TOP ENERGY TePuna Hihiko

ANNUAL REPORT 2016/17

About
TOP ENERGY

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

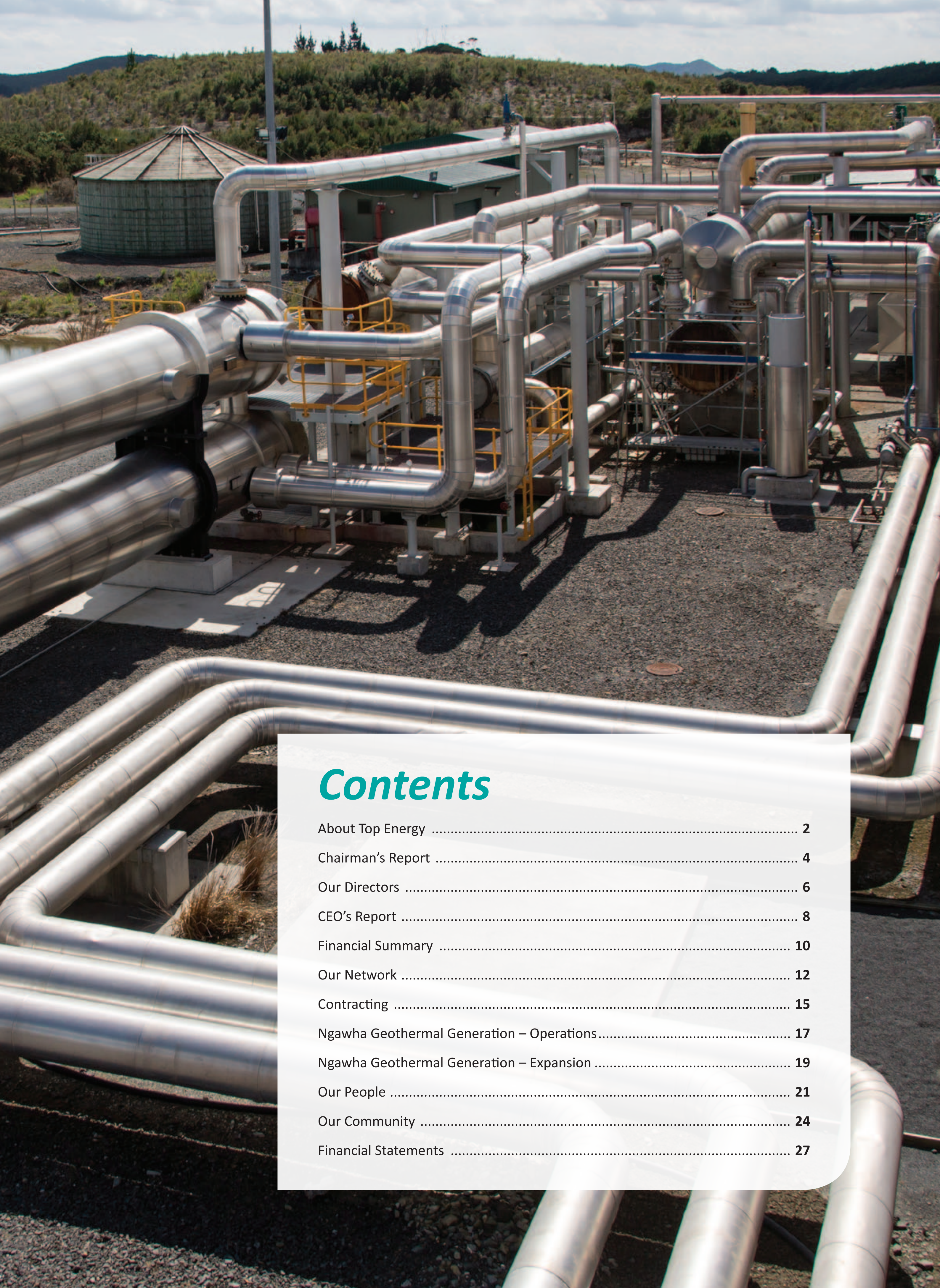
With operations throughout the Far North, the company is progressive and technically driven with interests in:

- *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 $400 million and employs over 150 staff.

Ngawha geothermal power station



Contents

CHAIRMAN'S
Report

The Far North lost power when insulators on a Transpower tower were shot out

The Top Energy Group had another excellent profit year, with EBITDAF earnings increasing 4.3% over the previous year and 3.2% over budget.

We are also pleased that the service levels for customers that are under Top Energy's control have improved once again this year. Unfortunately, a series of significant weather events, together with some incidents affecting the Transpower lines we depend on, meant that we didn't achieve our overall goals in this area.

Variations to the resource consents previously obtained for expansion of the Ngawha power plant have been pursued during the last year and are nearing completion. Planning and design for well drilling and station construction are well under way.

The Top Energy Group had another excellent profit year, with EBITDAF earnings increasing 4.3% over the previous year and 3.2% over budget.

Earnings and Cashflows

Earnings before Interest, Tax, Depreciation, Amortisation and Fair Value Movements (EBITDAF) were $34.1m, an increase of $1.4m over the previous year. The revaluation of derivatives has contributed $6.4m to profit, reflecting the increasing interest rates, particularly for the longer dated hedges we hold, and the increase in value of energy hedges held for the first time this year. Interest rates have been mainly steady during the year and the lower interest cost reflects the reduction of funds borrowed.

The Ngawha generation plant was revalued, as required by our accounting policies, producing a value uplift, net of disposals of generation assets, of $17.7m.

Cash generated from operations increased by $7.7m and this, combined with a lower level of capital expenditure, meant that we were able to repay $5.8m of borrowed funds. The Group's borrowing facilities remain at the same level as in previous years and this increased headroom will be utilised should we embark on the Ngawha power station expansion during the coming years.

Health and Safety

The Board is pleased with the progress the Group has made in implementing the new health and safety legislation and all directors are regularly and directly involved in reviewing, inspecting and engaging with staff to ensure the safest environment for both staff and the public.

Having said that, the Group experienced three lost time injuries during the year. Two of these were relatively minor but the third involved a staff member incurring a number of broken bones and other injuries.

These incidents remind us of the dangers inherent in the work carried out by our staff, often in difficult weather conditions, to enable electricity to keep flowing across the network. We have in place robust systems to investigate such incidents, focused on identifying root causes and changes which can be made to make sure they do not happen again.

Ngawha Expansion

Last year's report included details of the new resource consent obtained to expand the Ngawha power station. While the consent was being processed by the authorities, we were able to buy a block of land which significantly enhanced the access to the geothermal reservoir, will reduce the construction cost and increase the efficiency of the facility during its lifetime. We therefore lodged a request to the consenting authorities for a new consent which varied the area covered by the consents held. This application has been progressed during this last financial year and is expected to produce the new consents by the middle of 2017.

We were able to buy a block of land which significantly enhanced the access to the geothermal reservoir.

The developments of the generation facilities we own at Ngawha have occurred over many years. The first concept plans were created in 1991 and we will soon have plants generating 50MW of electricity, supplying well over 80% of the power used in the Far North and contributing significantly to the profits of the Group, for the benefit of the people of the District.

The expansion of the Ngawha plant will involve the raising of additional borrowed funds and the expenditure of the construction costs involved. These transactions will constitute a Major Transaction, as defined in the Company's constitution, requiring the approval of our shareholder, the Top Energy Consumer Trust. A request for this approval is presently being worked on and, provided everything works out as expected, will be put to our shareholder in the latter part of 2017.

Industry Issues

Last year's report also referred to a proposal from the Electricity Authority to review and potentially reallocate the transmission revenue earned by Transpower from distribution companies' consumers, generators and grid connected consumers, for operating the national grid.

After several stages of consultation, the Authority identified that their underlying analysis was wrong and they have recently communicated that they will be redoing it. However, there is no suggestion that the objective they have stated has changed and we expect a revised benefits case will be presented to the industry in the months to come prior to them finalising the framework.

