TOP ENERGY®
Te Puna Hihiko

ANNUAL REPORT 2015/16

Contents

About
TOP ENERGY

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

With operations throughout the Far North, 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**.*

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 $377 million and employs over 170 staff.

Ngawha Geothermal Power Station

CHAIRMAN'S
Report

Photo: Steve Macmillan

Top Energy Limited recorded a 4.5% lift in EBITDAF earnings for the year to 31 March 2016, which was 5% above budget. The Board remained fully engaged in health and safety programmes designed to embed the safety culture required to provide a safe work environment for all staff. Service levels delivered to customers improved over last year's levels, but not to the extent forecast. Resource consents for an additional 50 MW of generation at the Ngawha geothermal plant were granted. The Phone Plus call centre business was sold in a management buyout arrangement that provides some protection for local employment.

Group Earnings

Earnings Before Interest, Tax, Depreciation, Amortisation and Fair Value Movements were $32.6 million, an increase of $1.4 million over last year. Once again, the revaluation of derivatives relating to interest rate swaps produced a significant non-cash loss of $5.6 million. The depreciation charge for the year reduced by $4.3 million because of new resource consents being issued that extended the term over which the current plant is depreciated. Finance costs remained in line with last year, with some interest rate reductions offsetting the higher bank facility utilisation. A Net Profit after Tax of $1.7 million was recorded for the year compared to a loss of $2.9 million recorded last year. The financial performance indicators incorporated in the Statement of Corporate Intent all exceeded both the targets for the year to 31 March 2016 and the actual results for the previous year. The return on investment for the group (before discounts and derivative fair value adjustment) was 6.0% compared with 5.3% for the previous year.

A Net Profit after Tax of $1.7 million was recorded for the year compared to a loss of $2.9 million recorded last year.

Health and Safety

This is a key focus throughout the Group, and the new health and safety legislation has ensured that our commitment to the safest work environment remains at the highest possible level. In the year to 31 March 2016, we experienced one 'slip and trip' injury, which unfortunately resulted in a broken bone and the staff member being unable to work for a period. One lost time injury was also recorded in the previous financial year. However, no other medical treatment injuries occurred this year; this compares with nine medical treatment injuries in the previous financial year.

Service Levels

An "average" consumer lost 462 minutes (as measured by the SAIDI methodology and adjusted for major event days) of service. This is an improvement on the previous year's 600 SAIDI minutes, but is well above the target for the year of 324 SAIDI minutes. Significant weather events remain the biggest challenge in maintaining supply. We continue to devote appropriate spending and resources to vegetation control to mitigate effects of falling trees and broken branches in stormy weather conditions.

Significant weather events remain the biggest challenge in maintaining supply.

TE 2020 Network Investment Project

This project, to construct the second 110kV transmission line between Kaikohe and Kaitaia around the eastern coastline, has progressed at a slower pace because of delays in securing property rights. The final stage of the project requires us to reach agreement with 95 individual landowners for access rights across their properties. A number of them are either not willing to negotiate with us or do not agree with the amount of compensation offered for registration of an easement to ensure security of the line. At the end of the financial year, we had four applications with the Minister of Land Information to grant access rights by compulsory acquisition. Some further applications are expected to be lodged during the financial year to 31 March 2017. The delays inherent in the process have resulted in a later revised commissioning date of the 110kV transmission line, now 2025. Nevertheless, security and reliability will benefit from investments to date in strengthening the lines supply in the southern area.

Ngawha Expansion

The granting of 50MW consents for Ngawha expansion in February 2016 was an excellent outcome for the group and reflected a well prepared and technically sound case presented by management and our expert advisers. After lodging our consent applications, we were able to purchase a block of land that will significantly reduce the capital cost, enable greater operational efficiency of the plant expansion of two 25MW stations and have the advantage of lower environmental impacts. We have applied to the Environment Court to vary some of the locational aspects of the consents. An additional cost of approximately $1 million is involved but the savings will more than justify this cost.

The granting of 50MW consents for Ngawha expansion in February 2016 was an excellent outcome for the group.

Transpower Transmission Revenue

After the financial year ended, the Electricity Authority released a proposal to reallocate the transmission revenue earned by Transpower in their operation of the national grid. The current proposal would increase line charges for our Far North consumers by approximately $5 million per annum. The additional costs could be partly offset, over time, by increased generation at Ngawha. We are evaluating the proposed Electricity Authority transmission pricing methodology so we can make submissions to reduce or eliminate the impact of this radical and complex change to the current market pricing.

Top Energy Board

Murray Bain was appointed to the Board on 1 May 2016. Murray brings a wealth of knowledge as a company director, with experience in the power industry, banking and finance, risk management and strategic planning. He will be appointed chairman of the Top Energy Board at the Annual General Meeting in June 2016.

Thanks

On behalf of the Board, I wish to record our appreciation for the diligence and ongoing commitment of all Top Energy staff over the last year. The result has been another excellent outcome for the Top Energy Group. As I will be standing down as Chairman and director at the Annual General Meeting in June 2016, I would also like to thank my fellow directors and senior management for the tremendous support I have always enjoyed over my 10 years as Chairman of Top Energy. It has been a privilege to work through challenging and ultimately rewarding opportunities with such a high-calibre team.

Paul Byrnes
Chairman

OUR **DIRECTORS**

Directors receive training on the health and safety aspects of various equipment.

Passing the Baton

As we publish this Annual Report, the Group's Chairman will retire as a director; after 19 years, 10 of those as Chairman. Paul Byrnes was first appointed as a director in July 1997 and became Chair in 2006.

Paul Byrnes was first appointed as a director in July 1997 and became Chair in 2006.

During Paul's time on the Board, the Group has paid out over $82m as dividends or line charge rebates to the people of the Far North. When he became Chairman the Group was worth $88m. As he retires, the Group value exceeds $162m and is set to increase significantly with the recent granting of the additional consents for the Ngawha geothermal power project. Current projections are for the Group asset value to approach $750m in the foreseeable future. This will make Top Energy the largest commercial business in the Far North, by far – and all owned by the people of the Far North!

Paul joined the Group not long before the first 10MW generation plant was commissioned at Ngawha. Since then the Ngawha plant has been expanded to add a further 15MW to its capacity. The resource consents just obtained will add two additional 25MW stations, construction spread over about 5 years, potentially making the Far North an exporter of power, all the time. Paul's financial background and expertise has assisted the Group to be able to build these assets using only the resources of the Group.

All the members of the Group wish Paul all the very best in whatever the future brings and want to acknowledge his tremendous contribution to the Far North community.

Paul's position as Chairman will be taken by Murray Bain.

Murray has a long history in banking, having been at one time an Assistant Governor of the Reserve Bank and currently Deputy Chair of TSB Bank Ltd. He is also chair of the Open Polytechnic and has, until recently, been a director of Powerco, the second largest lines company in New Zealand. In addition, he has filled Chief Executive and senior executive positions with organisations like Trust Bank NZ, ACC and the Ministry of Science and Innovation.

Murray and Anna own and operate a premium retreat in Kerikeri.

About our Directors

Paul Byrnes

Paul is a professional director and business consultant and in recent years has been the Chief Executive of NZX listed Turners Group and an independent director of NZX listed Hellaby Holdings.

Paul is a qualified accountant.

Having served as a Top Energy director for 19 years, ten of those as Chairman, Paul will be standing down at the June 2016 AGM.

Paul White

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

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

Paul has been a director since May 2010.

Greg Steed

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

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

Robert Kirkpatrick (Dr)

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

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

Simon Young

Simon is currently the General Manager of Opunake Hydro and is also a director of the Lines Company Ltd.

Simon has been a director since June 2014.

James Parsons

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

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

Richard Krogh

Richard is a chartered professional director, holding directorships in a number of energy related organisations including First Gas Ltd and Gas Services NZ Ltd, as well being the Deputy Chair of the Port of Taranaki Limited. Richard is an electrical engineer and was previously the Chief Executive of Powerco Limited, New Zealand's second largest lines company.

Richard has also served as the chair of the Electricity Networks Association, and was a member of the expert advisory panel that assisted with the review of the regulatory control provisions of the Commerce Act.

Murray Bain

Murray was previously an Assistant Governor of the Reserve Bank and is currently a Deputy Chair of TSB Bank Ltd. He has recently stood down as a director of Powerco Ltd.

Murray was appointed to the Top Energy Ltd Board from 1 May 2016 and will assume the Chair at the conclusion of the Company's AGM in June.

CEO'S Report


Reconductoring project at the Narrows in the Hokianga

Our first focus is always the safety of our staff and members of the Far North community. Our staff have made tremendous progress in developing systems and day-to-day practices that keep us focused on safety. The result has been only one lost time injury during the year with no medical treatments required. We continue to make good progress in identifying and reporting potential safety hazards, with follow-up processes ensuring action is taken to remove the risks.

We are compliant with the new Health and Safety at Work Act 2015, which took effect on 4 April 2016, and we endorse the intent and spirit of the Act. We will continue to develop and evolve in this area wherever we find opportunities for improvement.

Operationally and financially, the 2015/16 year has been a tremendous success. The most significant step for both the company and the Far North was our successful application for the resource consents necessary to expand the Ngawha Power Station. Presently, we produce around 25MW of power from the geothermal resource at Ngawha Springs.

The most significant step was our successful application to expand the Ngawha Power Station.

We can now expand that facility with the construction of two new 25MW stations. We expect the first to be commissioned in 2021 and the second in 2027. Obtaining these consents represents the culmination of over 4 years' work involving almost 30 individuals and organisations.

An aspect of this resource consent process that has proven very positive has been increased contact with locals in the Ngawha Springs area. The Parahirahi C1 Trust (who operate the spa pools at the village), Ngati Rangi Marae Komiti, Ngati Hine Forestry Trust, Ngati Rangi Development Society and the residents of the village all have an interest in the project, and we have established a much closer relationship with them as a result of the consultation process.

We also continue to work with the representatives of local Maori groups, exploring how they may increase their involvement with the project, both financially and by making economic use of land over the resource.

In parallel with the work on the resource consents, we have been working with local and central government to investigate ways in which our land holdings in the Ngawha Springs and Kaikohe areas might be used to stimulate economic growth for the district.

The main focus of these discussions has been around the development of an energy park located on part of the land we own to the north of SH12 and opposite Ngawha Springs Road.

Such a development would require re-zoning or the establishment of a special economic zone. Our goal is to bring 200 new jobs to the area without negatively impacting on existing businesses.

We had a very successful annual maintenance shutdown at the Ngawha Power Station. This was the biggest shutdown to date and, as would be expected, a few unexpected issues arose. Under our resource consent conditions, we are required to monitor the condition of the tubing down the production wells. This led us to quench them for the first time, a process that carries significant risk of the possibility that the well may not come back into full production. However, after excellent efforts by the teams involved, all the wells and the plant were returned to service. In the end, we exceeded the production target for the year.

We had a very successful annual maintenance shutdown at the Ngawha Power Station.

The network has experienced another challenging year. The end-of-life assets purchased from Transpower in 2012 are progressively being replaced, but prioritising the assets at greatest risk of failure can be difficult. During the year, the foundations of a tower on the 110kV line to Kaitaia failed and had to be replaced with a new structure.

This was unplanned, but we were able to bring forward other planned work and complete most of it while the northern part of the network was off supply. Extensive rebuilding of this line has taken place using live line methods, but it will be some years before we will be confident that the line and the substation equipment connected to it are secure. In addition, during the year, we rebuilt the Moerewa Substation, which has set us up for continuing security of supply in that area.

