receivables of the Group of $267,000 (2014: $296,000) 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:

	2015 *$'000*	2014 *$'000*
1 to 3 months	178	277
More than 3 months	89	19
	267	**296**

Movements on the provision for impairment of trade receivables are as follows:

	2015 *$'000*	2014 *$'000*
At 1 April	209	206
Provision for impairment arising during the year	157	12
Charge (credit) to profit and loss during the period	6	(9)
At 31 March	**372**	**209**

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

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

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At 31 March 2015 the Group held bonds from two electricity retailers for $112,000 (2014: one bond from one electricity retailer for $28,750) under the terms of its Use of Systems Agreements. The Group does does not hold any other collateral as security. Refer to note 3 for more information on the Group's risk management policy.

12 : Current assets – Inventories

	2015 *$'000*	2014 *$'000*
Raw materials		
Raw materials at cost	774	1,450
Construction work in progress		
Contract costs incurred and recognised profits less recognised losses	99	303
Progress billing	(604)	(770)
	269	**983**

13 : Current assets – Current tax benefit

	2015 *$'000*	2014 *$'000*
Excess of tax paid for current period over amount due	6	3
Tax benefit of losses	159	41
	165	**44**

14 : Current assets – Intangible assets

	2015 *$'000*	2014 *$'000*
Emission Trading Scheme Units	546	461
	546	**461**

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 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.

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

	Distribution system $'000	Capital work in progress $'000	Generation plant $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Total $'000
Year ended 31 March 2015									
Opening net book amount	163,698	12,345	147,640	3,357	3,976	7,132	2,717	303	341,168
Additions	17,628	8,871	3,453	492	936	976	562	54	32,972
Disposals	–	–	(1)	(86)	(1,256)	–	–	–	(1,343)
Transfers & reclassifications	7,794	(8,547)	585	–	–	–	–	–	(168)
Depreciation charge	(6,600)	–	(10,818)	(1,022)	(861)	–	(81)	(74)	(19,456)
Depreciation released on disposals	–	–	–	62	942	–	–	–	1,004
Closing net book amount	**182,520**	**12,669**	**140,859**	**2,803**	**3,737**	**8,108**	**3,198**	**283**	**354,177**
At 31 March 2015									
Cost	237,383	12,669	4,856	10,311	9,465	8,108	4,041	493	287,326
Valuation	–	–	146,822	–	–	–	–	–	146,822
Accumulated depreciation	(54,863)	–	(10,819)	(7,508)	(5,728)	–	(843)	(210)	(79,971)
Net book amount	**182,520**	**12,669**	**140,859**	**2,803**	**3,737**	**8,108**	**3,198**	**283**	**354,177**
At 1 April 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**
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 & 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**

(a) 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 31).

In setting the 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 was a non-cash revaluation, it was appropriately excluded from the cash flow statement for the year ended 31 March 2014.

If the accounting policy had not been changed and the generation plant had continued to be accounted for at historic cost, the net book value of this class of assets would be $68,549,000 at 31 March 2015 (at 31 March 2014: $69,625,000).

(b) Recurring fair value measurements using significant unobservable inputs (Level 3)

	Generation Plant *$'000*
Year to 31 March 2015	
Opening balance	146,822
Closing balance	**146,822**
Year to 31 March 2014	
Carrying value under the cost basis at 31 March 2014	68,807
Net revaluation gain recognised in other comprehensive income	78,015
Closing balance	**146,822**

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

(c) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 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 were 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 were performed using unobservable inputs. The external valuers determined these inputs based on: historical and projected electricity output data; the projected wholesale electricity price path; and operating, maintenance and capital expenditure projections.

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

Description	Fair value at 31 March 2015 *($'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, 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.

(e) 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 2015 was $370,000 (2014: $496,000).

Interest capitalised was at the average rate of 4.3% for the year ended 31 March 2015 (2014: 3.7%).