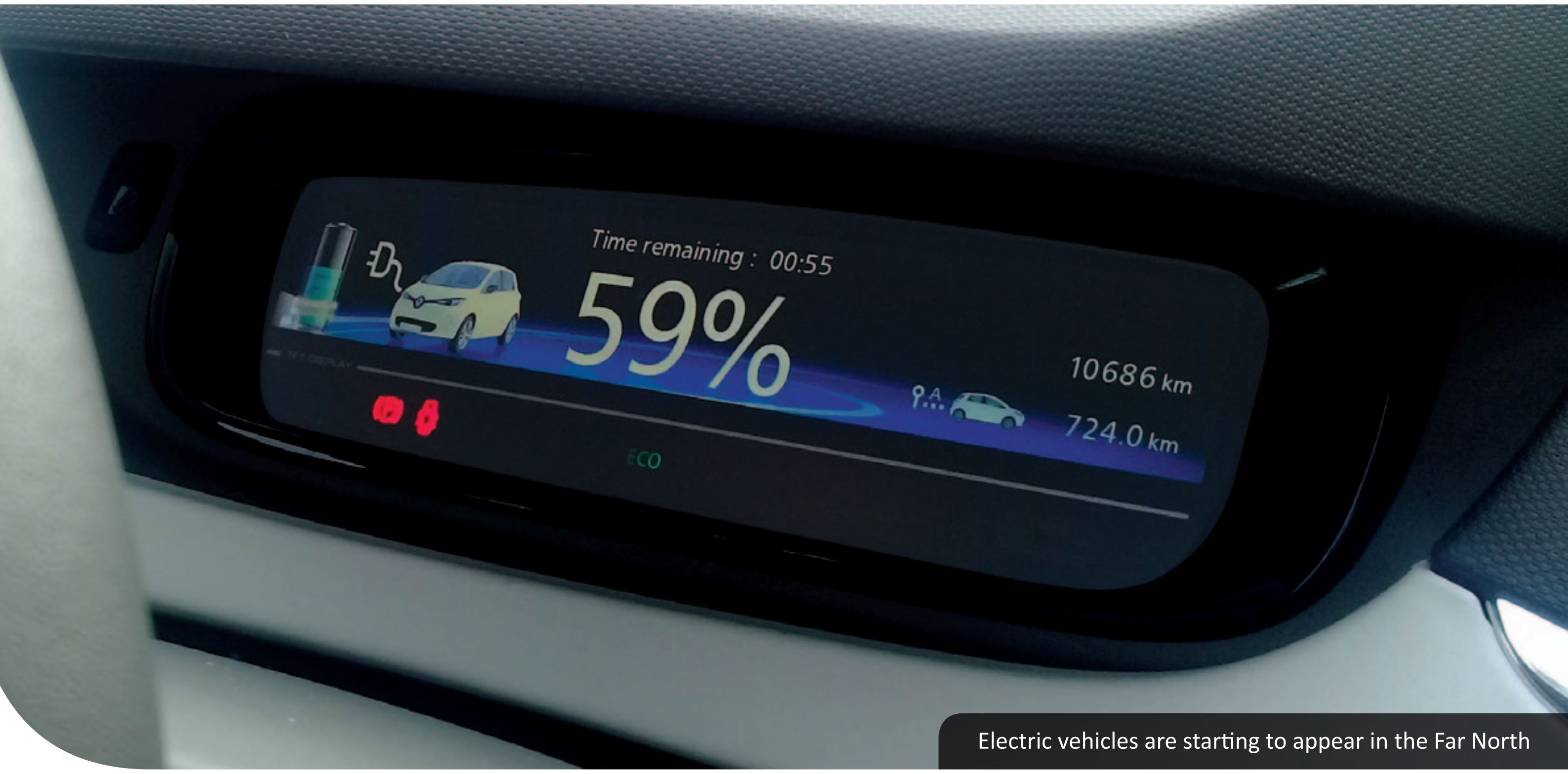
In addition, the electricity sector globally is facing major changes, which are largely technology driven. As the CEO notes in his report these provide both challenges and opportunities for Top Energy going ahead and he has led a number of changes over the last 12 months, both internally and externally, to prepare our organisation to meet those.

Thanks

It has been a busy and challenging year but we have continued to make good progress and the Group is set up to move forward, not only with the expansion at Ngawha but also to address the technological changes that are confronting the industry over the coming years. I would like to thank my Deputy Chair Richard Krogh and our fellow directors for their wise counsel and support. I would also like to acknowledge the dedicated work of our staff and in particular the excellent leadership of our CEO Russell Shaw and his management team.

Murray I Bain
Chairman

OUR DIRECTORS



Electric vehicles are starting to appear in the Far North

Investing in Our Community

The electricity sector is at a very challenging and interesting point in its evolution.

The impact of new and disruptive technologies is having a huge influence on the way electricity networks are developing and the decisions made at Board level are focused on managing change and readying the distribution systems for future growth.

It is the responsibility of the Board of Directors to ensure the company's prosperity, by directing the company's affairs, whilst meeting the appropriate interests of its shareholders and stakeholders.

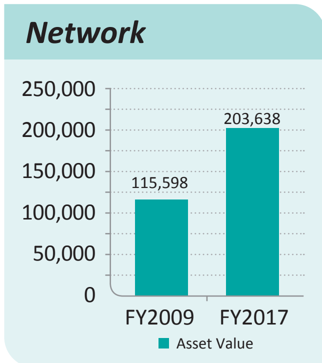
We need to be responsive to change, while ensuring that we deliver the reliability that all in our community expect. Our investment programmes need to benefit and add value for the people of the Far North. It is this awareness that has driven our investment decisions over time.

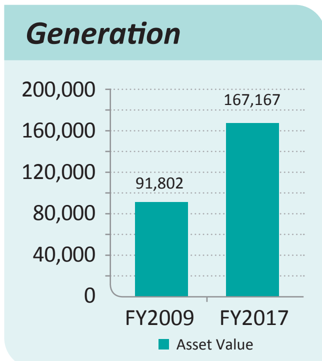
The graphs to the right show the substantial growth in asset values since 2009, for both the electricity network and the geothermal power generator at Ngawha. Our investment plans for the foreseeable future show these values continuing to increase substantially. These include the expansion of the existing 25MW power station by another 25MW.

Not so long ago, it seemed that outages were accepted as a fact of life when living in the Far North.

We did not believe this was good enough.

And so, we initiated a multi-million dollar investment programme to improve the reliability and resilience of the network and hence contribute to the economic growth in the region. While we still have a way to go, the reliability of our network has vastly improved from 2009 when the programme got underway.



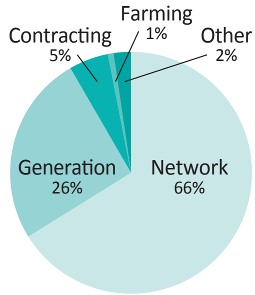


Our capital investment in the replacement and reinforcement of the network, as a proportion of its asset value, outstrips any other network in New Zealand. Put simply, we're spending more on maintaining and replacing our network than anyone else, compared to how much it is worth.

The expansion of the Ngawha power station will, in time, contribute to the energy independence of the Far North – reducing our reliance on the transmission network from the south and adding value to the local community, both in terms of security of supply and the financial returns from utilising a local resource for the benefit of the local people.

The chart to the right, showing revenue from the various business streams of the business, illustrates that the Group is focused on asset management. Even the non-asset based activities directly support the value adding parts of the Group.

Revenue FY2017



About our Directors

Murray Bain

Murray was appointed to the Top Energy Ltd board from 1 May 2016 and assumed the chair in June 2016.

Murray was previously an Assistant Governor of the Reserve Bank and is currently a Deputy Chair of TSB Bank Ltd.

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.

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.

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.

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.

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.

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.

Russell Shaw

Russell is Chief Executive of the Top Energy Group. He was appointed a director of Ngawha Generation Ltd in February 2015.

Qualifying as an electrical engineer in Scotland, Russell worked in lines companies in the UK and NZ, as a consultant in locations around the world and has been CEO of Top Energy since 2008.

CEO'S Report


Crews working on the 11kV line at Mangamuka

The health and safety of the public and our staff is always the number one priority of the Company's Board, myself and our staff. The Health and Safety at Work Act 2015 has been operative for all of the last financial year and, as a Group, we have embraced its provisions. We have continued to maintain high standards, with several independent audits of applicable standards and legislation attesting to this fact.

One significant outcome from this new health and safety regime is the general move by the industry away from extensive use of live line techniques to a more risk based approach. This revised approach has led to both a reduction in the amount of live work we are completing and also the type of work. These changes have a direct impact on the number of outages customers experience and the cost of maintaining the distribution system.

These changes have a direct impact on the number of outages customers experience and the cost of maintaining the distribution system.

The Group, as with the rest of the electricity industry, is facing a number of fundamental changes. The new technologies that are becoming mainstream and predicted to become ubiquitous, make planning for the future far more uncertain and complex. For an industry that has been generally stable and predictable for many decades, this is a welcome challenge – one that we will all have to confront and master.

The last year has seen us review a number of our major capital works projects, to test whether they are actually going to position Top Energy to provide reliable, safe and efficient energy delivery to the people of the Far North. Alternative technologies are part of that new vision of the future and we are moving to understand which of the technologies will become established and how they fit into our business paradigm.

As I have reported previously, we are continuing the work to obtain the best possible resource consents that will allow us to expand the production at the Ngawha geothermal power generation facility. Our acquisition of land adjacent to the existing station, which our investigations indicated is of a very high geothermal quality, led to our lodging a new consent application, to vary the land included in the consent. At year end, we are very close to completing this process and work is well underway to specify the plant that we expect to be building on the new site.