Our contracting division had another busy year, rounded out by the Ministry of Foreign Affairs approaching us to lead a recovery project in Fiji following the destruction caused by Cyclone Winston. The work is being co-ordinated through the Fiji Electricity Authority, who stipulated that our Ron Attwood should lead the international teams assisting in the restoration. This work is extending into the 2016/17 financial year.

It's been a busy and challenging year. I want to record my thanks to all staff within the Group for their commitment and efforts during some trying events.

Russell Shaw
Chief Executive

FINANCIAL
Summary

The Group's financial performance (EBITDAF) improved by $1.4 million (+4.5%) from 2015 and exceeded the year's targets.

Revenue grew by 5.1%, driven by a 1.1% increase in electricity consumption on the network and a 156% increase ($0.9 million) from Capital Contributions, highlighting growth in customer connections across the region. Ngawha revenue was flat and Contracting reduced after completion of a large Pacific project in 2015. Farming income was impacted by the very low Fonterra milk price for the season.

Operating expenses increased by 5.7% because of an extended annual shutdown at the Ngawha generation plant to allow for well workovers on the three production wells. One of the 5MW plants received its 10-year overhaul. Employee expenses also increased because a lower portion was capitalised on Network capital work, with $15.7 million of new assets commissioned, down from a record $25.6 million in 2015.

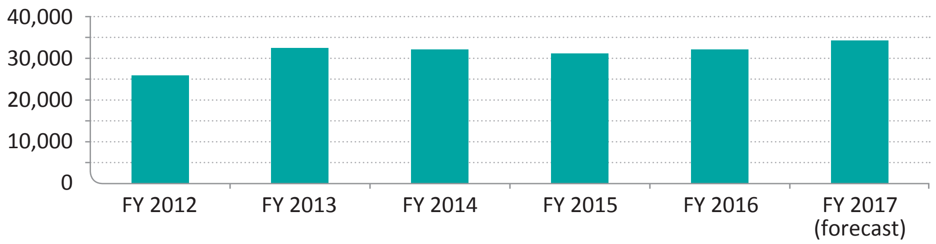
We received the new resource consent for the Ngawha expansion, including an extension of the existing consents expiry from 2029 to 2051. We subsequently reviewed the generation plant asset lives, thus reducing depreciation costs by $4.3 million. Total debt increased by $6.8 million; however, interest costs decreased slightly because of lower interest rates and lower funding costs following debt refinancing during the year. A negative fair value adjustment on financial derivatives of $5.6 million was recorded against the Group's hedging strategy as a result of the lower long-term interest rates.

The Group improved its equity position by $1.7 million after allowing for the loss on discontinued operations, being the disposal of the call centre, Phone Plus 2000 Limited in March 2016.

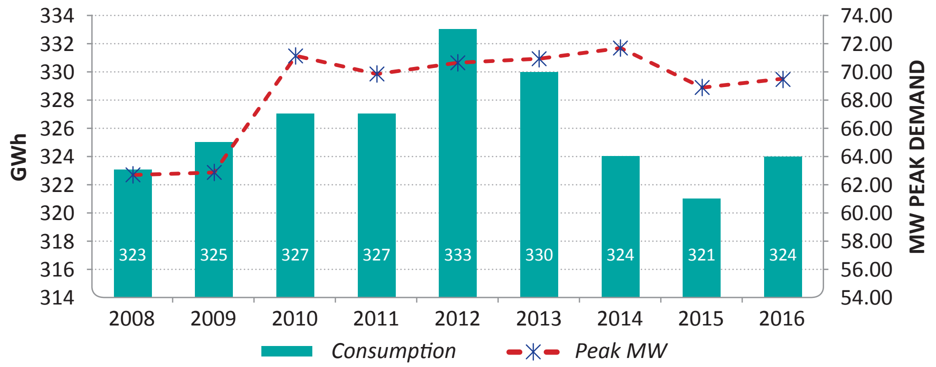
Operating cash flows declined by $4.8 million to $18.3 million, impacted by a $3.3 million reduction in trade payables over the year. Additional investments of $25.1 million were made in Group assets, with the additional cash provided from the Group's debt facilities.

We anticipate modest growth in EBITDAF for 2017, with no significant changes occurring to the Group's operations.

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



Total Energy Sold 2008 to 2016



The decline in Network consumption, experienced over the last 3 years, was partially reversed in 2016, with a 1.1% increase bringing levels to slightly higher than in 2014. Growth in consumption was experienced across residential and commercial connections. Peak demand also showed a small increase, representing a colder winter; September recording 0.8°C lower average temperatures than the 10-year average. Adjustments have continued in line with our 5-year pricing strategy to ensure consumers pay a price that reflects the cost to supply electricity to their premises and to maintain industry alignment. Several changes were implemented on 1 April 2016, and ongoing improvements are expected as data from smart meters is incorporated.

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

FINANCIAL PERFORMANCE TARGETS FOR:	**Actual** *31.03.2016*	Target *31.03.2016*	Actual *31.03.2015*
Electricity network business			
(i) Profit before finance and tax as a percentage of total tangible assets	6.2%	5.4%	5.6%
(ii) Net profit after tax as a percentage of average shareholder's funds	6.4%	4.1%	5.2%
(iii) Return on investment	6.3%	5.7%	5.9%
Other non-network business			
(iv) Profit before finance and tax as a percentage of total tangible assets	7.2%	5.2%	5.6%
(v) Net profit after tax as a percentage of average shareholder's funds	7.5%	2.8%	2.4%
Group			
(v) Net profit after tax as a percentage of average shareholder's funds	6.7%	3.7%	4.4%
(vii) Ratio of shareholder's funds to total assets	1:2.45	1:2.46	1:2.51
(viii) Return on investment	6.0%	5.1%	5.3%

(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** *31.03.2016*	Target *31.03.2016*	Actual *31.03.2015*
(i) System Average Interruption Duration Index (SAIDI). *The average duration of high voltage outages (including planned) per customer (minutes)*	462	324	600
(ii) System Average Interruption Frequency Index (SAIFI). *The average number of outages (including planned) per year for any customer*	5.6	4.2	6.3

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

HEALTH AND SAFETY	**Actual** *31.03.2016*	Target *31.03.2016*	Actual *31.03.2015*
(i) Lost Time Injury (LTI)	1	2	1
(ii) Medical Treatment Injury (MTI)	0	10	9
(ii) Average Lost Time Rate per Lost Time Injury *Number of days lost due to the Lost Time Injury*	10	10	5

OUR **NETWORK**

Major Weather Events

The anticipation of the 2016 Easter holiday weekend was overshadowed by a severe weather warning. The worst of the storm hit the Northland region during the night of Wednesday 23 March, cutting power to around 6000 customers and damaging 14 high-voltage feeders.

The impact of the weather was widespread and affected the power supply around Taipa, Kaikohe, Moerewa, Kawakawa and rural Kaitaia. Crews made lines safe overnight, then began repair work at daylight. On an electricity network largely spanning remote rural terrain, one of the biggest issues was falling trees and vegetation blown into the lines. By the Thursday night, the bulk of the network had been repaired and—except for some isolated faults—the majority of the power was back on.

We were very appreciative of the support and patience shown by the local community during the event. Over a number of years, we have invested significantly in building a resilient and reliable network. Under the circumstances, the network held up well, and we focused all efforts on the safe and gradual restoration of power.

The worst of the storm hit the Northland region on 23 March, cutting power to around 6000 customers and damaging 14 high-voltage feeders.

Tree Maintenance

We spend over $2 million a year on tree management and working with tree owners to keep trees and vegetation away from the power lines. Trees connecting with the power lines is a perennial problem affecting the reliability of our network and is the largest cause of faults, not only during storm events. Vegetation growth around the network can also hamper the ability of our crews to repair equipment quickly, delaying the restoration of power to customers.

Working with tree owners is always our first approach; however, ultimately, the tree owner carries the responsibility of ensuring trees do not encroach on power lines. These responsibilities are outlined in the Electricity (Hazards from Trees) Regulations 2003, which prescribe the minimum safe distances for trees growing near an electricity network.

We spend over $2 million a year on tree management.

As part of our vegetation monitoring programme, we are obliged to take action to ensure trees are kept clear of power lines. The ‘first cut or trim’ is free, but if a tree has been trimmed and subsequently grown back into the lines, the cost is borne by the tree owner. This year, our monitoring of tree interference has focused on Russell and Rangiahua.

Our staff are available to advise tree owners of their responsibilities and to ensure the tree cutting work is safe and effective. We ask that if you see a tree growing into power lines, please contact us, and we will send someone out to inspect it. You can get in touch with us by calling 0800 867 363.

Upgrades and Maintenance

Our network was originally designed to provide an electricity supply in a sparsely populated, economically deprived and primarily rural area. Characterised by long rural feeders with a limited sub-transmission overlay, it has been challenged by the requirements of a growing community.

Our focus in recent years has been on building the resilience and capability of the network to provide a reliable and secure power supply for the people of the Far North. This year, our continuing capital works programme has again delivered a number of key projects and major upgrades designed to meet the security of supply and reliability needs of the district.

Of note, the Moerewa Substation completion and the Russell township upgrade were both delivered on time and within budget.

The Moerewa Substation completion and the Russell township upgrade were both delivered on time and within budget.

Moerewa Substation

In February, the new substation at Moerewa became operational. This was a significant build and involved the installation of new 33kV and 11kV switchboards and replacement of the existing transformer with two new 3/5MVA transformers.

Reinforcement of the Supply to Russell

We undertook a major upgrade of the electricity supply to Russell township during November and December. The work involved replacing the old 11kV lines, installing new transformers, and replacing wooden power poles with concrete. To complete the work safely, we required a number of power outages, and we are extremely grateful to the community for their patience during this time.

Other Projects of Note

- Continued upgrading of the structures on the Kaikohe to Kaitaia 110kV line
- Kaitaia 33kV ring circuit protection scheme, including transformer and feeder protection at the Okahu Road Substation
- Completion of stages 3 and 4 of the Pukenui 33kV line upgrade
- Completion of the line upgrade on Kerikeri Road to connect the Kerikeri and Mt Pokaka Substations
- Relocation of the network control centre to Kerikeri

Community and Public Safety

We are a member of the Northland Lifelines Utility Group, which comprises representatives from the transport, energy, water and communications sectors. As such, we are involved in civil emergency events – coordinated efforts to reduce the vulnerability of the community and to assist recovery as quickly as possible after a disaster.

Fortunately, the group has not been activated this year, and we have taken the opportunity to help train Fire Service personnel on safe practices around our assets during an emergency. This opportunity coincided with the release of a new guide from the Electricity Engineers Association for Electrical Network Safety for Emergency Services Personnel.

Our relationship with emergency services is essential and one that we actively foster.

Our relationship with emergency services is essential and one that we actively foster.

CONTRACTING

The electricity network in Fiji suffered extensive damage during the March storms

Leading recovery efforts in Fiji

Top Energy was proud to be invited to oversee electricity recovery efforts in Fiji, after the country was buffeted by almost non-stop cyclones, storms and flooding in February and March.

There was no hesitation from our Contracting Services team when the Ministry of Foreign Affairs and Trade (MFAT) put out a call for assistance in restoring power and critical infrastructure.

Line mechanics from Top Energy and Unison left for Fiji in March, for the first of 3 week rotations. Three members of the Top Energy team opted to stay for a second rotation in April and were joined by crews from lines companies Northpower, Horizon, PowerNet and Tonga Power Limited.

The response was overseen by Top Energy's Manger of Pacific Projects Ron Attwood who coordinated 21 line mechanics and worked alongside the Fiji Electricity Authority.