16 : Non-current assets – Investment properties

	2015 *$'000*	2014 *$'000*
At fair value		
Opening balance at 1 April	**665**	**–**
Acquisitions	–	637
Net gain (loss) from fair value adjustment	–	28
Transfer (to) from inventories and owner occupied property	(300)	–
Closing balance at 31 March	**365**	**665**

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

	2015 *$'000*	2014 *$'000*
Rental income	28	27
Direct operating expenses from property that generated rental income	(18)	(20)
Net surplus	**10**	**7**

(b) Valuation basis

The investment properties were valued as at 31 March 2015 by Telfer Young, registered valuers and associates of the New Zealand Institute of Valuers, at a total value of $365,000. 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.

The change in the total valuation amount since the previous valuation at September 2013 is due primarily to a change of use for one of the investment properties on 1 June 2014. That property had previously been let to tenants for residential purposes, but on 1 June 2014 it reverted to being used in the Group's farming operations. Consequently it was reclassified to freehold buildings at its fair value ($300,000) at that point.

(c) Leasing arrangements

The investment properties at 31 March 2015 comprise two dwellings (at 31 March 2014: 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 both of the properties were tenanted.

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

17 : Non-current assets – Intangible assets

	Goodwill $'000	Computer software $'000	Easements $'000	Total $'000
Year ended 31 March 2015				
Opening net book amount	811	1,194	1,995	4,000
Additions	–	279	14	293
Transfers and reclassifications	–	–	168	168
Amortisation charge	–	(777)	–	(777)
Closing net book amount	**811**	**696**	**2,177**	**3,684**
At 31 March 2015				
Cost	811	4,804	2,177	7,792
Accumulated amortisation	–	(4,108)	–	(4,108)
Net book amount	**811**	**696**	**2,177**	**3,684**
At 1 April 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**

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Generation Ltd $'000	Ngawha Properties Ltd $'000	Total $'000
At 31 March 2015			
Cost at 1 April 2014	811	–	811
Additions	–	–	–
At 31 March 2015	**811**	**–**	**811**
At 31 March 2014			
Cost at 1 April 2013	684	–	684
Additions	–	127	127
Transfer on amalgamation	127	(127)	–
At 31 March 2014	**811**	**–**	**81**

Goodwill arose 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 was 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 8.4% (2014: 8.5%). At 31 March 2015 and 2014 the calculations support the carrying amounts of recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculations would not cause the current carrying amount to exceed its recoverable amount.

18 : Non-current assets – Biological assets

Through its subsidiary Grazing North Ltd, the Group purchased a farm and commenced running a dairy farming operation on the land in May 2013.

There is also an area of growing timber on the farm's land. On 31 May 2014 the dairy herd was sold to an independent party under the terms of a 50:50 sharemilking agreement that took effect from 1 June 2014. The sale price was calculated at open market value.

Top Energy Ltd has also owned an area of forestry for many years.

Movements in these assets are as follows:

	2015 *$'000*	2014 *$'000*
Carrying amount at 1 April	938	457
Purchases	–	434
Gain / (loss) arising from changes in fair value less estimated costs to sell	58	47
Disposals	(450)	–
Carrying amount at 31 March	**546**	**938**

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 55 hectares of forestry plantation with an estimated market value of $492,000.

At 31 March 2015 the Group's biological assets comprised 55 hectares of forestry plantation with an estimated market value of $546,000.

The fair value less estimated costs to sell of the dairy herd was 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 forestry plantation has been determined in accordance with an independent valuation performed at 31 March 2015 by Crighton Anderson Property & Infrastructure Ltd in respect of 49 of the 55 hectares. The balance of 6 hectares is included at cost on the basis that the fair value has not changed materially since it was acquired in May 2013.

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 is 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.

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

	2015 *$'000*	2014 *$'000*
At 1 April	399	–
Additions	69	513
Net (losses) transferred to equity	(36)	(114)
At 31 March	**432**	**399**

The available-for-sale financial assets at 31 March 2015 comprise 77,500 shares (2014: 66,000 shares) in Fonterra Co-operative Group Ltd ('Fonterra'). Fonterra's shares are quoted on the New Zealand stock exchange. 66,000 of 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. Consequently, the Group made further purchases of 11,500 shares during the current year in order to meet its obligations.

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.