The profitability achieved by the business units making up the Group has varied. The Network division had a very successful year with revenue increasing by 8%. However, we were again hit with a number of significant storms during the year, with the result that our service levels, measured by the number of minutes an average consumer is without power, was higher than we would like.

The Network division had a very successful year with revenue increasing by 8%.

In addition, as noted above, the significant reduction in the number of maintenance jobs completed using live line techniques has impacted on the frequency and duration of outages. Our target for the year was 350 SAIDI minutes and the actual result was 401 minutes. While disappointing, this was still well below the target level set by the regulator at 435 minutes.

The generator has again performed very well during this last year. The plant was subjected to one of the more extensive annual maintenance workovers in October but still managed to produce an annual plant availability result of 96.6%, against a target of 94.7%. This reflected the excellent performance of our staff and the contractors involved in the shutdown, bringing each of the units back on line earlier than planned.

As we come to the end of a major capital works programme initiated in 2010, we have had to confront the fact that this level of work will not continue into the future. This has a direct impact on the number of construction staff we need to employ and has resulted in a need to restructure our Contracting division.

Such changes are always difficult and impact our staff, both those unfortunate enough to lose their jobs and those remaining that see some of their workmates leaving. The changes that were required were commenced towards the end of the reporting year and the process was completed shortly after.

It has been a challenging year for our staff, particularly those involved in the Contracting division restructure. I do want to express my appreciation and thanks to all of our staff, as we look forward to many challenges over the next year and the years that follow.

Russell Shaw
Chief Executive

FINANCIAL
Summary

The Group's financial performance (EBITDAF) improved by $1.4m, (+4.3%) from 2016 and exceeded the year's targets.

Revenue growth of 8.0% ($5.0m) was achieved with strong performance from the network, generation and farming areas of the Group. Network revenue grew $2.9m as we continue to follow the default price path allowed by the Commerce Commission. Generation revenue improved by $0.8m, benefiting from higher offtake prices and 97% plant availability. Farming income was up $1.6m, largely driven by achieving strong timber prices for harvesting 40hectares of pine forest. Milk production from the dairy farm also increased by 14%, a record year.

Contracting was negatively impacted by 10%, largely due to a decline in Pacific project work, with the local area revenue remaining at a similar level to last year.

Operating expenses increased by 12.0%. Transmission charges increased by 9.5% and employee expenses also increased by 7.3%, to account for restructure costs following a review of the Contracting resources required for the forward workplan. Increased consultancy costs were incurred as we assessed our Cyber Risk preparedness and commenced the development of the Ngawha Generation Safety Case following the introduction of the Health & Safety at Work Act 2015 and being designated a high hazard facility.

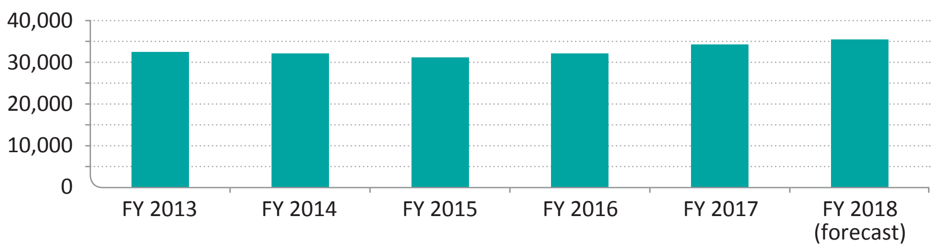
Depreciation and amortisation costs reduced by $0.4m, due to a reduction of software amortisation, following an increase of investment in systems three years ago now fully written off. The Network commissioned $14.5m of new assets, in line with our asset management plan. Interest costs decreased 7.6%, reflective of a lower cost of debt and a reduction in debt of $5.8m. A positive fair value adjustment on financial derivatives of $6.4m was recorded against the Group's hedging strategy for interest rates and energy price risk following an increase in long-term interest rates and a softening of energy prices.

Overall, a successful year with the Group achieving profit after tax of $12.0m. In addition, an increase of $17.7m was recorded in the revaluation reserve with an updated valuation being completed on the Ngawha generation plant, reflecting the growth in future cash being generated by the plant.

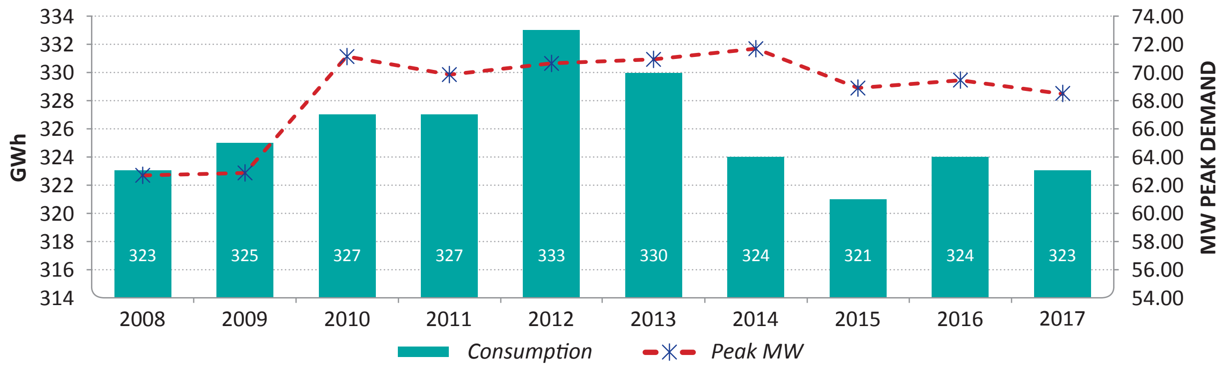
Operating cash flows improved by $7.7m to $26.0m, with an increase in network construction activity in March leading to a $1.2m increase in Trade and other payables over the year. Investments in the Group's PP&E and Intangible assets of $20.0m was made, with the surplus cash reducing the Groups debt facilities.

It is anticipated that modest growth in EBITDAF will be achieved for 2018. No significant change is expected to the Groups operations, however, approval from our shareholder for the Ngawha generation expansion will be sought during the coming year.

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



***Total Energy Sold** 2008 to 2017*



During 2017, we experienced a small 0.4% decline in Network consumption, following the 1.1% increase in 2016. The drop in consumption was across all consumer groups, the largest drop being in the large industry group. Demand also dropped slightly with the average temperature across the year 0.5 degrees higher than the 10-year average. Further work has been completed on our future pricing strategy to ensure that consumers have cost reflective pricing. This work will continue in the year ahead as we maintain alignment with the industry and expand our consumer engagement.

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

FINANCIAL PERFORMANCE TARGETS FOR:	**Actual** *31.03.2017*	Target *31.03.2017*	Actual *31.03.2016*
Electricity network business			
(i) Profit before finance and tax as a percentage of total tangible assets	7.5%	7.1%	6.2%
(ii) Net profit after tax as a percentage of average shareholder's funds	8.4%	7.7%	6.4%
(iii) Return on investment	7.0%	6.8%	6.3%
Other non-network business			
(iv) Profit before finance and tax as a percentage of total tangible assets	6.3%	6.5%	7.2%
(v) Net profit after tax as a percentage of average shareholder's funds	4.9%	6.3%	7.3%
Group			
(v) Net profit after tax as a percentage of average shareholder's funds	7.4%	7.2%	6.7%
(vii) Ratio of shareholder's funds to total assets	1:2.33	1:2.32	1:2.45
(viii) Return on investment	6.2%	6.1%	6.0%