This has been a massive recovery effort which drew on our extensive experience of working in Fiji and our familiarity with the terrain and their electricity network.

Nevertheless, it was a harsh environment with devastating damage to the network, roads, bridges and whole villages. Crews worked in temperatures above 35 degrees and needed to be alert to the risks of dehydration.

Restoration of the network is still ongoing and full repairs are not expected to be completed until the end of 2016. Top Energy crews remained in place until early June 2016.

Top Energy was proud to be invited to oversee electricity recovery efforts in Fiji

Extending our presence in the Pacific

We have a long history of working in the Pacific, and continue to consolidate and grow our business, securing permanent contracts and becoming the preferred supplier. We are looking to extend our presence further and have bid for contracts in the Solomon Islands, Cook Islands, Nauru and Fiji.

A focus of our efforts has been to provide services to resort developments, such as Leeward Island and Vomo Island in Fiji, providing maintenance, electrical design and solutions plus project build services.

Local developments

We provided contracting services to our own major network upgrade in Russell township. This was potentially a hugely disruptive project, requiring rolling full day outages as lines, power poles and transformers were replaced. Our priority was to ensure there was widespread understanding about the impact and purpose of the project. Community briefings were held, letter drops, and advertising advising of the critical nature of the work to improve the power supply into the township and surrounding area. We appreciated the local support we received while this essential upgrade was underway.

Our priority was to ensure there was widespread understanding about the impact and purpose of the project.

As part of our work to improve the power supply and response time to outages in the northern Hokianga we completed the Narrows reconductoring project in September. This involved the replacement of poles and overhead lines from Kohukohu through to Horeke. The project budget was approximately $500k and was carried out in two stages with the pole replacement completed in Feb/March 2015 and the re-conductor completed in Nov 2015.

From November 2015 through to January 2016 we upgraded the 11kV Feeder along Kerikeri Road, which has reinforced the power supply into the town and surrounding areas. The works involved upgrading the existing conductor, which will reinforce the interconnection point between Kerikeri Road and the cross roads feeder, allowing more operational flexibility during fault restoration in the area.

We have also had a good response to recent building developments and have been installing new meters on behalf of the energy retailers operating on the Top Energy network. Increased subdivision and building work has seen the number of new connections increase from 20 a month to 50 connections a month.

Future Focus

Consistency of delivery of services to all our customers, including local authorities, infrastructure owners, developers and sub-dividers, remains a key focus for Contracting Services. With our high level of expertise and experience, we will continue to service the electricity network and deliver our capital project programme.

Consistency of delivery of services to all our customers remains a key focus for Contracting Services.

We are proud of the calibre of our staff and seek to retain and attract competent registered electrical linesmen, inspectors and electricians by offering professional development and opportunities to upskill in the latest processes.

We are able to provide specialised, electrical services to all our customers and stakeholders.

Ngawha Geothermal Generation
OPERATIONS

Ngawha Geothermal Power Station – routine maintenance

Record Safety Performance

Safety at our Ngawha Power Station is our number one priority. The 12 staff employed to maintain the smooth operation of the station continued an exemplary performance in the area of safety. By 31 March 2016, they had achieved a total of 2720 days with no 'lost time injuries' (LTIs).

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

By 31 March 2016, they had achieved a total of 2720 days with no 'lost time injuries' (LTIs).

Projects and Shutdowns

A key focal point for the year was the planned shutdown in November 2015.

Included in the plan this year was the full strip down and rebuild overhaul of the OEC2 turbine, which is completed approximately every 10 years. A generator overhaul, scheduled for every five years, was also part of the work programme. An internal inspection of the new OEC3 heat exchangers, installed last year, showed that everything is working well after 13 months of continuous and uninterrupted operation.

During this planned maintenance, it became apparent that internal inspection of the three production wells (NG4, NG9 and NG12) was required. To undertake this, we, with the approval and involvement of the WorkSafe High Hazards Unit – Geothermal, 'quenched' each of the wells.

This involves the injection of thousands of litres of cold water and mud to reduce pressure and temperature, allowing inspection and downhole testing. As a result, we replaced the chemical dosing tubing on all production wells and modified the NG9 discharge pipework and valve system.

Despite this additional and unplanned work, the project kept to the original timeframe.

A key milestone for the year was the commissioning of the new 11:33kV 35MVA transformer delivered from Indonesia in February 2015.

A key milestone for the year was the commissioning of the new 11:33kV 35MVA transformer in February 2015.

Considerable focus has been applied to the new Health and Safety at Work (Major Hazard Facilities) regulations that came into effect in April 2016. We expect that the power stations are likely to be classified as a 'major hazard facility'. We have appointed a new Group Safety and Risk Manager who is working with staff at the Ngawha facility to understand the operational implications of the regulations and to ensure compliance with the changing health and safety requirements.

Full Functioning

The Ngawha Power Station operates to a monthly target of 98.8% availability. This has been maintained and often exceeded throughout the year, attesting to the reliability of plant operations. The actual annual availability average of 94.27% includes the annual planned shutdown in November each year.

Fire Brigade Briefing

We held a hazardous materials (HAZMAT) briefing with the local Fire Service, providing an operational update to all Fire Service Area Commanders.

Community Liaison

The resource consent approval of expansion plans for the power station and the 35-year extension for the operation of the existing power station, has generated a great deal of interest.

The resource consent approval of expansion plans for the power station has generated a great deal of interest.

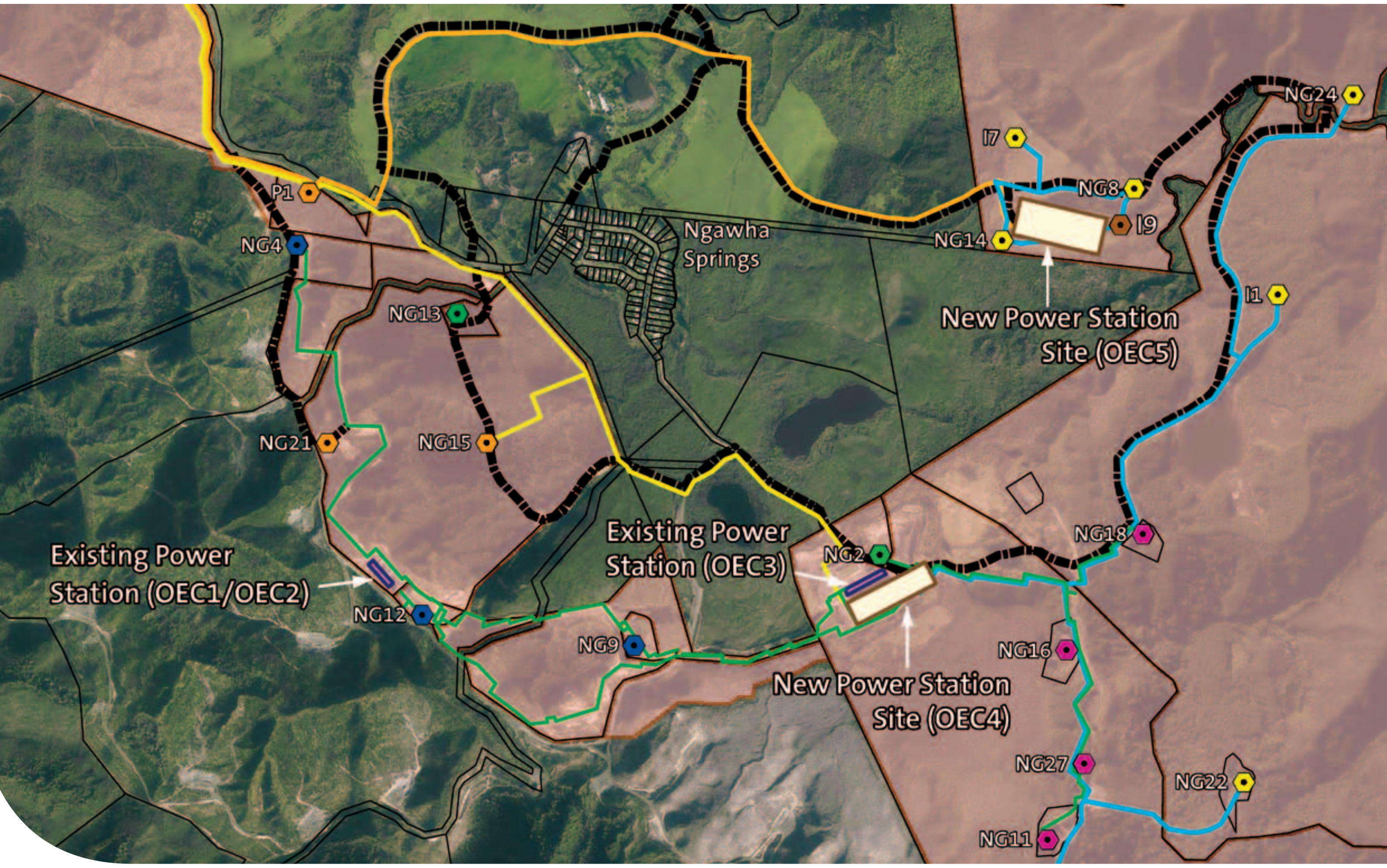
It was timely, given plans for expansion and the changing health and safety environment, for us to meet with Ormat Technologies in Israel. Ormat designs, develops and builds geothermal power stations, and the meeting was an opportunity to review Ormat's production facilities and current international projects.

As part of our preparation for the new health and safety regulations, we hosted three WorkSafe New Zealand inspectors from the High Hazards Unit (HHU) – Petroleum, HHU – Geothermal, and HHU – Major Hazard Facilities inspectorates. This visit was arranged so the WorkSafe team could update Ngawha Generation on the regulatory changes and carry out a site inspection.

Visitor Centre

For safety reasons attendance at our visitor centre is by invitation only. However, the centre and associated site tours remain popular with schools, universities, local iwi, industry representatives, geo-scientists, media, and, in the last year, we have been visited by government representatives from New Zealand and other countries, including our local MPs, Kelvin Davis and Winston Peters.

Ngawha Geothermal Generation **EXPANSION**



Expansion Plan Gets the Green Light

We were very pleased when the resource consents for the expansion of our geothermal power generation project at Ngawha were given the go ahead in April 2016.

This milestone has been a major focus of our efforts to secure a resilient and reliable power supply for the people of Northland and sets a clear direction for the company.

We did receive some community opposition to the project. Parahirahi C1, kaitiaki of the geothermal field and pools at Ngawha, lodged a challenge with the Environment Court when resource consents were initially granted in September 2015.

By working with Parahirahi C1, the Ngawha Marae Trustee Komiti, Ngati Hine Forestry Trust and a representative of local residents, we were able to address their concerns and gain support for the expansion.

The resource consents allow for the existing 25MW of generation to expand by a further 50MW, in two 25MW stages. The first new power station could be producing power by the end of 2021.

The consents include both the existing and the proposed new stations, so there is only one set of consent conditions for the site. This also extends the existing consents by approximately 20 years.

This milestone has been a major focus of our efforts to secure a resilient and reliable power supply for the people of Northland.

Environmental Considerations

We fully appreciate the cultural significance of the area and are committed to working with the Parahirahi C1 Trust and the Ngawha Marae Trustee Komiti to ensure the sustainable management of the geothermal reservoir.

The agreement with Parahirahi C1 Trust continues the Company's long-standing undertaking that the power generation project will not cause or contribute to any adverse effects on the Waiariki pools.

The management of the geothermal field includes an independent monitoring programme to monitor fluids reinjected into the reservoir, including controls on the contents of that fluid to eliminate waste and to ensure reinjection procedures reflect best practice.