20 : Derivative financial instruments

	2015 *$'000*	2014 *$'000*
Non-current assets		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	–	505
Total derivative financial instrument assets	**–**	**505**
Current liabilities		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	2	61
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	1,776	1,911
Total current derivative financial instrument liabilities	**1,778**	**1,972**
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	6,928	1,933
Total non-current derivative financial instrument liabilities	6,928	1,933
Total derivative financial instrument liabilities	**8,706**	**3,905**
Net (liabilities) in relation to derivative financial instruments	**(8,706)**	**(3,400)**

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$1,226,000. 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$915,000. Those remaining contracts matured and were settled during the year ended 31 March 2015.

During the year ended 31 March 2015 Top Energy Ltd entered into a further series of forward foreign exchange contracts denominated in US Dollars in respect of equipment required for a network substation. The original principal amount was US$550,000 which, at the committed contract exchange rates, equated to NZ$759,000. When translated at the closing spot rate on 31 March 2015, the NZ Dollar equivalent of the remaining US Dollar commitment (US$500,000) was NZ$685,000. The remaining contracts mature at various dates up to December 2015.

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

(ii) Interest rate swaps

Top Energy Ltd has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates in respect of the notional principal amount of each contract. At 31 March 2015 the notional principal amount of current contracts totalled $166,000,000 (31 March 2014: $129,000,000).

At 31 March 2015 the Parent had committed to enter into 6 contracts, with a total notional principal value of $37,000,000, to replace future maturing contracts. At 31 March 2014 the Parent had not committed to enter into any further contracts to replace future maturing contracts.

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

(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).

21 : Non-current assets – Deferred tax assets

	2015 *$'000*	2014 *$'000*
The balance comprises temporary differences attributable to:		
Fixed assets	24	7
Employee benefits	16	16
Doubtful debts	5	4
Non-deductible provisions	1	9
Total deferred tax assets	**46**	**36**
Movements		
Balance at 1 April	36	37
Credited / (charged) to the income statement	10	(1)
Balance at 31 March	**46**	**36**
Expected settlement		
Deferred tax assets to be recovered within 12 months	22	29
Deferred tax assets to be recovered after more than 12 months	24	7
	46	**36**

22 : Current liabilities – Payables

	2015 *$'000*	2014 *$'000*
Trade payables	6,083	3,256
GST payable	–	322
ACC levies, PAYE and other payroll taxes	291	316
Payroll creditors	1,407	970
Accruals	1,552	1,779
	9,333	**6,643**

(a) Foreign currency risk

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

23 : Current liabilities – Interest-bearing liabilities

	2015 *$'000*	2014 *$'000*
Bank overdrafts	31	156
Total interest bearing bank borrowings	**31**	**156**
Loan from parent entity	1,554	1,558
Total other interest bearing borrowings	**1,554**	**1,558**
Total current interest bearing borrowings	**1,585**	**1,714**

The bank loans and overdraft of the Parent entity and subsidiaries are subject to a negative pledge in favour of the Bank of New Zealand Ltd. Further details are provided at note 26.

24 : Current liabilities – Current tax liabilities

	2015 *$'000*	2014 *$'000*
Income tax payable	1,080	682
	1,080	**682**

25 : Current liabilities – Provisions

	2015 *$'000*	2014 *$'000*
Employee benefits	352	315
	352	**315**

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 27). 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.

26 : Non-current liabilities – Interest-bearing liabilities

	2015 *$'000*	2014 *$'000*
Bank loans	142,775	133,435
Total non-current interest bearing liabilities	**142,775**	**133,435**

(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 prior to 31 March 2014) are as follows:

	2015 *$'000*	2014 *$'000*
Bank overdrafts and bank loans	142,806	133,591
Total liabilities covered by the negative pledge	**142,806**	**133,591**

(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 2015. The negative pledge states that the Guaranteeing Group will not provide security over 2% or greater of its total tangible assets to a third party in preference to the Bank of New Zealand Limited and will ensure that the following financial ratios are met:

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

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

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

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

27 : Non-current liabilities – Provisions

	2015 *$'000*	2014 *$'000*
Employee benefits	124	127
	124	**127**

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.