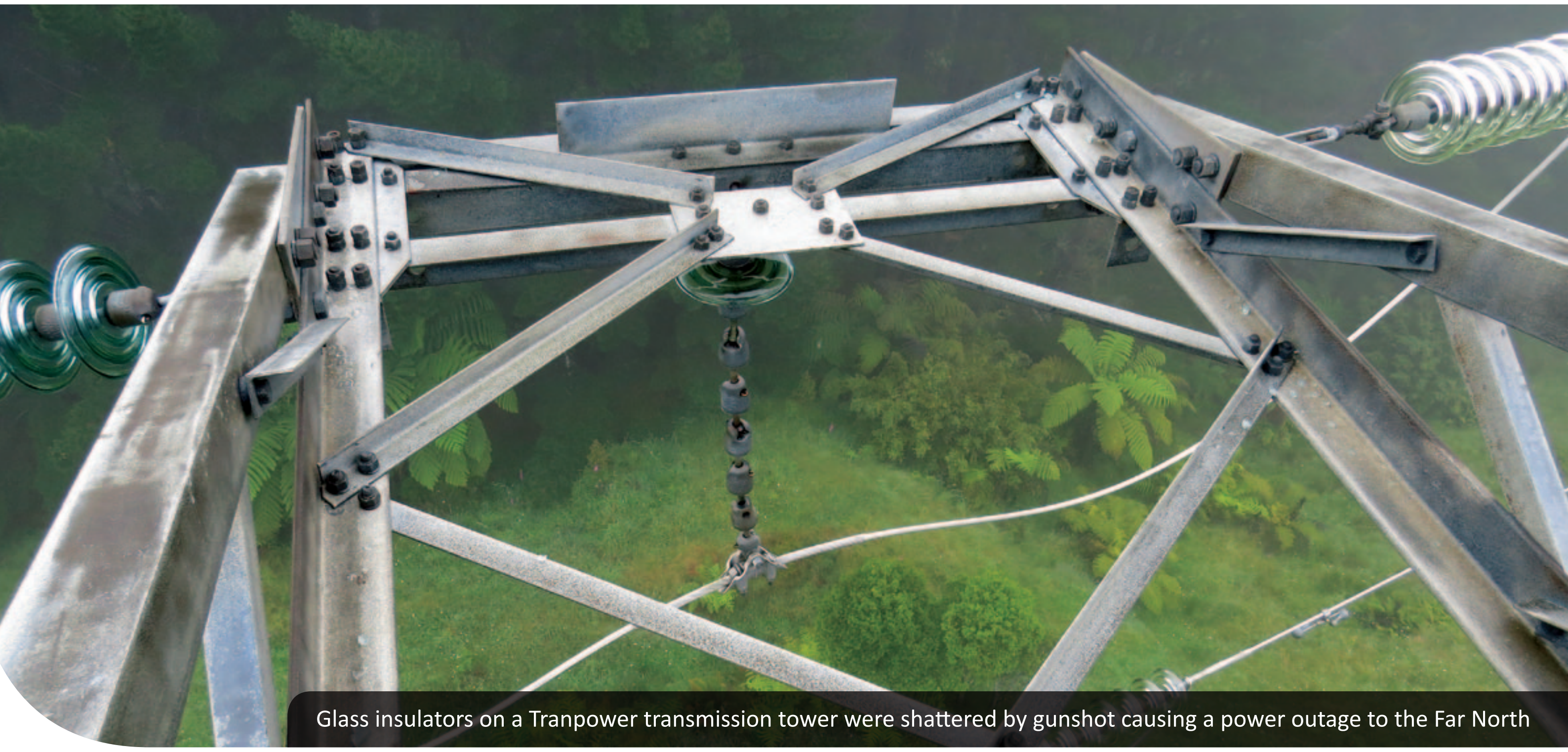
(i)-(viii) The performance targets and actual results are before any unrealised gains or losses from derivatives are taken into account and exclude the effect of any asset revaluations.
(iii) & (viii) Return on Investment is defined as after-tax Earnings before Interest, Discounts and Derivative fair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

NETWORK QUALITY STANDARDS*	**Actual** *31.03.2017*	Target *31.03.2017*	Actual *31.03.2016*
(i) System Average Interruption Duration Index (SAIDI). *The average duration of high voltage outages (including planned) per customer (minutes)*	401	350	462
(ii) System Average Interruption Frequency Index (SAIFI). *The average number of outages (including planned) per year for any customer*	4.8	4.2	5.6

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

HEALTH AND SAFETY	**Actual** *31.03.2017*	Target *31.03.2017*	Actual *31.03.2016*
(i) Lost Time Injury (LTI)	3	2	1
(ii) Medical Treatment Injury (MTI)	2	4	0
(ii) Average Lost Time Rate per Lost Time Injury *Number of days lost due to the Lost Time Injury*	7	10	10

OUR NETWORK



Glass insulators on a Tranpower transmission tower were shattered by gunshot causing a power outage to the Far North

Transmission Outages Cause Northland-Wide Cuts

Sabotage and scrub fires caused major outages on Transpower's transmission line into Northland in two separate incidents and had a roll-on effect, knocking out supply to all of Top Energy's consumers.

Glass insulators on three towers supporting the Maungatapere to Kaikohe Double Circuit transmission line were damaged by gun shots in December 2016, cutting supply to the Top Energy network. Over 30,000 customers were without power for several hours while the damaged insulators in the remote and difficult terrain were replaced.

Another network-wide outage occurred in February 2017 when Transpower initiated the disconnection of supply to its main Northland feeder because of a large scrub fire close to its towers near Ruakaka.

In both incidents, Top Energy worked with Transpower to ensure a safe and progressive restoration of power in what can only be described as challenging circumstances.

The impact on the local community cannot be underestimated. The cell phone network was compromised, EFTPOS machines were unable to work and people were asked to conserve water and avoid flushing toilets as power to the water and sewerage plants was affected.

Two major transmission outages within a matter of months highlighted the vulnerability of Northland's power supply. Currently, local demand exceeds the generation capacity from the Ngawha power station. Consequently, some power is imported into the region through the transmission network from Auckland. Expansion of capacity at the Ngawha power station, detailed later in this report, will improve our future ability to maintain supply to most of our customers should these types of incidents occur.

Sabotage and scrub fires caused major outages on Transpower's transmission line into Northland

Building Resilience into the Network

While plans to expand the Ngawha power station are underway, Top Energy is also investigating alternative sources of power, such as generators and batteries, to improve the resilience of the network.

During the December and February outages, we maintained supply to nearly 4,000 of our Taipa customers with power supplied by two 2 MW back-up diesel generators installed at the Taipa substation in 2012.

The generators addressed a vulnerability in the Taipa power supply, which is supplied by a single 33 kV overhead line. It has been observed that, since the generators were installed, the number and duration of power outages has decreased.

Local consumers are also benefiting from the availability of the generators while essential work on the 33 kV overhead line between Kaitaia and Taipa is being undertaken, work that will continue for the next three years.

The generators also provide a cost-effective back up during emergencies.

In time, Top Energy will install more diesel or bio-diesel generators on other parts of the network to help improve reliability and resilience. It also means we can defer costly investment without compromising supply while we investigate other network options and configurations, such as batteries, solar and other local generation.

The Taipa generators have been used 21 times in situations involving faults on the incoming 33 kV supply and during planned outages, allowing crews to work safely on de-energised overhead lines while the generators maintain power supply.

Top Energy also investigating alternative sources of power, such as generators and batteries, to improve the resilience of the network.

New Technologies

The electricity industry around the world is being impacted by the development of new technologies. As the world moves to a much greater focus on renewable energy sources, the expansion of small, residential-sized solar generation, combined with the installation of batteries, will mean changes for the traditional role of the electricity network operators. Penetration of these technologies into the Far North is modest at this point but will grow in the coming years.

The impact of these developments will mean that two-way power flows will become common on networks. We are continuing to monitor the changes occurring locally and internationally to better understand our future role in the market.

Another advance is the electric vehicle. Again, the number of these units in the Far North is very small but growing. Although the increase in these vehicles is desirable, there are real concerns around the impact the simultaneous charging of these vehicles will have on our network. Considerable work is being done to evaluate what pricing signals will be effective for any consumers considering investing in an electric vehicle.

The electricity industry around the world is being impacted by the development of new technologies.

Major Weather Events

The region has again been buffeted by a number of major weather events this year. Heavy rain over two consecutive days in March caused widespread flooding and destabilised power poles in Kaitaia. The most adversely affected areas included Oue, Waimamaku and Horeke in South Hokianga.

It felt like the ground had only just dried out when the country was hit by Cyclone Cook in April and Donna in May, giving us a difficult start to the current year.

Our biggest issues during storms continue to be trees and vegetation damaging the lines – particularly as a large portion of our network spans remote and rural terrain.

Tree Maintenance

We spend $1.8 m a year on tree management and working with tree owners to keep trees and vegetation away from power lines. Trees connecting with power lines is an ongoing problem that affects the reliability of our network. They are the largest cause of faults, and 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.

Trees connecting with power lines is an ongoing problem that affects the reliability of our network. They are the largest cause of faults.

Working with tree owners is always our first approach; however, ultimately, the tree owner is responsible for ensuring trees do not interfere with power lines. These responsibilities are outlined in the Electricity (Hazards from Trees) Regulations 2003, which prescribe the minimum safe distances that trees can be allowed to grow near an electricity network.

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 has focused on the areas of Awarua, Taipa, Whangaroa, Totara North, Horeke, South Road, Herekino Rangiahua and Oruru.

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

The Top Energy network was originally designed to provide supply in a sparsely populated, economically deprived and primarily rural area. The resilience of the network has vastly improved following a substantial investment programme to improve the security of supply.

The resilience of the network has vastly improved following a substantial investment programme to improve the security of supply.