Working with Iwi and the Community

For the first time, a condition of the consents includes the appointment of a kaitiaki advisor who will advise the existing independent peer review panel and be consulted as part of our cultural indicators monitoring programme.

In addition, we will support the Parahirahi C1 Trust and the Ngawha Marae Trustee Komiti in undertaking an annual independent review of our monitoring reports.

The existing Community Liaison Committee, which includes representatives of the Ngawha Springs residents, will remain in place and continue to provide comment on our monitoring reports and feedback on issues of concern to the residents.

We will provide funding support for the development of the Nga Waiariki pools area, which is a popular tourist destination and a valuable local resource for the community.

We will provide funding support for the development of the Nga Waiariki pools area.

OUR **PEOPLE**

The activities in which our staff are engaged mean we must all have a clear focus on safety and efficiency. We want to acknowledge the tremendous efforts and services our people contribute to the Group and through that, to the Far North community.

Orange Umbrella

Orange Umbrella is a programme introduced in 2014 that focuses on workplace safety. Workshops and staff surveys have continued during the last year, with an Action Strategy Workshop held to identify key themes for improvement. Three themes were assigned to project teams (Tools and Equipment, Training and Leadership), with a focus on desired future states and possible solutions to current problems. Project teams have developed action plans and are working on solutions.

Orange Umbrella is a programme introduced in 2014 that focuses on workplace safety.

Since the first round of surveys, we have made improvements in all areas related to workplace safety. However, in the last survey round, the majority of areas stayed at similar levels to those in the June 2015 survey. We are comfortable with this result, as we targeted a significant increase in participation in the surveys, and improved it by 17%. Although staff indicated some areas still need to improve, they are more engaged and willing to be part of the process.

Long Service Recognition

Seven employees were recognised for achieving significant long service milestones, accumulating 215 years of experience between them.

Shelley Masters achieved 20 years, Nick Wallace and Margaret White each achieved 25 years. John Alexander and Christine Stratton each completed 30 years. Richard Jurisich achieved 35 years, and Kari Pou achieved an outstanding 50 years' service to the company.

Reward and Recognition

Two years ago, we launched the Applaud programme via which managers can formally recognize, encourage and reward high performance of individuals and teams.

There are three categories: Display, Achieve and Exceed. During the year, under the Display category, we acknowledged 109 staff who demonstrated positive actions/behaviours, 38 who successfully reached stretch targets and 21 for an outstanding achievement that had a successful outcome for the business as a whole. It was pleasing to see that all levels of recognition improved significantly on the prior year.

Quality and Safety Management Systems

It has been another busy year following the achievement of ISO9001 accreditation last year. This year, we achieved our Revalidation Assessment, confirming this is now embedded in what we do and positions us for the transition to the new standard ISO9001:2015.

We have also continued on our risk management journey and completed an independent external risk management assessment against ISO31000. The assessment confirmed a well-defined risk management maturity model is in place.

Staff Development

We are committed to upskilling our staff and assisting with their professional development. In the last year, staff have completed a range of industry qualifications:

- Level 3 National Certificate in Electricity Supply *(Cable Jointer – Low Voltage)*
- Level 4 National Certificate in Electricity Supply *(Cable Jointer – High Voltage)*
- Level 4 National Certificate in Electricity Supply *(Line Mechanic Distribution)*
- Level 4 National Certificate in Arboriculture

Others have also continued their training towards industry qualifications:

- National Certificate in Electricity Supply (Electrical) with strand in Electricity Supply Electrician
- National Certificate in Electricity Supply *(Power Technician)*
- National Certificate in Electricity Supply *(Line Mechanic Distribution)*
- National Certificate in Energy and Chemical Plant *(Process Operation)*
- Level 3 National Certificate in Arboriculture

Participants included new industry trainees and experienced staff seeking to develop their skills and pursue other opportunities across the Group.

We are committed to upskilling our staff and assisting with their professional development.

Culture Survey

Following last year's IBM Staff Culture Survey, we have been working on improving the answers to three key statements:

- There are learning and development opportunities for me in Top Energy/I am adequately trained for the work I do.
- There is a sense of common purpose in Top Energy.
- I am encouraged to try a new way of doing things.

Three project teams were formed to work on solutions identified from the action planning workshops held with staff. It was good to see that staff are keen to get engaged in delivering the solutions to the business and that all areas of the business are represented in these project teams.

Several improvements have been implemented to date, and this will feed into the survey round next year.

Relocation

In 2009, Corporate Services moved from Kaikohe to Kerikeri, part of the long-term plan to bring all of Corporate Services, Finance and the Network teams together in one location. During the year, we had the opportunity to move forward with this plan when the Northland DHB wanted to lease part of our Kaikohe premises.

As well as providing a long-term and quality tenant for Kaikohe, this proposal had the additional benefit of freeing up further office space in the John Butler Centre in Kerikeri, where part of the DHB was previously located.

Renovations were completed in December, and the Information and Communication Systems and Network teams relocated to Kerikeri prior to Christmas. We are confident long-term efficiencies will be gained from having a large part of the business all back under the same roof.

We are confident long-term efficiencies will be gained from having a large part of the business all back under the same roof.

Sporting Activities

We continue to support staff and their immediate family members who wish to participate in the Sport Northland Run/Walk Series. This is a series of fun runs/walks that take place throughout the year in various locations in the Far North, culminating in the Kerikeri Half Marathon in November.

In 2015, we had 20 staff and family participate in the Kerikeri Half Marathon. Staff also participated in the first annual Fullers GreatSights Bay of Islands Beast – a 7km cross-country event in Haruru.

Family Day

Earlier this year, we took over Action World Paihia and hosted staff and their families in a day of fun and activities. Kids and adults alike had a chance to take part in jousting, vertical bungee, a fantastic water slide and the tallest inflatable slide in the world.

A great day was had by all, and it provided the opportunity for us to thank all our staff members for their hard work and their families for their ongoing support.

Drug and Alcohol Awareness

Potential danger is always present when dealing with electricity. For this reason, it is essential that all our staff are free from the impacts of drugs or alcohol. To ensure that the public and all our staff are safe from the effects of these substances we introduced a Drug and Alcohol Free Work Programme (DAAFWP) in 2009, with a strong focus on rehabilitation.

As part of the DAAFWP, all staff are required to undergo an annual drug and alcohol test.

Following consultation with staff and unions random testing will be introduced throughout the business during the 2016/17 year.

As part of the DAAFWP, all staff are required to undergo an annual drug and alcohol test, including random testing.

OUR COMMUNITY

This year's winners of the Young Enterprise Scheme, Conrad May (middle) and Haylem Stuart (right) with Top Energy's General Manager Corporate Services Steve James.

As one of Northland's largest businesses, we support a broad spectrum of community initiatives focused on representing the long-term interests of our Far North communities.

Supporting a Rapid Emergency Response

With an electricity network spanning remote rural and coastal terrains, we are well aware of the challenges faced by emergency services when attending events where access may be difficult.

We are proud of our joint sponsorship of the Northland Emergency Services Trust (NEST) helicopters with fellow lines company Northpower. Together, we can help provide a service of enormous benefit to Northland.

This is evidenced by the number of emergencies to which the helicopters were called over the peak summer season: an average of three rescues a day. Crews responded to 97 calls in December and undertook 107 rescue flights in January.

Both sponsoring companies match public donations dollar for dollar, up to $150,000, to keep this essential emergency service flying. Since the service began 25 years ago, over 17,000 patients have benefitted from the service.

We are proud of our joint sponsorship of the Northland Emergency Services Trust (NEST) helicopters.

Keeping Our Kids Safe in the Water

Northland is all about beautiful beaches, but the marine environment can be perilous for those lacking confidence around water, particularly children. For the last 19 years, we have been a stalwart supporter of the WaterSafe programme, which teaches water safety skills to primary school children. Managed by Sport Northland, the programme reached a milestone in 2015, celebrating 200,000 lessons. The programme was a finalist in this year's New Zealand Sport and Recreation Awards.

Our commitment to confidence and safety around water continues with sponsorship of two Far North schools to compete in the R. Tucker Thompson Te Tai Tokerau Tall Ship Challenge, a safety at sea competition. The week-long challenge takes place on board the tall ship R. Tucker Thompson, and participants complete a variety of tasks ranging from physical challenges to tests of creativity, skill, leadership and teamwork. The winner of the challenge this year is Huanui College, in Whangarei.

For the last 19 years, we have been a stalwart supporter of the WaterSafe programme.

Inspiring Future Leaders

We focus many of our long-standing sponsorships in partnership with local schools, delivering the Young Enterprise Scheme (YES) in Northland and the Far North Science and Technology Fair. Our investment in these programmes helps maximise the potential of our future leaders by fostering curiosity and innovation. In partnership with The Lion Foundation, YES Northland encourages year 11–13 students to form start-up companies, become directors and develop products and services. The students then prepare business plans to market and sell those products or services. They even pay tax on their profits.

The Far North Science and Technology Fair gives year 7–13 students the opportunity to develop imaginative exhibits, demonstrating investigative and problem-solving life skills. The fair is well supported, with a high standard of exhibits. So much so that students have previously gone on to represent the Far North at the Royal Society of New Zealand's national science and technology event, 'Realise the Dream'.

Our investment in these programmes helps maximise the potential of our future leaders by fostering curiosity and innovation.

Diversifying and Growing Our Local Business Network

Top Energy makes Business Development Grants of $30,000 available twice a year. These grants are part of the company's support for diversifying and growing the Far North economy. Selection is a two-stage process; successful submissions proceed to the second phase, and successful winners are selected.

This year there were two deserving winners. *Navilluso Medical Ltd* (now I-MOKO) which works with webtools to develop a universal health care app aimed at helping educate and take care of health issues faced by children in the Northland region. The other winner, *ecobeings Limited*, produces hand-made soap and cleaning products from 100 percent natural, unsynthesised ingredients.

Other Community Events

At the region's agricultural and pastoral shows, we are able to show everyone aspects of the activities with which we are involved. We have received a great response from shows at Waimate North, Kaikohe, Kaitaia and Broadwood.

Top Energy Group
FINANCIAL STATEMENTS

Financial report for the year ended 31 March 2016

Storm damage in Pamapuria

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 2016.

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

The Board of Directors of the Company authorised the financial statements presented on pages 26 to 61 for issue on 14 June 2016.

For and on behalf of the Board.