28 : Non-current liabilities – Deferred tax liabilities

	2015 *$'000*	2014 *$'000*
The balance comprises temporary differences attributable to:		
Property, plant and equipment	45,693	47,372
Intangible assets	55	54
Financial assets at fair value through profit or loss	(2,437)	(952)
Other temporary differences	(528)	(431)
Net deferred tax liabilities	**42,783**	**46,043**
Movements		
Balance at 1 April	46,043	22,373
Charged / (credited) to profit or loss	(3,260)	1,826
Tax charged/(credited) directly to equity *(note 9)*	–	21,844
Closing balance at 31 March	**42,783**	**46,043**
Expected maturity of deferred tax liabilities		
Within 12 months	(1,025)	(831)
In excess of 12 months	43,808	46,874
	42,783	**46,043**

29 : Imputation credits

	2015 *$'000*	2014 *$'000*
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2014: 28%)	4,431	2,381

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 that group jointly.

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

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

30 : Contributed equity

(a) Share capital

	2015 *Shares*	2014 *Shares*	**2015** *$'000*	2014 *$'000*
Ordinary shares				
Authorised, issued and fully paid	25,000,000	25,000,000	25,267	25,267
	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 the current Chair of the Trustees of the Top Energy Consumer Trust, for the benefit of those electricity customers who are connected to the Company's distribution network.

(c) Capital risk management

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

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

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

Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the statement of financial position) less cash and cash equivalents.

Total capital is calculated as 'equity' as shown in the statement of financial position (excluding minority interest) plus net debt. Total capital excludes the valuation of derivatives at balance date.

During the years ended 31 March 2015 and 2014 the Group's strategy was to maintain a gearing ratio of less than 60%. The gearing ratios at 31 March 2015 and 31 March 2014 were as follows:

	2015 *$'000*	2014 *$'000*
Total borrowings	145,455	136,144
Less: cash and cash equivalents *(note 10)*	(3)	(5)
Net debt	145,452	136,139
Total equity	**160,941**	**163,962**
Exclude: derivatives at valuation	8,706	3,400
Exclude: available-for-sale financial assets cumulative valuation movement	150	114
Total capital	**315,249**	**303,615**
Gearing ratio	**46.1%**	**44.8%**

31 : Reserves and retained earnings

(a) Reserves

	2015 $'000	2014 $'000
Property, plant and equipment revaluation reserve	52,058	56,171
Available-for-sale investments revaluation reserve	(150)	(114)
	51,908	**56,057**
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	56,171	–
Revaluation - gross surplus	–	78,015
Deferred tax arising on revaluation	–	(21,844)
Depreciation transfer - gross	(5,711)	–
Deferred tax on the amount released from reserve	1,598	–
Balance at 31 March	**52,058**	**56,171**
Available-for-sale investments revaluation reserve		
Balance at 1 April	(114)	–
Fair value gains / (losses) in year	(36)	(114)
Balance at 31 March	**(150)**	**(114)**

(b) Retained earnings

Movements in retained earnings were as follows:

	2015 $'000	2014 $'000
Balance at 1 April	82,638	71,672
Net profit (loss) for the year	(2,900)	11,051
Dividends	(85)	(85)
Net transfer from revaluation reserve	4,112	–
Balance at 31 March	83,765	82,638

32 : Non-controlling interest

	2015 $'000	2014 $'000
Interest in:		
– Share capital	–	100
– Retained profits	–	73
Deduct: purchase of non-controlling interest by Top Energy Ltd	–	(173)
	–	**–**
Movements in the non-controlling interest were as follows:		
Balance at 1 April	–	162
Minority's interest in the profits of Ngawha Properties Limited	–	11
Purchase of non-controlling interest by Top Energy Ltd	–	(173)
Balance at 31 March	**–**	**–**

The non-controlling interest comprised an 11.1% shareholding in Ngawha Properties Ltd that had 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 related to the period from 1 April 2013 until 30 November 2013, in accordance with the accounting treatment set out in note 2(b)(i).

33 : Dividends

(a) Ordinary shares

	2015 $'000	2014 $'000
Dividend of 0.34 cents per ordinary share paid on 31 March 2015	85	–
Dividend of 0.34 cents per ordinary share paid on 28 March 2014	–	85
Total dividends provided for or paid	**85**	**85**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 31 March 2015 and 28 March 2014 were not imputed.