This year, our continuing capital works programme has delivered a number of key projects and major upgrades, including the following:

- Continued upgrading the structures on the Kaikohe to Kaitaia 110 kV line, previously bought from Transpower and with a number of the structures nearing the "end of life."
- Commenced construction on the new Kaeo substation.
- Completed stage five of the 33 kV line upgrade from Kaitaia to Pukenui.
- Completed stage one of the Taipa 33 kV line upgrade.
- Installed a 110 kV bus zone protection scheme at the Kaikohe substation.
- Upgraded and refurbished the Kawakawa substation.

Community and Public Safety

We are a member of the Northland Lifelines Utility Group, made up of representatives from the transport, energy, water and communications sectors. We are therefore involved in civil emergency events – coordinating efforts to reduce the vulnerability of the community and to assist recovery as quickly as possible after a disaster.

CONTRACTING

Changes to Contracting

It has been a challenging year for our Contracting Services team. Recognising a reduction in the future network work programme and the changing nature of work in the Pacific (where the company had a strong presence), a structural and resource review was undertaken in February.

The review also addressed Health and Safety legislation requirements, which came into effect in 2016 and have led to a major change in the way we carry out line maintenance – particularly the implementation of a risk-based approach that has resulted in a significant reduction in work on lines while they remain live.

Live line work techniques have meant, in the past, that consumers do not experience disruption and loss of power while maintenance is carried out. However, working with de-energised lines eliminates the hazard of electricity, and therefore the use of the live line technique will be much reduced in the future.

The completion of our major line upgrades, combined with changes to live line practices and the reduction of work in the Pacific, affected the overall availability of work. This impacted the services provided by our contracting team, creating a misalignment between our current and future resource requirements.

New Health and Safety legislation requirements have led to a major change in the way we carry out line maintenance.

A restructure was undertaken that aligned employee numbers with the reduced capital spend and changed the business model to one where Contracting Services focuses on providing labour to the network and our local external customers.

Through moving some functions to the network, redeployment and voluntary redundancies, the impact on staff was kept to a minimum. Our focus is on maintaining the upgraded network rather than on major builds and extensions.

The nature of our work is also changing, with an emphasis on new technology, such as batteries and local generation that does not require large-scale infrastructure changes to the network.

These, together with the consent approval to expand the Ngawha power station from 25 MW to 75 MW, have the potential over time, to make the Far North self-sufficient in renewable energy.

Our focus is on maintaining the upgraded network rather than on major builds and extensions.

Pole replacement at Ohaeawai

China Clay Cross Arm Replacement Project

The cross-arm replacement project to reinforce the network between Waipapa and Matauri Bay (the "China Clay" feeder) was completed. This work involved the replacement of 186 cross arms and two poles.

Pawarenga 11 kV Rebuild

The Pawarenga 11 kV rebuild involved replacing conductors and mainly wooden power poles along a 4.1 km overhead line over rough terrain in the middle of the rural feeder.

Pukenui 33 kV Refurbishment

We have now completed the fifth stage on the Kaitaia–Pukenui 33 kV refurbishment, which required replacement of the cross arms and insulators on many of the poles. This work has significantly improved the resilience of this main feeder line and the reliability of power supply to customers in the Far North. There are another two stages of this project to go before completion.

Pole Replacement Programme

As part of our regular pole inspection programme, we replaced 50 wooden poles between January and March 2017. Approximately 1,800 wooden poles on our network will be gradually phased out and replaced with concrete poles.

Ngawha Geothermal Generation
OPERATIONS

Ngawha Generation control room

Record Safety Performance

It was another exemplary year for our staff at the Ngawha geothermal power station; they have now achieved 3,100 days with no 'lost time injuries' (LTIs). This continues an outstanding record, with no safety issues arising since the new station opened. This ongoing excellence is testament to the capability of our 12 staff who run a smooth and safe operation 24 hours a day, 365 days a year.

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

It was another exemplary year for our staff at the Ngawha geothermal power station.

Projects and Shutdowns

A key focal point for the year was the annual shutdown in October 2016, which confirmed that everything was in fine working order after 11 months of continuous and uninterrupted operation.

Health and Safety

Throughout the year, considerable focus has been applied to the new Health and Safety at Work (Major Hazard Facilities) regulations that came into effect in April 2016. Under the new regulations, the power station has been classified as an upper tier major hazard facility (MHF) that requires specific standards relating to safety. A Group Safety and Risk Manager has been appointed to ensure compliance with the new health and safety requirements.

Under the new regulations, the power station has been classified as an upper tier major hazard facility (MHF)

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.

The requirements placed on us by these new regulations can be challenging, and we continue to work closely with representatives from WorkSafe as we develop our safety case for the existing plants. So far, this has involved thousands of hours of work over two years, including input from all Ngawha Generation Limited (NGL) staff, as well as external consultants.

Full Functioning

The Ngawha power station operates to a monthly target of 98.8% availability. This level has often been exceeded throughout the year, testament to the reliability of the plant and the skill of our operators. The actual availability for the year averaged 96.24%, which included the annual planned shutdown in October.

Environmental Reporting

Six-monthly environmental monitoring is undertaken to ensure there are no adverse impacts from operations on the rich and fecund geothermal wetland surrounding the power station. No environmental incidents occurred, and temperatures and chemical balances in the thermal springs and lakes were consistent with those of previous years.

It is not unusual to discover rare flora and fauna in the surrounding wetland

There is evidence of good regeneration of native sedge in areas affected by a fire in 2008, and fern bird surveys show an encouraging growth in numbers in this regenerating habitat.

It is not unusual to discover rare flora and fauna in the surrounding wetland, with populations of the threatened Northland mudfish found during early environmental monitoring.

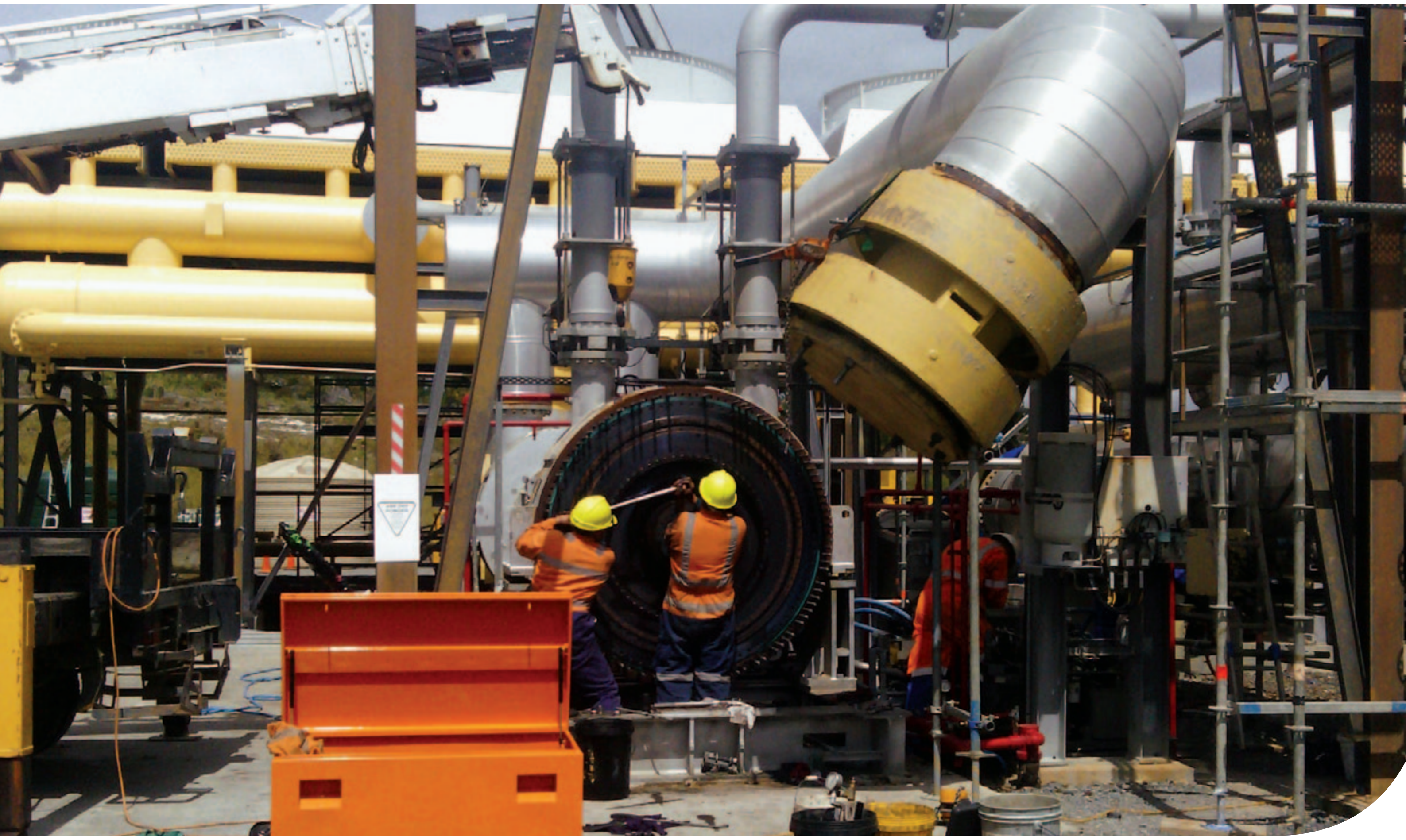
In readiness for the new power station, an updated monitoring programme will be in place prior to any pipeline construction, power station site construction, reservoir construction or well drilling activities associated with the expansion of generation capacity at Ngawha.