P Byrnes *Director*	**G Steed** *Director*

14 June 2016

Consolidated statement of comprehensive income

For the year ended 31 March 2016

	Notes	**2016** $'000	2015 $'000
Operating revenue	4	62,052	59,068
Operating expenses	5	(29,414)	(27,829)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**32,638**	**31,239**
Depreciation and amortisation	5	(15,827)	(20,091)
Finance costs		(9,212)	(9,258)
Earnings before tax and fair value movements of financial assets (EBTF)		**7,599**	**1,890**
Fair value gains (losses) on financial assets	6	(5,557)	(5,293)
Profit (loss) before income tax		**2,042**	**(3,403)**
Income tax (expense) benefit	7	134	912
Profit (loss) from continuing operations		**2,176**	**(2,491)**
(Loss) from discontinued operations	8	(476)	(409)
Profit (loss) for the year		**1,700**	**(2,900)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available for sale financial assets	17	47	(36)
Other comprehensive income for the year, net of tax		**47**	**(36)**
Total comprehensive income for the year, net of tax		**1,747**	**(2,936)**
Profit is attributable to:			
Equity holders of Top Energy Limited		1,700	(2,900)
		1,700	**(2,900)**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		1,747	(2,936)
		1,747	**(2,936)**

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 2016

	Notes	**2016** *$'000*	2015 *$'000*
ASSETS			
Current assets			
Cash and cash equivalents		34	3
Trade and other receivables	*9*	7,402	7,445
Inventories	*10*	426	269
Current tax benefit	*11*	211	165
Intangible assets	*12*	800	546
Total current assets		**8,873**	**8,428**
Non-current assets			
Property, plant and equipment	*13*	359,956	354,178
Investment properties	*14*	462	365
Intangible assets	*15*	6,579	3,684
Biological assets	*16*	546	546
Available-for-sale financial assets	*17*	597	432
Deferred tax assets		–	46
Total non-current assets		**368,140**	**359,251**
Total assets		**377,013**	**367,679**
LIABILITIES			
Current liabilities			
Trade and other payables	*18*	6,879	9,334
Interest bearing liabilities	*19*	1,590	1,585
Current tax liabilities	*20*	340	1,080
Derivative financial instruments	*21*	3,267	1,778
Provisions	*22*	456	476
Total current liabilities		**12,532**	**14,253**
Non-current liabilities			
Interest bearing liabilities	*23*	149,610	142,775
Derivative financial instruments	*21*	11,006	6,928
Deferred tax liabilities	*24*	41,293	42,783
Total non-current liabilities		**201,909**	**192,486**
Total liabilities		**214,441**	**206,739**
NET ASSETS		**162,572**	**160,940**
EQUITY			
Contributed equity	*26*	25,267	25,267
Reserves	*27*	49,467	51,908
Retained earnings	*27*	87,838	83,765
Total equity		**162,572**	**160,940**

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 2016

CONSOLIDATED ONLY	*Notes*	Share capital *$'000*	Other reserves *$'000*	Retained earnings *$'000*	Total equity *$'000*
Balance as at 1 April 2015		**25,267**	**51,908**	**83,765**	**160,940**
Comprehensive income					
Profit for the year		–	–	1,700	1,700
Fair value gain on available-for-sale financial assets	*17*	–	47	–	47
Depreciation on revalued assets transferred to retained earnings	*27*	–	(2,488)	2,488	–
Total comprehensive income		**–**	**(2,441)**	**4,188**	**1,747**
Transactions with owners					
Dividends	*28*	–	–	(115)	(115)
Total transactions with owners		**–**	**–**	**(115)**	**(115)**
Balance as at 31 March 2016		**25,267**	**49,467**	**87,838**	**162,572**
Balance as at 1 April 2014		**25,267**	**56,056**	**82,638**	**163,961**
Comprehensive income					
(Loss) for the year		–	–	(2,900)	(2,900)
Fair value (loss) on available for sale financial assets	*17*	–	(36)	–	(36)
Depreciation on revalued assets transferred to retained earnings	*27*	–	(4,112)	4,112	–
Total comprehensive income		**–**	**(4,148)**	**1,212**	**(2,936)**
Transactions with owners					
Dividends	*28*	–	–	(85)	(85)
Total transactions with owners		**–**	**–**	**(85)**	**(85)**
Balance as at 31 March 2015		**25,267**	**51,908**	**83,765**	**160,940**

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 2016

	Notes	**2016** *$'000*	2015 *$'000*
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		64,543	60,975
Payments to suppliers and employees (exclusive of goods and services tax)		(35,216)	(26,716)
		29,327	**34,259**
Interest received		10	6
Interest paid		(9,198)	(9,253)
Income taxes received (paid)		(1,848)	(1,919)
Net cash inflow / (outflow) from operating activities	*36*	**18,291**	**23,093**
Cash flows from investing activities			
Purchases of property, plant and equipment		(25,466)	(32,965)
Proceeds from sale of property, plant and equipment		2,564	363
Proceeds from sale of biological assets		–	450
Purchases of investment properties		(87)	–
Purchases of available-for-sale financial assets		(118)	(69)
Purchases of Emission Trading Scheme units		(1,878)	–
Increase / (repayment) of loan from parent		(86)	(4)
Net cash inflow / (outflow) from investing activities		**(25,071)**	**(32,225)**
Cash flows from financing activities			
Proceeds from borrowings		6,835	9,340
Dividends paid to the Group's shareholders	*28*	(115)	(85)
Net cash inflow / (outflow) from financing activities		**6,720**	**9,255**
Net increase (decrease) in cash and cash equivalents		(60)	123
Cash at bank and on hand at the beginning of the financial year		(28)	(151)
Cash and cash equivalents at end of year		**(88)**	**(28)**

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 14 June 2016.

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 entities that fall within the Tier 1 for profit category.

Entities reporting

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

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

All Group companies are designated as profit oriented entities 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 2015.

Functional and presentation currency

Items included in the financial statements of each Group company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

These financial statements are presented in New Zealand dollars, which is the parent entity's functional and presentation currency. All financial information has been rounded to the nearest thousand dollars, unless otherwise stated.

(b) Accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described in the relevant accounting policies or notes, as appropriate.

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Energy Limited (the 'Company' or 'parent entity') as at 31 March 2016 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 Groupís 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.

(d) Available for sale investments

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

All of the Group's available for sale investments are traded in active markets and accordingly, fair value is determined by reference to Stock Exchange quoted bid prices.

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

Available-for-sale investments are classified as non current assets, unless they are expected to be realised within twelve months of the balance date.

(e) Biological assets

The Group's biological assets comprise a quantity of trees, which are carried in the statement of financial position at fair value less costs to sell.

(f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, and bank overdrafts. Bank overdrafts are included within the total of interest bearing liabilities, in current liabilities, in the statement of financial position.

(h) Contract work in progress

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

(i) Derivatives

Derivatives are recognised initially at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The resulting gain or loss is recognised in profit or loss, as the Group has decided not to apply hedge accounting.

(j) Dividend distributions

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

(k) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service gratuity

The liability for retirement gratuity payments due to eligible long-serving employees is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and experience of employee departures. Expected future payments are discounted to present value using the rate on New Zealand government bonds.

(iii) Retirement benefit obligations

The Group makes contributions to defined contribution pension schemes on behalf of some employees. The Group's legal or constructive obligation is limited to these contributions. Contributions are recognised as an expense when employees have rendered service entitling them to the contributions.

(l) Fair value estimation

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

(m) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss component of the statement of comprehensive income.

(n) Goods and Services Tax (GST)

The statement of comprehensive income and items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

(o) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(p) Income tax

The tax expense or benefit for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in items of other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as applicable.

The income tax expense or benefit for the period is the total of the current period's taxable income based on the national income tax rate for each jurisdiction plus/minus any prior years' under/over provisions, plus/minus movements in the deferred tax balance, except where the movement in deferred tax is attributable to a movement in reserves.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not offset within the Group as there is currently no legally enforceable right to offset current tax assets against current tax liabilities.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's (or Company's) share of the net identifiable assets of the acquired business or entity at the date of acquisition. Goodwill on acquisitions of businesses and subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, it is tested for impairment annually, or more frequently if circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

(ii) Computer software

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

(iii) Emission Trading Scheme assets

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

(iv) Easements

Easements are perpetual rights over land owned by others. The Group obtains easements in order to protect access to its network assets where these are sited on or pass over privately owned land.

Easements are deemed to have an indefinite useful life as the grants do not have a maturity date and the Group expects to use and have benefit from each easement indefinitely. Therefore the Group does not amortise the cost of easements acquired. The Group reviews the carrying value of easements annually for impairment, and writes down the carrying value if any are found to be impaired.

(r) Interest bearing liabilities

Interest bearing liabilities are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost. Borrowings are classified as current liabilities unless the relevant Group company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of weighted average cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(t) Investment property

The Group has acquired a small number of investment properties which currently have no use within the Group's activities and are let to third parties to defray costs.

Investment property is measured initially at cost, including transaction costs. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The Group obtains regular open market valuations of the investment properties from suitably qualified independent valuers. Changes in fair values are recorded in the statement of comprehensive income within profit or loss as a constituent of fair value gains or losses on financial assets in the period in which they arise.

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

(u) Investments and other financial assets

CLASSIFICATION

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

(iii) Available for sale financial assets

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

RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss component of the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss component of the statement of comprehensive income within 'other (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'.

Dividends on available-for-sale equity instruments are recognised in the profit and loss component of the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

IMPAIRMENT OF FINANCIAL ASSETS

(i) Assets carried at amortised cost

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

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

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

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

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

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

(v) Leases

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

(w) Property, plant and equipment

Property, plant and equipment, including the distribution network
Except for generation assets, all property, plant and equipment is shown at cost, less subsequent depreciation. Cost includes the amounts of revaluation surpluses that arose prior to the Group's transition to NZ IFRS and which were treated as deemed cost at the date of transition.

Generation assets
Effective 31 March 2014, the Group has accounted for its generation assets at fair value. This gave rise to a revaluation surplus that has been accumulated in equity under the heading of revaluation reserve. Valuations will 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 historic cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation
Land is not depreciated.

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

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

Straight Line basis	*Years*
Distribution system	15-60
Generation plant and equipment	5-50
Plant, equipment and furniture	3-20
Freehold buildings	50
Freehold building fit-outs	5-10
Diminishing Value basis	*Rate*
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

(x) Provisions

Provisions are recognised when all of the following conditions are met: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(y) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating all material transactions between members of the Group on consolidation. Revenue is recognised as follows:

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

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

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

(iii) Capital contributions
Funds received from customers, as a contribution towards the cost of uneconomic supply facilities, are recognised in profit or loss as soon as any obligations attaching to the contributions have been met. For contributions that are refundable, there is a period of 5 years from the date of receipt (10 years for contributions received prior to 1 September 2011) within which a part or all of the contribution may be refunded to the customer.

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

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

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

Critical judgements in applying this accounting policy
Use of the percentage-of-completion method requires the Parent to estimate the total cost of the contracts in order to determine the proportion of costs to date to the total costs, which it uses as an approximation of the percentage completed.

(v) Farming income
The Group's entire output of milk is sold under a rolling contract to Fonterra Co-operative Group Ltd ("Fonterra"). Sales are accounted for on the basis of the component elements of the milk collected by Fonterra from the Group's property. Fonterra issues a self-billing invoice for milk collected each calendar month.

The Group accrues for any further income receivable based on the difference between the latest indicative price for milk solids published by Fonterra for the season and the lower interim price which Fonterra applies in its monthly self-billing invoices and which Fonterra subsequently adjusts.

(z) 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.

Provisions for the Group's obligations under the New Zealand Emissions Trading Scheme are recognised when the Group's liability is incurred under Scheme regulations. The liability is calculated in accordance with the prescribed regulations and is recognised at the cost value of the emission units acquired to meet the obligation.

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

(aa) Trade and other receivables
Trade receivables are amounts due from customers for services supplied or goods sold in the ordinary course of business.

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

(ab) Changes in accounting policies
All accounting policies have been applied on a basis consistent with those applied during the prior year.

(ac) Adoption status of relevant new financial reporting standards and interpretations
Standards, interpretations and amendments to published standards that came into effect during the reporting year
All mandatory Standards, Amendments and Interpretations have been adopted in the current accounting period. None has had a material impact on these financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Group
There are a number of Standards, Amendments and Interpretations which have been approved. The Group expects to adopt these when they become mandatory.

The Group is currently reviewing the implications of NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases. No other recently approved Standards, Interpretations and Amendments are expected to result in a material impact on the Group's financial statements. The application dates of those standards are for accounting periods beginning on or after 1 January 2018 (NZ IFRS 15) and 1 January 2019 (NZ IFRS 16).