34 : Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2015:

(i) Chairman – non-executive

- Mr Paul Byrnes

(ii) Other non-executive directors

- Mr Michael Simm (Deputy Chairman) (resigned 24 June 2014)
- Mr Alexander Ball (appointed 24 June 2014; resigned 30 July 2014)
- Mr Andrew Kelleher (resigned 30 April 2014)
- Mr Richard Krogh
- Mr Gregory Steed
- Mr Paul White
- Mr Simon Young (appointed 24 June 2014)

(iii) Directors of other Group companies

Details of other directorships within the Group and of appointments and resignations during the year ended 31 March 2015 are as follows:

- **Dr Robert Kirkpatrick** served as the independent director of Ngawha Generation Limited throughout the year ended 31 March 2015.
- **Mr Russell Shaw** and **Mr Steven James** served as directors of Grazing North Ltd throughout the year ended 31 March 2015.
- **Mr Peter Castle** was appointed as a director of Kaikohe Land Holdings Ltd on its incorporation on 9 April 2014. He resigned as a director on 7 August 2014.
- **Mr Andrew Kelleher** resigned as a director of Top Energy Ltd, Ngawha Generation Ltd and Phone Plus 2000 Ltd on 30 April 2014.
- **Mr Michael Simm** resigned as a director of Top Energy Ltd, Ngawha Generation Ltd and Phone Plus 2000 Ltd on 24 June 2014.
- **Mr Alexander Ball** was appointed as a director of Top Energy Ltd, Ngawha Generation Ltd and Phone Plus 2000 Ltd on 24 June 2014. Due to a conflict of interest which arose subsequent to his appointment, he resigned from all three directorships on 30 July 2014.
- **Mr Simon Young** was appointed as a director of Top Energy Ltd, Ngawha Generation Ltd and Phone Plus 2000 Ltd on 24 June 2014.
- **Mr Russell Shaw** and **Mr Steven James** were appointed as directors of Kaikohe Land Holdings Ltd on 7 August 2014. They ceased to be directors when that company was amalgamated into Ngawha Generation Ltd on 30 September 2014.
- **Mr Russell Shaw** was appointed as a director of Ngawha Generation Ltd on 28 October 2014.

(iv) Subsequent appointments

- **Mr James Parsons** was appointed as a non-executive director of Top Energy Ltd, Ngawha Generation Ltd, Phone Plus 2000 Ltd and Grazing North Ltd on 1 April 2015.

(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 $
2015							
A Ball (from 24.6.2014 to 30.7.2014)	13,184	–	–	–	–	–	13,184
P Byrnes	82,575	–	–	–	–	–	82,575
A Kelleher (to 30.4.2014)	4,021	–	–	–	–	–	4,021
R Krogh	44,000	–	–	–	–	–	44,000
M Simm (to 24.6.2014)	12,650	–	–	–	–	–	12,650
G Steed	49,646	–	–	–	–	–	49,646
P White	44,000	–	–	–	–	–	44,000
S Young (from 24.6.2014)	40,458	–	–	–	–	–	40,458
Total	**290,534**	**–**	**–**	**–**	**–**	**–**	**290,534**
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**

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 $44,000 in his capacity as Independent Director for Ngawha Generation Ltd for the year ended 31 March 2015 (2014: $41,375).

Sir Graham Latimer received fees of $4,583 in respect of his directorship of Ngawha Properties Ltd for the period ended 4 February 2014.

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

Mr Russell Shaw was not remunerated in respect of his directorship of Ngawha Generation Ltd.

Mr Peter Castle was not remunerated in respect of his directorship of Kaikohe Land Holdings Ltd.

(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.

A G Ball : At appointment, a director of Alex Ball Consulting Ltd, Astus Services Group New Zealand Ltd, The Lines Company Ltd and Waterfall Capital Ltd. Also a member of the advisory board of Propellorhead Ltd and Practice Leader, Transformation and Risk and Chief of Staff of Internal Consulting Group NZ.