Visitor Centre

The resource consent approval for expansion plans of the power station and the 35-year extension for the operation of the existing power station has generated a great deal of interest in our community and from further afield.

This has resulted in renewed interest in our visitor centre, with site tours for local schools, universities, media, local iwi, industry representatives and international geo-scientists.

Ngawha Geothermal Generation **EXPANSION**



There has been a great deal of community interest in our expansion plans at Ngawha – particularly following the Transpower outages in December 2016 and February 2017, which cut power to all of Northland.

Top Energy intends to increase the capacity of the station to 50 MW by 2020 and, subject to geothermal field performance, to 75 MW by 2026.

Although a new consent was granted by the Environment Court in February 2016, we lodged a request to vary the consent following the purchase of 184 hectares of land adjacent to Ngawha Generation land holdings.

This land, located over some of the highest temperatures in the geothermal field, presented clear advantages if we could change the location of the well pad and the stations.

The land purchase allowed us to establish new locations for production wells and the two power stations as well as enhance access to the geothermal reservoir. This relocation will significantly reduce construction costs and increase the efficiency of the station.

The resource consent process has again been complex and protracted. However, the planned expansion will significantly increase power security for the people of the Far North, while adding to the value of their investment in the locally owned power system.

Top Energy intends to increase the capacity of the station to 50 MW by 2020 and, subject to geothermal field performance, to 75 MW by 2026.

Our most recent consent application was granted by a hearings commissioner in January 2017. These were appealed by the Department of Corrections in relation to their property adjacent to our new site.

The concerns raised by Corrections were resolved by making relatively minor amendments to consent conditions and by entering a relationship deed that outlines how Corrections and Ngawha Generation will address future development proposals on our respective properties.

The new consents are expected to become effective in July 2017 and will last for a 35-year period.

The new consents are expected to become effective in July 2017 and will last for a 35-year period.

We are pleased to now be in a position where the design work is largely completed. Tender documents for supply of the station and fluid conveyance system were issued in April, and we expect to know the outcome of the tendering process in September 2017.

The business case supporting the project is scheduled to be presented to the Board of Directors and then the Top Energy Consumer Trust (as shareholder) for a major transaction approval in October 2017. If approval is given, the programme provides for civil construction works to start immediately and well drilling to start in March 2018. The station is programmed to be commissioned in May 2020.

With the major consenting hurdles behind us, we are now progressing steadily towards a time when we will be able to largely service the Far North in the event of a Transpower outage.

OUR **PEOPLE**

Neil Tapp celebrating 40 years at Top Energy with CEO Russell Shaw

We are committed to a culture that has a clear focus on safety and efficiency across all activities in which our staff are engaged. 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. The fifth round of staff surveys took place during July and August. All but a handful of staff within Contracting Services participated with a response rate of 93% which is equivalent to the fourth round.

There have been significant improvements in all areas since the first round of the survey. This round saw improvements in 5 categories compared to the previous round, with 1 category remaining unchanged and 1 category decreasing slightly by 1%. Most categories increased by 1 or 2%. However, 'Equipped to Do it' increased by 3%.

In making changes to the business we do not try to improve all areas at once rather we target specific categories and look to make improvements there. We are happy with these results as we saw increases in the 2 areas that we targeted from the results in round #4 being 'Leadership' and 'Equipped To Do It'.

There have been significant improvements in all areas since the first round of the survey.

Long Service Recognition

Three employees were recognised for achieving significant long service milestones, accumulating 95 years of experience between them.

Steven James achieved 25 years. Stephen Doak 30 years, Neil Tapp an outstanding 40 years' service to the company.

Reward and Recognition

Three years ago, we launched the Applaud programme where managers can formally recognise, encourage and reward individual and team high performance.

There are three categories: Display, Achieve and Exceed. During the year, under the Display category, we acknowledged 80 staff who demonstrated positive actions/behaviours, 51 who successfully reached stretch targets and 14 for an outstanding achievement that had a successful outcome for the business as a whole.

Quality and Safety Management Systems

We continue to maintain our quality focus with ISO 9001, with our revalidation assessment confirming no non-conformances. Work has commenced to compare our existing ISO9001:2008 to the new ISO9001:2015 standard to ensure we are well positioned for the future.

Our public safety management systems also continue to be assessed as effective against the NZS7901 standard.

Following last year's external risk management assessment against ISO31000, we have now established an Information Security Risk Management Committee (ISRMC) to improve our security maturity to place us in the best position in the ever changing cyber security risk environment.

We continue to maintain our quality focus with ISO 9001 with our revalidation assessment confirming no non-conformances.

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 4 National Certificate in Electricity Supply (Line Mechanic Distribution)

Others have also continued their training towards industry qualifications:

- Level 3 National Certificate in Electricity Supply with strand in Electricity Supply Electrician
- Level 2 National Certificate in Electricity Supply (Line Mechanic Distribution)
- Stages 1, 2 and 3 Composite Electrician Practical

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

Future Resource Requirements

The forward workplan for the Contracting business was reviewed at the end of the financial year which led to a restructure to align to future resource requirements. Factors impacting the workplan included the decision to exit tendering for projects in the Pacific market and a change in forward network investment now that a significant portion of the network security of supply investment programme is complete.

Factors impacting the workplan included the decision to exit tendering for projects in the Pacific market and a change in forward network investment.

Changes to work practices were also assessed with a significant reduction in live line work following a change to a risk based assessment for any live line work. In addition, it was an opportunity to review the internal workflows between the Network and Contracting divisions to improve process efficiency.

The process was extremely unsettling for the business and we are now focused on providing the necessary support to the teams to allow the new structure to be embedded.

Culture Survey

The IBM Top Energy Culture Survey took place in October. The survey was conducted with all staff with the exception of the Contracting division who are not surveyed due to their involvement in the Orange Umbrella survey.

Overall the results were good with increased scores in 10 out of the 13 survey sections.

The last survey was conducted in June 2015. The response rate this year was 89.7%, which was considerably higher than the last survey (73%).

Overall the results were good with increased scores in 10 out of the 13 survey sections. The Employee Engagement Index which measures the six primary engagement questions rose 5% and the Performance Index which measures the overall average response increased by 1.5%.

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 2016, we had 17 staff and family participated in the Kerikeri Half Marathon.

Staff also participated in the Hatea Loop Challenge, a workplace event put on by Sport Northland where workplaces challenged one another in a 4.8km run or walk in Whangarei. This year Top Energy had 2 teams participate – Procurement and Human Resources.

Drug and Alcohol Awareness

A Drug and Alcohol Free Work Programme (DAAFWP) was introduced in 2009 to ensure that Employees can work in an environment free of drugs and alcohol use or abuse, with a strong focus on rehabilitation.

As part of the DAAFWP, all staff are required to participate in drug and alcohol random testing.

OUR **COMMUNITY**

Kerikeri media producer Kylie Penn and friends from the Illumination Workshop

Top Energy is owned by the people of the Far North. It makes sense that supporting growth and opportunity within our community is at the heart of our sponsorship and community initiatives programme.

Casting a Light on Local Business

Top Energy makes available Business Development Grants of $30,000, 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: all submissions are reviewed and successful applications proceed to the second phase, whereupon the winners are selected.

Top Energy makes available Business Development Grants of $30,000 twice a year.

Kerikeri media producer Kylie Penn was one of our winners this year with The Illumination Workshop – a non-profit organisation producing online education media content that supports children to grow into healthy and happy individuals.

Inspired by Sesame Street and recognising the potential that puppetry offered for presenting challenging concepts, Kylie and her team developed a product that delivers a series of inspirational programmes to educate children aged between 3 and 7 years using self-development.

Using a dog called Mac and other farmyard animals, programmes are built around themes of respect, resilience, conflict resolution, decision making and physical wellbeing.