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 foreign exchange risk exposure arose primarily in respect of liabilities denominated in US dollars. The liabilities related to contracts for the purchase of materials and equipment which were due for settlement at various dates subsequent to the 31 March 2015 balance date. The total commitment at 31 March 2015 was US$500,000. To limit the effect of currency exposure, prior to the 2015 balance date the Group had entered into a series of forward foreign currency contracts for amounts totalling US$555,000. The contracts remaining at the 2015 balance date were retranslated at the exchange rate applying at that date and adjusted for credit risk. This created an unrealised loss at 31 March 2015 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 2015 were settled during the year ended 31 March 2016 as they fell due. The Group has not entered into any new forward foreign exchange contracts during the year ended 31 March 2016.

(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 2016 and 2015, the Group's borrowings at variable rate were denominated in New Zealand dollars.

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

Interest rate risk arises in respect of the portion of the Group's borrowings that is not covered by interest rate swaps. The element of Group borrowings at the balance dates presented in these financial statements is sufficiently small such that, if interest rates had changed by +/- 1% (=100bp) from the average period rate of 3.8% (2015: 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 immaterial.

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 +$6,744,000/ -$7,238,000 respectively (2015: +$6,708,000 or - $7,218,000).

(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 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 52% of the Group's total trade accounts receivable as at 31 March 2016 (2015: 54% 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 2016 and 2015 there were no unrealised gains on interest rate swaps, nor 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 2016				
Bank overdrafts and loans	4,811	34,127	94,716	36,094
Other loans	1,542	–	–	–
Trade and other payables	6,378	–	–	–
At 31 March 2015				
Bank overdrafts and loans	9,313	51,357	97,718	–
Other loans	1,633	–	–	–
Trade and other payables	9,334	–	–	–

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 2016				
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(3,868)	(3,604)	(7,093)	(3,728)
At 31 March 2015				
Forward foreign exchange contracts – held for trading				
– inflow	–	–	–	–
– outflow	(2)	–	–	–
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(2,190)	(2,130)	(4,406)	(2,437)

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

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are based mainly 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. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments quoted on a recognised stock exchange that are classified as trading securities or available-for-sale.

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

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

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.
– The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
– The fair value of forward foreign exchange contracts is determined using forward exchange rates at the 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 13 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 2016				
Assets				
Financial assets at fair value through profit or loss				
– Biological assets	–	546	–	546
– Investment properties	–	462	–	462
Available-for-sale financial assets				
– Equity securities	597	–	–	597
Total assets	**597**	**1,008**	**–**	**1,605**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	14,273	–	14,273
Total liabilities	**–**	**14,273**	**–**	**14,273**
At 31 March 2015				
Assets				
Financial 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				
Financial liabilities at fair value through profit or loss				
– Trading derivatives	–	8,706	–	8,706
Total liabilities	**–**	**8,706**	**–**	**8,706**

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** *$'000*	**Available for sale financial assets** *$'000*	**Total** *$'000*
At 31 March 2016			
Trade and other receivables	6,642	–	6,642
Available for sale financial assets	–	597	597
Other financial assets	2,678	–	2,678
Cash and cash equivalents	34	–	34
	9,354	**597**	**9,951**
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**

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 2016			
Borrowings	–	151,200	151,200
Derivative financial instruments	14,273	–	14,273
Trade and other payables	–	4,236	4,236
	14,273	**155,436**	**169,709**
At 31 March 2015			
Borrowings	-	144,360	144,360
Derivative financial instruments	8,706	–	8,706
Trade and other payables	-	7,782	7,782
	8,706	**152,142**	**160,848**

4 : Revenue

From continuing operations	**2016** *$'000*	2015 *$'000*
Sales revenue		
Electricity line revenue	46,887	43,714
Network line charge discount	(5,122)	(5,104)
Capital contributions	1,528	596
Electricity sales	14,183	14,292
Contracting services	4,111	4,969
Farming income	243	494
	61,830	**58,961**
Other revenue	222	107
Total revenue from continuing operations	**62,052**	**59,068**

Details of revenue from discontinued operations, comprising the call centre operations of Phone Plus 2000 Ltd, are included in the disclosures at note 8.

5 : Expenses

	2016 $'000	2015 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	3,328	3,189
Employee benefits expense	13,864	12,959
Other expenses	7,471	6,044
Transmission charges	4,751	5,637
	29,414	**27,829**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	7,139	6,600
Generation plant	6,464	10,818
Plant and equipment	830	924
Vehicles	769	861
Buildings	157	133
Impairment charge - buildings	2	–
Total depreciation	**15,361**	**19,336**
Amortisation		
Software	466	755
Total amortisation	466	755
Total depreciation, amortisation and impairment	**15,827**	**20,091**
Net loss (gain) on disposal of property, plant and equipment	279	(23)
Rental expense relating to operating leases		
Minimum lease payments	785	695
Employee benefit expense		
Wages and salaries, including restructuring costs and termination benefits	13,023	12,211
ACC levies and employee medical insurance	450	389
Pension costs - defined contribution plans	391	359
	13,864	**12,959**

Items reported in this note exclude the expenses of discontinued operations. These are detailed in note 8.

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:

	2016 $'000	2015 $'000
Audit services		
Audit of the financial statements - Deloitte	128	109
Total remuneration for audit services	128	109
Other assurance services		
Audit of regulatory statements - Deloitte	57	56
Total remuneration for other assurance services	57	56
Total remuneration for assurance services	**185**	**165**

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

	2016 $'000	2015 $'000
Net gain (loss) on interest rate swaps	(5,569)	(5,365)
Net gain (loss) on forward foreign currency contracts	2	72
Fair value adjustment to investment property	10	–
	(5,557)	**(5,293)**

(a) Revaluation of investment property

The investment properties were revalued as at 31 March 2016 and 2015. The revaluation at 31 March 2015 gave rise to no change to the previous carrying value.

7 : Income tax expense

(a) Income tax expense

	2016 *$'000*	2015 *$'000*
Current tax		
Current tax on profits for the year	1,284	2,104
Adjustments in respect of prior years	(221)	95
Total current tax	**1,063**	**2,199**
Deferred tax		
Origination and reversal of temporary differences	(1,420)	(3,378)
Under (over) provided in prior years	39	108
Total deferred tax	**(1,381)**	**(3,270)**
Income tax expense	**(318)**	**(1,071)**
Income tax expense is attributable to:		
Profit (loss) from continuing operations	(134)	(912)
(Loss) from discontinued operations	(184)	(159)
Aggregate income tax expense	**(318)**	**(1,071)**
Deferred income tax expense (benefit) included in income tax expense comprises:		
(Increase) decrease in deferred tax assets	–	(10)
Increase (decrease) in deferred tax liabilities *(note 24)*	(1,381)	(3,260)
	(1,381)	**(3,270)**

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

	2016 *$'000*	2015 *$'000*
(Loss) profit from continuing operations before income tax expense	2,042	(3,403)
(Loss) from discontinued operations before income tax expense	(660)	(568)
	1,382	(3,971)
Tax at the New Zealand tax rate of 28% (2015: 28%)	387	(1,112)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenditure	188	5
Income not subject to tax	(428)	(167)
Other reconciling items		
Adjustment on disposal of subsidiary	(279)	–
Adjustment in respect of prior years	(181)	203
Other	(5)	–
Income tax expense	**(318)**	**(1,071)**

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

There is no charge or credit for the years ended 31 March 2016 and 2015.

8 : Discontinued operations

(a) Summary of discontinued operations

Effective 31 March 2016 the Group sold its 100% shareholding in Phone Plus 2000 Ltd. Whilst it was owned by the Group, Phone Plus 2000 Ltd operated a call centre service business. The directors decided to dispose of the company in order for the Group to concentrate on its core business activities.

(b) Financial performance and cash flow information – Disposal of Phone Plus 2000 Ltd

The trading result of Phone Plus 2000 Ltd has been included in the Group's statement of comprehensive income. Additional detail is provided below. The figures reported for 2016 relate to the 12 months ended on 31 March 2016, the disposal date.

	2016 *$'000*	2015 *$'000*
Summarised statement of comprehensive income		
Revenue	2,434	2,176
Expenses	(3,094)	(2,744)
(Loss) before income tax	**(660)**	**(568)**
Income tax benefit	184	159
(Loss) after income tax of discontinued operations	**(476)**	**(409)**
Summarised statement of cash flows		
Net cash (outflow) from operating activities	(83)	(325)
Net cash inflow (outflow) from investing activities	4	(25)
Net cash inflow from financing activities	90	346
Total cash flows	**11**	**(4)**

(c) Carrying amounts of assets and liabilities at balance date – Phone Plus 2000 Ltd

The carrying amounts of Phone Plus 2000 Ltd's assets and liabilities at 31 March 2016 have been excluded from the statement of financial position as reported in these financial statements. The carrying amounts of the Company's net assets on its disposal on 31 March 2016 and as consolidated into the Group's financial statements at 31 March 2015 were as follows.

	2016 *$'000*	2015 *$'000*
Assets		
Property, plant and equipment	144	236
Intangible assets	2	21
Income tax benefit	–	145
Deferred tax asset	45	46
Other current assets	22	360
Total assets	**213**	**808**
Liabilities		
Trade and other payables	55	254
Bank overdraft	–	11
Inter-Group liabilities	–	2,403
Total liabilities	**55**	**2,668**
Shareholders' equity		
Contributed equity	2,893	400
Retained earnings	(2,735)	(2,260)
Net equity	**158**	**(1,860)**

9 : Current assets – Trade and other receivables

	2016 $'000	2015 $'000
Net trade receivables		
Trade debtors	6,973	6,776
GST receivable	–	254
Provision for doubtful receivables	(331)	(372)
Net trade receivables	**6,642**	**6,658**
Prepayments		
Sundry prepayments	724	758
Accrued income	36	29
	760	**787**
Total current receivables	**7,402**	**7,445**

(a) Impaired receivables

	2016 $'000	2015 $'000
Movements in the provision for impairment of trade receivables are as follows:		
At 1 April	372	209
Provision for impairment arising during the year	–	157
Provision for impairment released in the year	(21)	–
Charge (credit) to profit and loss during the period	(2)	6
Provision held in Phone Plus 2000 Ltd, cleared on disposal of company	(18)	–
At 31 March	**331**	**372**

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

(b) Foreign exchange and interest rate risk

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

(c) Fair value and credit risk

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

10 : Current assets – Inventories

	2016 *$'000*	2015 *$'000*
Raw materials		
Raw materials at cost	782	774
Construction work in progress		
Contract costs incurred and recognised profits less recognised losses	140	99
Progress billing	(496)	(604)
	426	**269**

11 : Current assets – Current tax benefit

	2016 *$'000*	2015 *$'000*
Excess of tax paid for current period over amount due	128	6
Tax benefit of losses	83	159
	211	**165**

12 : Current assets – Intangible assets

	2016 *$'000*	2015 *$'000*
Emission Trading Scheme Units	800	546
	800	**546**

The Emission Trading Scheme Units have been purchased to settle the Group's liabilities under the Scheme and are held in the Group's account at the Registry. They will be surrendered in the May following the end of the calendar year in which the liability arises. The Units are held at cost on the grounds that it is not the Group's intention to dispose of them other than in settlement of its ETS liabilities.