P A Byrnes : Appointed a director of Oxford Finance Ltd, Smart Group Services Ltd, Turners Finance Ltd, Turners Fleet Ltd, Turners International Holdings Ltd, Turners Smart Autocentre Ltd and Turners Technology Solutions Ltd. Resigned as a director of STM Group NZ Ltd.

A M Kelleher : No changes

E R Krogh : No changes

M W Simm : No changes

G M Steed : No changes

P I White : Appointed Chairman of Ngai Tupoto ki Motukaraka Ahuwhenua Trust and appointed a director of TRTTK Ltd.

S V Young : At appointment, a director of Carbon One Ltd, Jimmi Ltd, Jimmi Holdings Ltd, Jimmi Interests Ltd, Opunake Hydro Holdings Ltd, Smith & Young Nominees Ltd, The Karo Group Ltd and The Lines Company Ltd. Also General Manager of Opunake Hydro Ltd. Subsequently appointed a director of Utilise Ltd (a subsidiary of Opunake Hydro Ltd).

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 P White and Mr S Young, directors of Top Energy Ltd, Mr S James and Mr R Shaw, directors of certain other Group companies, 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 37.

35 : Contingencies

As at 31 March 2015 and 2014, a "Guaranteeing Group" had executed a deed of pledge in favour of the Bank of New Zealand Limited. The Guaranteeing Group comprises all Group companies except for Ngawha Properties Ltd (prior to its amalgamation into Ngawha Generation Ltd).

The deed of pledge imposes a liability on each subsidiary company within the Group, whereby each subsidiary is liable to repay the total debt of the Group should the Parent, as primary borrower, fail to meet its obligations under the funding agreement.

The 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 2015 the total value of contingent obligations entered into by the Group was $941,000 (2014: $600,000) and the total value of contingent receivables from third parties was $661,000 (2014: $528,000).

The Group entered into a leasing contract for office equipment during the year ended 31 March 2015. Under the terms of the contract, early cancellation charges would apply. If the Group were to terminate the contract at the balance date, the maximum liability in respect of early cancellation charges would be $104,000. It is not the Group's intention to terminate the contract prior to its normal expiry date.

Contingency 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.

36 : Commitments

(a) Capital commitments

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

	2015 *$'000*	2014 *$'000*
Property, plant and equipment	963	3,373
	963	**3,373**

(b) Operating leases

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

	2015 *$'000*	2014 *$'000*
Within one year	620	633
Later than one year but not later than five years	2,088	2,201
Later than five years	1,442	1,746
Commitments not recognised in the financial statements	**4,150**	**4,580**

37 : 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 2015 (2014: $85,000). These dividends were to assist with the Trust's running costs. The Company continued to pay interest to the Trust on the balance of funds loaned, totalling $65,000 in the year ended 31 March 2015 (2014: $56,000).

As at 31 March 2015, a balance of $1,554,000 was owed by the Company to the Trust (31 March 2014: $1,558,000) 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 34.

(c) Key management personnel remuneration

	Short-term benefits *$'000*	Post-employment benefits *$'000*	Other long-term benefits *$'000*	Termination benefits *$'000*	Total *$'000*
Year ended 31 March 2015	**3,990**	**50**	**37**	**84**	**4,161**
Year ended 31 March 2014	3,657	33	35	19	3,744

There were no contracts for share-based payments during the years ended 31 March 2015 and 2014

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

Communications to the value of $3,850 (2014: $12,800). Angela Shaw Communications is the business vehicle of Mrs Angela Shaw, who is a related party to the Group's CEO, Mr Russell Shaw. Mr Shaw is also a director of two companies within the Group.

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 2015 (2014: none).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 39. All transactions between the Parent and its subsidiaries are made on normal business terms and have been eliminated on consolidation.

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

Movements in the loan were as follows:

	2015 *$'000*	2014 *$'000*
Balance at 1 April	1,558	1,528
Loan advanced from the Trust	85	85
Loan repaid to the Trust	(89)	(55)
Balance at 31 March	**1,554**	**1,558**

(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 at 31 March 2015. The negative pledge states that the Guaranteeing Group will not provide any security over 2% or greater of its total tangible assets to a third party in preference to the Bank of New Zealand Ltd, and will ensure that various financial ratios are maintained. Further details of those financial ratios are given at note 26.