In time, the programmes will be free to the community through television and the web for use in classrooms, libraries, hospitals and the home and are supported by online learning resources and material.

www.illuminationworkshop.org.nz

Wiring a New Generation of Engineers

We were encouraged by the level of interest in our Top Energy Engineering Scholarship, launched in October 2016. The scholarship aims to assist Far North students wishing to study for an engineering (honours) degree and who have an excellent academic record. It provides $8000 per year of study for a maximum of four years.

Twenty applications were received, all of which demonstrated a high level of talent and skill across a number of disciplines – making it a tough and competitive selection process. A key determining factor in the final selection was that the student must have a genuine passion for engineering and intend to continue working in engineering upon completion of their study.

The successful candidate, 17-year-old Kaitaia College student Rewa Parsonson, clearly demonstrated his engineering enthusiasm, having helped install and maintain his parent's off-grid power system on their 500 acre block at Peria.

We are looking forward to the next group of applicants in October 2017 and encourage all budding engineers to apply.

We were encouraged by the level of interest in our Top Energy Engineering Scholarship, launched in October 2016.

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, innovation and self-confidence.

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 real tax on their profits.

The Far North Science and Technology Fair gives year 7–13 students the opportunity to develop imaginative exhibits and demonstrate investigative and problem-solving life skills. The fair is well supported by the students of the Far North, and the standard of exhibits is high.

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

Two Decades of Water Safety

A significant birthday was reached this year for the WaterSafe programme, which for the past twenty years has taught water safety skills to primary school children. With any water comes risk. Our extensive coastal and marine environment means it is imperative that children feel safe around the water and know what to do should they get into difficulty.

Most drownings are preventable, and water safety programmes help save lives.

Our support for the WaterSafe programme, managed by Sport Northland, is long standing, and we proudly celebrate the success of the programme, which this year supported 61 schools in the region.

Key facts:

- 3,305 students and 195 teachers received dry-land sessions
- 203 teachers received professional development poolside
- 4,104 students were involved in the programme
- 17,732 swimmer lessons were delivered, including dry-land sessions

Our support for the WaterSafe programme, managed by Sport Northland, is long standing, and we proudly celebrate the success of the programme.

Airborne Emergency Response Service

Much of Northland is characterised by remote and coastal communities where access is difficult and potentially life threatening if accidents occur. A rapid emergency response can make the difference between life and death.

We are proud of our joint sponsorship of the Northland Rescue Helicopters (NRHs) with fellow lines company Northpower. Together, we help provide a service of enormous benefit to Northland communities. 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.

Together, we help provide a service of enormous benefit to Northland communities.

The Northland Emergency Services Trust (NEST) is a charitable trust established to provide the dedicated emergency rescue helicopter service for the people of Northland. In 2016, the service responded to 916 callouts, an increase on the 863 missions flown in 2015.

Both sponsoring companies match public donations dollar for dollar up to $150,000 to keep this essential emergency service flying.

R. Tucker Thompson Te Tai Tokerau Tall Ship Challenge

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 was Huanui College, in Whangarei.

Other Community Events

At the region's agricultural and pastoral shows we showcase aspects of our activities to provide a safe and reliable electricity network, reinforcing safety messages and what people can do if the power goes out. We received great responses from shows at Waimate North, Kaikohe and Broadwood.

Top Energy Group
FINANCIAL STATEMENTS

Financial report for the year ended 31 March 2017

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 2017.

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 28 to 64 for issue on 19 June 2017.

For and on behalf of the Board.

M Bain
Director

G Steed
Director

19 June 2017

Consolidated statement of comprehensive income

For the year ended 31 March 2017

	Notes	**2017** $'000	2016 $'000
Operating revenue	4	67,003	62,052
Operating expenses	5	(32,949)	(29,414)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**34,054**	**32,638**
Depreciation and amortisation	5	(15,423)	(15,827)
Finance costs		(8,513)	(9,212)
Earnings before tax and fair value movements of financial assets (EBTF)		**10,118**	**7,599**
Fair value gains (losses) on financial assets	6	6,410	(5,557)
Profit before income tax		**16,528**	**2,042**
Income tax (expense) / benefit	7	(4,536)	134
Profit from continuing operations		**11,992**	**2,176**
(Loss) from discontinued operations	8	–	(476)
Profit for the year		**11,992**	**1,700**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of generation plant	15	26,474	–
Reversal of revaluation surplus on disposal of revalued assets	15	(1,849)	–
Income tax relating to revaluation of non-current assets	7	(6,895)	–
		17,730	–
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale financial assets	19	15	47
		15	**47**
Other comprehensive income for the year, net of tax		**17,745**	**47**
Total comprehensive income for the year		**29,737**	**1,747**
Profit is attributable to:			
Equity holders of Top Energy Limited		11,992	1,700
		11,992	**1,700**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		29,737	1,747
		29,737	**1,747**

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 2017

	Notes	**2017** $'000	2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	83	34
Trade and other receivables	10	7,577	7,402
Inventories	11	38	426
Current tax benefit	12	101	211
Intangible assets	13	158	800
Derivative financial instruments	14	1,529	–
Total current assets		**9,486**	**8,873**
Non-current assets			
Property, plant and equipment	15	384,954	359,956
Investment properties	16	380	462
Intangible assets	17	9,770	6,579
Biological assets	18	1,138	546
Available-for-sale financial assets	19	719	597
Derivative financial instruments	14	363	–
Total non-current assets		**397,324**	**368,140**
TOTAL ASSETS		**406,810**	**377,013**
LIABILITIES			
Current liabilities			
Trade and other payables	20	8,061	6,875
Interest bearing liabilities	21	1,576	1,590
Current tax liabilities	22	686	340
Derivative financial instruments	14	404	3,267
Provisions	23	478	456
Total current liabilities		**11,205**	**12,528**
Non-current liabilities			
Interest bearing liabilities	24	143,760	149,610
Derivative financial instruments	14	9,356	11,006
Deferred tax liabilities	25	50,341	41,293
Total non-current liabilities		**203,457**	**201,909**
TOTAL LIABILITIES		**214,662**	**214,437**
NET ASSETS		**192,148**	**162,576**
EQUITY			
Contributed equity	27	25,267	25,267
Reserves	28	67,212	49,467
Retained earnings	28	99,669	87,842
Total equity		**192,148**	**162,576**

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 2017

CONSOLIDATED ONLY	*Notes*	Share capital *$'000*	Reserves *$'000*	Retained earnings *$'000*	Total equity *$'000*
Balance as at 1 April 2016		**25,267**	**49,467**	**87,842**	**162,576**
Comprehensive income					
Profit for the year		–	–	11,992	11,992
Gain on revaluation of generation plant	*15*	–	26,474	–	26,474
Reversal of revaluation surplus on disposal of revalued assets	*15*	–	(1,849)	–	(1,849)
Fair value gain on available-for-sale financial assets, net of tax	*19*	–	15	–	15
Income tax relating to components of other comprehensive income	*7*	–	(6,895)	–	(6,895)
Total comprehensive income		–	**17,745**	**11,992**	**29,737**
Transactions with owners					
Dividends	*29*	–	–	(165)	(165)
Total transactions with owners		–	–	**(165)**	**(165)**
Balance as at 31 March 2017		**25,267**	**67,212**	**99,669**	**192,148**
Balance as at 1 April 2015		**25,267**	**51,908**	**83,769**	**160,944**
Comprehensive income					
Profit for the year		–	–	1,700	1,700
Fair value gain on available-for-sale financial assets, net of tax	*19*	–	47	–	47
Depreciation on revalued assets transferred to retained earnings	*28*	–	(2,488)	2,488	–
Total comprehensive income		–	**(2,441)**	**4,188**	**1,747**
Transactions with owners					
Dividends	*29*	–	–	(115)	(115)
Total transactions with owners		–	–	**(115)**	**(115)**
Balance as at 31 March 2016		**25,267**	**49,467**	**87,842**	**162,576**

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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		66,628	64,543
Payments to suppliers and employees (exclusive of goods and services tax)		(30,203)	(35,216)
		36,425	**29,327**
Interest received		3	10
Interest paid		(8,513)	(9,198)
Income taxes received (paid)		(1,926)	(1,848)
Net cash inflow from operating activities	*37*	**25,989**	**18,291**
Cash flows from investing activities			
Purchases of property, plant and equipment		(19,963)	(25,466)
Proceeds from sale of property, plant and equipment		43	2,564
Disposals of biological assets		116	–
Purchases of investment properties		–	(87)
Purchases of available-for-sale financial assets		(107)	(118)
Purchases of Emission Trading Scheme units		–	(1,878)
Increase / (repayment) of loan from parent		108	(86)
Net cash inflow / (outflow) from investing activities		**(19,803)**	**(25,071)**
Cash flows from financing activities			
Proceeds from borrowings		(5,850)	6,835
Dividends paid to the Group's shareholders	*29*	(165)	(115)
Net cash inflow / (outflow) from financing activities		**(6,015)**	**6,720**
Net increase (decrease) in cash and cash equivalents		171	(60)
Cash at bank and on hand at the beginning of the financial year		(88)	(28)
Cash and cash equivalents at end of year	*9*	**83**	**(88)**

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, electrical construction and other services. The Company and its subsidiaries (together, the Group) operate geothermal power stations and provide other goods and services to customers principally in New Zealand.