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

	Distribution system $'000	Capital work in progress $'000	Generation plant $'000	Plant and equipment $'000	Motor vehicles $'000	Freehold land $'000	Buildings $'000	Total $'000
Year ended 31 March 2016								
Opening net book amount	182,520	12,669	140,859	2,803	3,737	8,108	3,482	354,178
Additions	9,730	5,694	3,442	538	193	4,771	584	24,952
Disposals	(14)	–	–	(187)	(343)	(887)	(2,292)	(3,723)
Transfers and reclassifications	4,588	(8,702)	3,123	–	–	–	–	(991)
Depreciation charge	(7,139)	–	(6,464)	(830)	(769)	–	(157)	(15,359)
Impairment charge	–	–	–	–	–	–	(2)	(2)
Depreciation released on disposals	5	–	–	15	255	–	626	901
Closing net book amount	**189,690**	**9,661**	**140,960**	**2,339**	**3,073**	**11,992**	**2,241**	**359,956**
At 31 March 2016								
Cost	341,950	9,661	11,420	9,883	9,315	11,992	2,765	396,986
Valuation	–	–	146,822	–	–	–	–	146,822
Accumulated depreciation	(152,260)	–	(17,282)	(7,544)	(6,242)	–	(524)	(183,852)
Net book amount	**189,690**	**9,661**	**140,960**	**2,339**	**3,073**	**11,992**	**2,241**	**359,956**
At 1 April 2014								
Cost	302,223	12,345	818	9,905	9,785	7,132	3,918	346,126
Valuation	–	–	146,822	–	–	–	–	146,822
Accumulated depreciation	(138,526)	–	–	(6,548)	(5,809)	–	(898)	(151,781)
Net book amount	**163,697**	**12,345**	**147,640**	**3,357**	**3,976**	**7,132**	**3,020**	**341,167**
Year ended 31 March 2015								
Opening net book amount	163,697	12,345	147,640	3,357	3,976	7,132	3,020	341,167
Additions	17,629	8,871	3,453	492	936	976	617	32,974
Disposals	–	–	(1)	(86)	(1,256)	–	–	(1,343)
Transfers and reclassifications	7,794	(8,547)	585	–	–	–	–	(168)
Depreciation charge	(6,600)	–	(10,818)	(1,022)	(861)	–	(155)	(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**	**3,482**	**354,178**
At 31 March 2015								
Cost	327,646	12,669	4,856	10,311	9,465	8,108	4,535	377,590
Valuation	–	–	146,822	–	–	–	–	146,822
Accumulated depreciation	(145,126)	–	(10,819)	(7,508)	(5,728)	–	(1,053)	(170,234)
Net book amount	**182,520**	**12,669**	**140,859**	**2,803**	**3,737**	**8,108**	**3,482**	**354,178**

(a) Critical accounting estimates and assumptions

The Group considers annually whether the carrying values of its property, plant and equipment are supportable, based on their expected value-in-use. The carrying value of the distribution network at 31 March 2015 (the latest available date) did not exceed its Regulatory Asset Basis value as defined in the Electricity Distribution Information Disclosure Determination 2012.

The external valuations of the generation plant were performed using an approach based principally on discounted predicted future cash flows over a 10 year period to 31 March 2024. The forecasts included estimates of future revenues, operating costs, capital expenditure, tax depreciation charges, working capital movements and tax payments.

In setting the expected useful lives of the assets that comprise the Ngawha power station, it has been assumed that the necessary resource consents, which have a fixed life, will be renewed prior to their expiry.

In February 2016 the relevant resource consents were extended to an expiry date of February 2051. This has been taken into account in a review of the expected useful lives of the generation assets, which has resulted in a reduction of the annual depreciation charge. The financial effect in the year to 31 March 2016 was $4,374,000.

(b) Valuation of generation plant

An independent valuation of the Group's generation plant was performed by valuers to determine its fair value as at 31 March 2014. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 27).

The carrying amount of the generation plant that would have been recognised at 31 March 2016 had those assets been carried under the cost model is $66,771,000 (31 March 2015: $68,549,000).

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

	Generation Plant *$'000*
Year to 31 March 2016	
Opening balance	146,822
Closing balance	**146,822**
Year to 31 March 2015	
Opening balance	146,822
Closing balance	**146,822**

(d) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 2014, the fair values of the generation plant assets were determined by a specialist team within PricewaterhouseCoopers, Auckland.

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

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

Description	**Fair value at 31 March 2016** *($'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.

(f) Capitalised borrowing costs

Capital work in progress during the periods reported above comprises capital projects undertaken by the Network division of Top Energy Ltd which have an expected cost in excess of $500,000 and a planned duration of longer than three months. Interest on borrowings raised to finance capital projects has been capitalised. The amount capitalised by the Group during the year ended 31 March 2016 was $79,000 (2015: $370,000).

Interest capitalised was at the average rate of 3.8% for the year ended 31 March 2016 (2015: 4.3%).

(g) Restatement of distribution system values

An adjustment of $90,263,000 has been made at 1 April 2014 to correct cost and accumulated depreciation values of the distribution system asset. The financial effect on the net book amounts is nil at both balance dates.

14 : Non-current assets – Investment properties

	2016 *$'000*	2015 *$'000*
At fair value		
Opening balance at 1 April	**365**	**665**
Acquisitions	87	–
Net gain from fair value adjustment	10	–
Transfer (to) from inventories and owner occupied property	–	(300)
Closing balance at 31 March	**462**	**365**

(a) Valuation basis

The investment properties were valued as at 31 March 2016 and 2015 by Telfer Young, registered valuers and associates of the New Zealand Institute of Valuers. The valuers have recent experience in the location and category of the investments being valued. The basis of the valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The transfer shown in the 2015 year refers to a change of use for one of the investment properties on 1 June 2014, from which date it was used in the Group's farming operations. Consequently it was reclassified to freehold buildings at its fair value ($300,000) at that point.

The acquisition in the 2016 year comprises an investment property that was part of the assets of Ginns Ngawha Spa Ltd, which company was acquired by the Group in July 2015.

(b) Leasing arrangements

The investment properties at 31 March 2016 comprise three dwellings (at 31 March 2015: two dwellings). Each of these properties is let for residential purposes on an open tenancy whereby the landlord can give 90 days' notice of termination to the tenant and the tenant can give 30 days' notice of vacation to the landlord. At balance date all of the properties were tenanted.

The rents charged are at market rate.

15 : Non-current assets – Intangible assets

	Goodwill $'000	Computer software $'000	Easements $'000	Emission Trading Scheme units $'000	Total $'000
Year ended 31 March 2016					
Opening net book amount	811	696	2,177	–	3,684
Additions	–	3	510	1,878	2,391
Disposals	–	(21)	–	–	(21)
Transfers and reclassifications	–	–	991	–	991
Amortisation charge	–	(466)	–	–	(466)
Closing net book amount	**811**	**212**	**3,678**	**1,878**	**6,579**
At 31 March 2016					
Cost	811	4,533	3,678	1,878	10,900
Accumulated amortisation	–	(4,321)	–	–	(4,321)
Net book amount	811	212	3,678	1,878	6,579
At 1 April 2014					
Cost	811	4,526	1,995	–	7,332
Accumulated amortisation	–	(3,332)	–	–	(3,332)
Net book amount	811	1,194	1,995	–	4,000
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**

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

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Generation Ltd $'000	Total $'000
At 31 March 2016		
Cost at 1 April 2015	811	811
At 31 March 2016	**811**	**811**
At 31 March 2015		
Cost at 1 April 2014	811	811
At 31 March 2015	**811**	**811**

(b) Impairment testing of goodwill

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

Critical accounting estimates and assumptions

The goodwill recoverable amounts are based on value-in-use calculations. Those calculations use cash flow and profit projections based on budgets approved by management to 31 March 2020, and a pre-tax discount rate of 7.7% (2015: 8.4%). At 31 March 2016 and 2015 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. The directors believe that the carrying value of goodwill is supportable.

16 : Non-current assets – Biological assets

Movements in these assets are as follows:

	2016 *$'000*	2015 *$'000*
Carrying amount at 1 April	546	938
Gain / (loss) arising from changes in fair value less estimated costs to sell	–	58
Disposals	–	(450)
Carrying amount at 31 March	**546**	**546**

At 31 March 2016 and 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 bulk of the forestry plantation has been determined in accordance with independent valuations performed by Crighton Anderson Property & Infrastructure Ltd.

The valuers are specialists and have extensive experience of valuing forestry assets.

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

	2016 *$'000*	2015 *$'000*
At 1 April	432	399
Additions	118	69
Net gain / (loss) transferred to equity	47	(36)
At 31 March	**597**	**432**

The available-for-sale financial assets at 31 March 2016 comprise 100,480 shares (2015: 77,500 shares) in Fonterra Co-operative Group Ltd ('Fonterra'). Fonterra's shares are quoted on the New Zealand stock exchange.

It is a requirement of the supply contract with Fonterra that the supplier holds sufficient Fonterra shares in order to be able to supply the contracted volume of milk. The Group has made further purchases of shares during the years ended 31 March 2015 and 2016 in order to meet those obligations.

The shares are carried at fair value. 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.

Critical judgements regarding 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 $103,000 in its 2016 financial statements (2015: $150,000), 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.

18 : Current liabilities - Trade and other payables

	2016 $'000	2015 $'000
Trade payables	2,813	6,084
GST payable	501	–
ACC levies, PAYE and other payroll taxes	291	291
Payroll creditors	1,132	1,407
Accruals	2,142	1,552
	6,879	**9,334**

(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.

19 : Current liabilities – Interest-bearing liabilities

	2016 $'000	2015 $'000
Bank overdrafts	122	31
Total interest bearing bank borrowings	**122**	**31**
Loan from parent entity	1,468	1,554
Total other interest bearing borrowings	**1,468**	**1,554**
Total current interest bearing borrowings	**1,590**	**1,585**

The Group's borrowings are subject to negative pledges given to its bankers. Details are provided at note 23.

20 : Current liabilities – Current tax liabilities

	2016 $'000	2015 $'000
Income tax payable	340	1,080
	340	**1,080**

21 : Derivative financial instruments

	2016 $'000	2015 $'000
Current liabilities		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	2
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	3,267	1,776
Total current derivative financial instrument liabilities	3,267	1,778
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	11,006	6,928
Total non-current derivative financial instrument liabilities	11,006	6,928
Total derivative financial instrument liabilities	14,273	8,706
Net (liabilities) in relation to derivative financial instruments	**(14,273)**	**(8,706)**

For further information refer to note 2(i)

(a) Instruments used by the Group and the Parent

(i) Forward foreign exchange contracts

During the year ended 31 March 2015 Top Energy Ltd entered into a 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$555,000 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. Those contracts matured at various dates during the year ended 31 March 2016.

The Group did not enter into any further forward foreign exchange contracts during the year ended 31 March 2016.

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 2016 the notional principal amount of current contracts totalled $170,000,000 (31 March 2015: $166,000,000). At 31 March 2016 the Parent had committed to enter into 6 (2015: 6) contracts, with a total notional principal value of $36,000,000 (2015: $37,000,000), to replace future maturing contracts.