(h) Terms and conditions

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

38 : Business combinations

(a) Summary of acquisition

The Group formed a subsidiary company on 9 April 2014 called Kaikohe Land Holdings Ltd. Kaikohe Land Holdings Ltd was used as a vehicle for the purchase of various parcels of land. Once the purchases had been made, Kaikohe Land Holdings Ltd had no further use and the directors resolved that it be amalgamated with its direct parent, Ngawha Generation Ltd. The amalgamation occurred on 30 September 2014.

(b) Amalgamations

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.

On 30 September 2014 Kaikohe Land Holdings Ltd was amalgamated into Ngawha Generation Ltd using the short-form amalgamation process under the Companies Act 1993. At the date of amalgamation, Kaikohe Land Holdings Ltd was a wholly owned subsidiary of Ngawha Generation Ltd. Under the amalgamation, Ngawha Generation Ltd took control of all of the assets of Kaikohe Land Holdings Ltd and assumed responsibility for its liabilities. Kaikohe Land Holdings Ltd has been removed from the New Zealand register of companies.

39 : Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2015:

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 non-controlling interests %
Grazing North Ltd	New Zealand	Farming	100	–
Ngawha Generation Ltd	New Zealand	Electricity generation	100	–
Phone Plus 2000 Ltd	New Zealand	Call centre services	100	–

The companies listed above are directly-held subsidiaries of Top Energy Ltd.

All subsidiary undertakings are included in the consolidation. The proportions of the voting rights in the subsidiary undertakings held directly by the Parent company do not differ from the proportion of ordinary shares held.

Ngawha Properties Ltd and Kaikohe Land Holdings Ltd were amalgamated into Ngawha Generation Ltd on 31 March 2014 and 30 September 2014 respectively and were removed from the register of New Zealand companies. Consequently those companies are not included in the table above.

The non-controlling interest in Ngawha Properties Ltd was not material to the Group during the period 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).

40 : Events occurring after the reporting period

As detailed in note 34 above, on 1 April 2015 Mr James Parsons was appointed as a non-executive director of all companies within the Group.

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

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

	2015 *$'000*	2014 *$'000*
Profit for the year	**(2,900)**	**11,062**
Adjustments made for:		
Depreciation and amortisation	20,233	14,864
Net loss (gain) on sale of non-current assets	(24)	(94)
Fair value (gain) loss on biological assets	(58)	(47)
Movement in provision for doubtful debts	163	3
Fair value (gains) / losses on other financial assets at fair value through profit or loss	5,306	(6,642)
Changes in working capital:		
Decrease (increase) in trade debtors	(128)	145
Decrease (increase) in inventories	714	24
Decrease (increase) in other operating assets	311	(369)
Increase (decrease) in trade creditors	2,255	(1,238)
Increase (decrease) in other operating liabilities	214	(330)
Increase (decrease) in income taxes payable	277	1,977
Increase (decrease) in provision for deferred income tax	(3,270)	1,827
Net cash inflow from operating activities	**23,093**	**21,182**

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
TOP ENERGY LIMITED GROUP'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015

The Auditor-General is the auditor of Top Energy Limited group and its subsidiaries and other controlled entities. 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 the statement of service performance of the group, consisting of Top Energy Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Group on pages 27 to 67, that comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on page 11.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2015; and
    - its financial performance and cash flows for the year then ended; and
  - have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards.
- the statement of service performance of the Group:
  - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
  - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 16 June 2015. 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 the statement of service performance 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 the statement of service performance. 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 in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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 the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

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

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 the preparation and fair presentation of financial statements and a statement of service performance for the Group, in accordance with New Zealand Equivalents to International Financial Reporting Standards and generally accepted accounting practice.

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 service performance 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 the statement of service performance, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance 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 services, we have no relationship with or interests in the Group.

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

DIRECTORY

Executive Team, Top Energy Group

Chief Executive Officer	Russell Shaw
General Managers	
– ***Network***	David Worsfold
– ***Contracting Services***	Richard Watt
– ***Corporate Services***	Steven James
– ***Finance***	Paul Doherty
– ***Phone Plus***	Kathryn Starr

Top Energy Group

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