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

(b) Credit risk exposures

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

22 : Current liabilities – Provisions

	2016 $'000	2015 $'000
Employee benefits	456	476
	456	**476**

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

23 : Non-current liabilities – Interest-bearing liabilities

	2016 $'000	2015 $'000
Bank loans	149,610	142,775
Total non-current interest bearing liabilities	**149,610**	**142,775**

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

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

	2016 $'000	2015 $'000
Bank overdrafts and bank loans	149,732	142,806
Total liabilities covered by the negative pledges	**149,732**	**142,806**

(b) Banking covenants

The bank loans and overdraft are subject to identical negative pledges given to both of the Group's banks. The pledges impose certain covenants on a "Guaranteeing Group". The Guaranteeing Group comprises all Group companies at 31 March 2016. Each negative pledge states that the Guaranteeing Group will not provide security over 5% or greater of its total tangible assets to a third party in preference to either the Bank of New Zealand Limited or the Australia and New Zealand Banking Group Ltd (as applicable) and will ensure that the following financial ratios are met:

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

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

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

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

24 : Non-current liabilities – Deferred tax liabilities

	2016 *$'000*	2015 *$'000*
The balance comprises temporary differences attributable to:		
Property, plant and equipment	45,871	45,693
Intangible assets	(59)	55
Financial assets at fair value through profit or loss	(4,058)	(2,437)
Other temporary differences	(461)	(528)
Net deferred tax liabilities	**41,293**	**42,783**
Movements		
Balance at 1 April	42,783	46,043
Arising on acquisition of subsidiary	412	–
Charged / (credited) to profit or loss	(1,381)	(3,260)
Eliminated on disposal of subsidiary	(521)	–
Closing balance at 31 March	**41,293**	**42,783**
Expected maturity of deferred tax liabilities		
Within 12 months	(1,438)	(1,025)
In excess of 12 months	42,731	43,808
	41,293	**42,783**

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2016 and 2015.

25 : Imputation credits

	2016 *$'000*	2015 *$'000*
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2015: 28%)	5,794	4,431

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.

26 : Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'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 2016 and 2015 the Group's strategy was to maintain a gearing ratio of less than 60%. The gearing ratios at 31 March 2016 and 31 March 2015 were as follows:

	2016 $'000	2015 $'000
Total borrowings	152,121	145,455
Less: cash and cash equivalents	(34)	(3)
Net debt	152,087	145,452
Total equity	**162,572**	**160,940**
Exclude: derivatives at valuation	14,273	8,706
Exclude: available-for-sale financial assets cumulative valuation movement	103	150
Total capital	**329,035**	**315,248**
Gearing ratio	**46.2%**	**46.1%**

27 : Reserves and retained earnings

(a) Reserves

	2016 *$'000*	2015 *$'000*
Property, plant and equipment revaluation reserve	49,570	52,058
Available-for-sale investments revaluation reserve	(103)	(150)
	49,467	51,908
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	52,058	56,171
Depreciation transfer - gross	(3,456)	(5,711)
Deferred tax on the amount released from reserve	968	1,598
Balance at 31 March	**49,570**	**52,058**
Available-for-sale investments revaluation reserve		
Balance at 1 April	(150)	(114)
Fair value gains / (losses) in the year	47	(36)
Balance at 31 March	**(103)**	**(150)**

(b) Retained earnings

Movements in retained earnings were as follows:

	2016 *$'000*	2015 *$'000*
Balance at 1 April	83,765	82,638
Net profit (loss) for the year	1,700	(2,900)
Dividends	(115)	(85)
Net transfer from revaluation reserve	2,488	4,112
Balance at 31 March	**87,838**	**83,765**

28 : Dividends

(a) Ordinary shares

	2016 *$'000*	2015 *$'000*
Dividend of 0.46 cents per ordinary share paid on 31 March 2016	115	–
Dividend of 0.34 cents per ordinary share paid on 31 March 2015	–	85
Total dividends provided for or paid	**115**	**85**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 31 March 2016 and 31 March 2015 were not imputed.

29 : Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2016:

(i) Chairman - non-executive
- Mr Paul Byrnes

(ii) Other non-executive directors
- Mr Richard Krogh
- Mr James Parsons (appointed 1 April 2015)
- Mr Gregory Steed
- Mr Paul White
- Mr Simon Young

(iii) Directors of other Group companies
The directors of Top Energy Ltd are also directors of Ngawha Generation Ltd and of Top Energy Ngawha Spa Ltd. They were also directors of Phone Plus 2000 Ltd until that company was disposed of on 31 March 2016 at which point they resigned. Details of the remuneration of each director of the Top Energy Limited Group are set out in the following tables.

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

(iv) Subsequent retirement and appointment
During the 2016 financial year, Mr Paul Byrnes announced his intention to retire at Top Energy Ltd's Annual General Meeting on 28 June 2016. He will be succeeded by Mr Murray Bain who was appointed as a director of Top Energy Ltd on 1 May 2016.

	Cash salary and fees *$'000*	Total *$'000*
Year to 31 March 2016		
Directors of Top Energy Ltd		
– P Byrnes	86,125	86,125
– R Krogh	46,000	46,000
– J Parsons (from 1.4.2015)	46,000	46,000
– G Steed	52,461	52,461
– P White	46,000	46,000
– S Young	46,000	46,000
Directors of other Group companies		
– P Doherty* (from 7.7.2015 to 26.8.2015)	–	–
– S James*	–	–
– R Kirkpatrick	46,000	46,000
– R Shaw*	–	–
Total	**368,586**	**368,586**
Year to 31 March 2015		
Directors of Top Energy Ltd		
– 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
Directors of other Group companies		
– P Castle (from 9.4.2014 to 7.8.2014)	–	–
– S James*	–	–
– R Kirkpatrick	44,000	44,000
– R Shaw*	–	–
Total	**334,534**	**334,534**

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

(a) Directors' interests in other entities

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

The Group has had a business relationship with Turners Auctions Ltd for a number of years. This has not been affected by Mr P Byrnes' directorship of Turners Auctions Ltd and its group of companies.

30 : Contingencies

As at 31 March 2016 a “Guaranteeing Group” had executed identical deeds of pledge in favour of Bank of New Zealand Limited and Australia and New Zealand Banking Group Ltd. The Guaranteeing Group comprises all Group companies. Each deed of pledge imposes a liability on each subsidiary company within the Group, whereby each subsidiary is liable to repay the total debt of the Group should the Parent, as primary borrower, fail to meet its obligations under the funding agreement. The deed of pledge in favour of Australia and New Zealand Banking Group Ltd was executed on 29 July 2015. The deed of pledge in favour of Bank of New Zealand Ltd has been in place for many years.

Phone Plus 2000 Ltd ceased to be a member of the Guaranteeing Group when it was sold on 31 March 2016.

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 2016 the total value of contingent obligations entered into by the Group was $450,000 (2015: $941,000) and the total value of contingent receivables from third parties was $515,000 (2015: $661,000).

In addition to the bond obligations detailed above, under the terms of the agreement for sale of Phone Plus 2000 Ltd, the Group remains guarantor for the rent payable on Phone Plus 2000 Ltd’s premises in Auckland. That guarantee was provided under the terms of the original lease. The guarantee runs until 31 July 2018. The total contingent liability at 31 March 2016 under this guarantee was $273,000.

31 : Commitments

(a) Capital commitments

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

	2016 *$’000*	2015 *$’000*
Property, plant and equipment	846	963
	846	**963**

(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:

	2016 *$’000*	2015 *$’000*
Within one year	871	620
Later than one year but not later than five years	2,758	2,088
Later than five years	3,652	1,442
Commitments not recognised in the financial statements	**7,281**	**4,150**

32 : 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 $115,000 to the Trust during the year ended 31 March 2016 (2015: $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 $58,000 in the year ended 31 March 2016 (2015: $65,000).

As at 31 March 2016, a balance of $1,468,000 was owed by the Company to the Trust (31 March 2015: $1,554,000) 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 29.

(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 2016	**4,692**	**104**	**50**	**–**	**4,846**
Year ended 31 March 2015	3,990	50	37	84	4,161

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

During the year ended 31 March 2015 the Group purchased communications consultancy services from Angela Shaw Communications to the value of $3,850.

The Group did not purchase any services from this supplier in the year ended 31 March 2016. Angela Shaw Communications is the business of Mrs Angela Shaw, who is a related party to the Group's Chief Executive, Mr Russell Shaw. Mr Shaw is also a director of four 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 2016 (2015: none).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 34. 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:

	2016 *$'000*	2015 *$'000*
Balance due to the Trust at 1 April	1,554	1,558
Interest charged by the Trust	58	65
Amounts repaid to the Trust	(144)	(69)
Balance due to the Trust at 31 March	**1,468**	**1,554**

(g) Guarantees

Details of negative pledges made by the Group to its bankers are given at note 23.

(h) Terms and conditions

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

33 : Business combinations

(a) Summary of acquisitions

Top Energy Ltd purchased the entire issued share capital of Ginns Ngawha Spa Ltd on 7 July 2015. The previous shareholders are not connected to any member of the Top Energy Ltd Group. Immediately following the acquisition, the company's name was changed to Top Energy Ngawha Spa Ltd on 8 July 2015.

Top Energy Ngawha Spa Ltd operates a spa and camping ground at Ngawha Springs. It also leases land for grazing and lets out a residential property.

On 28 October 2015 Top Energy Ltd formed a new wholly-owned subsidiary company, Ngawha Spa Ltd. This company has remained dormant since its incorporation.

(b) Disposal of subsidiary

On 31 March 2016 the Group disposed of its entire interest in Phone Plus 2000 Ltd. Details are given at note 8.

34 : Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2016:

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

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

35 : Events occurring after the reporting period

As detailed in note 29 above, on 1 May 2016 Mr Murray Bain was appointed as a non-executive director of Top Energy Ltd. In the opinion of the Directors, there are no other events occurring after the balance date which require disclosure in these financial statements.

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

	2016 *$'000*	2015 *$'000*
Profit (loss) for the year	**1,700**	**(2,900)**
Adjustments made for:		
Depreciation and amortisation	15,827	20,233
Net loss (gain) on sale of non-current assets	279	(24)
Fair value (gain) loss on biological assets	–	(58)
Movement in provision for doubtful debts	(41)	163
Fair value (gains) / losses on other financial assets at fair value through profit or loss	5,557	5,306
Changes in working capital:		
Decrease (increase) in trade debtors	57	(128)
Decrease (increase) in inventories	(157)	714
Decrease (increase) in other operating assets	(227)	311
Increase (decrease) in trade creditors	(2,755)	2,255
Increase (decrease) in other operating liabilities	281	214
Increase (decrease) in income taxes payable	(786)	277
Increase (decrease) in provision for deferred income tax	(1,444)	(3,270)
Net cash inflow from operating activities	18,291	23,093

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOP ENERGY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2016

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

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 25 to 61, that comprise the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 11.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2016; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2016.

Our audit was completed on 14 June 2016. 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 performance information 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 performance information. 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 performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information 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

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performance information 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 appropriateness of the performance information within the Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information 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 performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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.

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

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

Directory

Principal business
Electricity generation and lines distribution business

Directors

– Mr Paul Byrnes	BCom ACA ACIS CMA - Chairman
– Mr Richard Krogh	BE (Hons) MIPENZ CMInstD
– Mr James Parsons	Dip Hort Mgt
– Mr Gregory Steed	BCom CA MInstD
– Mr Paul White	BArch DBA MBS
– Mr Simon Young	BBS MSc Dip Hort Sc M Phil (Econ)

Officers

– Mr Russell Shaw	B Eng (Hons) MSc C Eng FIET MIPENZ MInstD - Chief Executive
– Mr Steven James	ACA - General Manager - Corporate Services
– Mr Paul Doherty	BBS, CA - General Manager - Finance

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

Auditor
Andrew Burgess of Deloitte on behalf of the Auditor-General

Bankers
- Bank of New Zealand, Kaikohe
- Australia and New Zealand Banking Group Ltd., Auckland

Website
www.topenergy.co.nz

Top Energy Group

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KAITAIA	Whangatane Drive, Kaitaia 0482 PO Box 5, Kaitaia 0441
PUKETONA	1254 Puketona Road, RD 3, Kerikeri 0293 PO Box 43, Kerikeri 0245

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