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

These financial statements were approved for issue by the Board of Directors on 19 June 2017.

2 : Summary of significant accounting policies

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

(a) Basis of preparation

Statutory base
Top Energy Limited is registered under the Companies Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 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 Principles (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 as defined in External Reporting Board Standard A1: Application of the Accounting Standards Framework.

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 in accordance with NZ IFRS requirements. There have been no material restatements in these financial statements in respect of the year ended 31 March 2016.

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

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

(b) Accounting estimates and assumptions

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

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Energy Limited (the 'Company' or 'parent entity') as at 31 March 2017 and the results of all subsidiaries for the year then ended. Top Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss component of the statement of comprehensive income.

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

(d) 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 reporting 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 the profit or loss component of the statement of comprehensive Income, 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. These items are readily convertible with known amounts of cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are included within the total of interest bearing liabilities, in current liabilities, in the statement of financial position.

(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 distribution is 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 and 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 reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps and electricity Contract For Differences are calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(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 reporting date.

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

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

(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.

The carrying value of the units are allocated between current and non-current intangible assets. The basis of allocation is that the carrying value of units that will be surrendered at 31 May immediately following the reporting date (i.e. those covered by the annual declaration to the previous 31 December) are treated as current assets. The carrying value of all other units is treated as a non-current intangible asset.

(iv) Easements

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

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

(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 reporting 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 do not currently contribute to 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 receivable**s

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. Valuations are undertaken at sufficiently regular intervals so that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

A periodic revaluation of the generation assets was undertaken as at 31 March 2017 and the resulting values have been incorporated into these financial statements.

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

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

Depreciation
Land is not depreciated.

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

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

Straight Line basis	*Years*
Distribution system	15-60
Generation plant	5-50
Resource consents	35-41
Plant and equipment	3-20
Freehold buildings	50
Freehold building fit-outs	5-10
Diminishing Value basis	*Rate*
Motor vehicles	20%

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

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 the reporting 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, interest rate swaps and electricity Contract For Differences (CFDs) to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

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

(a) Market risk

(i) Foreign exchange risk

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

The Group had entered into forward foreign exchange contracts at 1 April 2015 to acquire US$500,000. These contracts matured during the year ended 31 March 2016 and were settled as they fell due.

The Group has not entered into any new forward foreign exchange contracts during the years ended 31 March 2017 and 2016.

(ii) Price risk

The Group is exposed to equity securities price risk. This arises from an investment in Fonterra Co-operative Group Ltd shares held by the Group and classified in the statement of financial position 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 2017 and 2016, the Group's borrowings at variable rate were denominated in New Zealand dollars.

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

Interest rate risk arises in respect of the portion of the Group's borrowings that is not covered by interest rate swaps. The element of Group borrowings at the reporting dates presented in these financial statements is sufficiently small such that, if interest rates had changed by +/ 1% (=100bp) from the average period rate of 2.9% (2016: 3.8%) 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 the reporting date, the effect of a change of +/ 1% (=100bp) in the floating rate element of those swaps would result in an increase / reduction in the fair value derivative gain recognised at the reporting date of +$5,615,000/ -$6,022,000 respectively (2016: +$6,744,000 / -$7,238,000).

(iv) Energy market risk

The Group has entered into a Power Purchase Agreement (PPA), to become effective from 1 July 2017, to sell 100% of the electricity generated from the Ngawha plant. Under the PPA, physical ownership of the energy will be transferred from Ngawha Generation Ltd to the counterparty. In return, 100% of the generation spot revenue will be paid to Ngawha Generation Ltd along with the settlement amount of any hedges. The hedges are in the form of electricity Contract For Differences (CFDs), which have been accounted for separately as derivatives.

(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 47% of the Group's total trade accounts receivable as at 31 March 2017 (2016: 52% of the Group's total trade accounts receivable). Subsequent to the reporting dates, the amounts then due were cleared. The Group does not expect the non performance of any material obligations as at the reporting date.

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At 31 March 2017 there were unrealised gains on interest rate swaps totalling $81,000 (2016: $nil) and unrealised gains on electricity CFDs totalling $1,811,000 (2016: $nil).

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 2017				
Bank overdrafts and loans	3,845	33,722	90,339	29,016
Other loans	1,658	–	–	–
Trade and other payables	7,737	–	–	–
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	–	–	–

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

	Less than 1 year *$'000*	Between 1 & 2 years *$'000*	Between 2 & 5 years *$'000*	Over 5 years *$'000*
At 31 March 2017				
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(4,534)	(3,594)	(7,107)	(3,374)
Forward foreign exchange contracts – held for trading				
– inflow	1,529	278	4	–
– outflow	–	–	–	–
At 31 March 2016				
Interest rate swaps – held for trading				
– inflow	–	–	–	–
– outflow	(3,868)	(3,604)	(7,093)	(3,728)

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 Groupís debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, where applicable, external regulatory or legal requirements (for example, currency restrictions).

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the relevant reporting date. Quoted market prices or dealer quotes for similar instruments are used as the basis for valuing interest rate swaps, electricity CFDs and forward foreign exchange contracts. Additional credit and debit value adjustments are made to the market prices in order to arrive at fair values as defined by NZ IFRS 13 Fair Value Measurement. The Group employs specialist independent valuers to calculate these valuations.

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

The Group applies the provisions of IFRS 7 Financial Instruments: Disclosures for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
– Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise equity investments quoted on a recognised stock exchange that are classified as trading securities or 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 reporting date, with the resulting value discounted back to present value.

The following table presents the Group's assets and liabilities that are measured at fair value. Refer to note 15 for disclosures of generation plant that are measured at fair value.

	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*	Total balance *$'000*
At 31 March 2017				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	81	–	81
– Trading derivatives - electricity CFDs	–	1,811	–	1,811
– Biological assets	–	1,138	–	1,138
– Investment properties	–	380	–	380
Available-for-sale financial assets				
– Equity securities	719	–	–	719
Total assets	**719**	**3,410**	**–**	**4,129**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives – interest rate swaps	–	9,760	–	9,760
Total liabilities	**–**	**9,760**	**–**	**9,760**
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**

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

(e) Financial instruments by category

FINANCIAL ASSETS as per balance sheet	Loans and receivables $'000	Assets at fair value through through profit or loss $'000	Available for sale financial assets $'000	Other $'000	Total $'000
At 31 March 2017					
Available for sale financial assets	–	–	719	–	719
Derivative financial instruments - electricity CFDs	–	1,811	–	–	1,811
Derivative financial instruments - interest rate swaps	–	81	–	–	81
Trade and other receivables	6,809	–	–	–	6,809
Other financial assets	–	–	–	2,387	2,387
Cash and cash equivalents	83	–	–	–	83
	6,892	**1,892**	**719**	**2,387**	**11,890**
At 31 March 2016					
Available for sale financial assets	–	–	597	–	597
Trade and other receivables	6,642	–	–	–	6,642
Other financial assets	–	–	–	2,678	2,678
Cash and cash equivalents	34	–	–	-	34
	6,676	**–**	**597**	**2,678**	**9,951**

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 2017			
Borrowings	–	145,336	145,336
Derivative financial instruments - interest rate swaps	9,760	–	9,760
Trade and other payables	-	5,648	5,648
	9,760	**150,984**	**160,744**
At 31 March 2016			
Borrowings	–	151,200	151,200
Derivative financial instruments - interest rate swaps	14,273	–	14,273
Trade and other payables	–	4,232	4,232
	14,273	**155,432**	**169,705**

4 : Revenue

From continuing operations	**2017** $'000	2016 $'000
Electricity line revenue	45,128	41,765
Capital contributions	1,017	1,528
Electricity sales	14,968	14,183
Contracting services	3,687	4,111
Farming income	1,857	243
Other revenue	346	222
Total revenue from continuing operations	**67,003**	**62,052**

Discontinued operations

Details of revenue from discontinued operations, comprising the call centre operations of Phone Plus 2000 Ltd during the year ended 31 March 2016, are included in the disclosures at note 8.

5 : Expenses

	2017 $'000	2016 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	3,027	3,328
Employee benefits expense	14,879	13,864
Other expenses	9,839	7,471
Transmission charges	5,204	4,751
	32,949	**29,414**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	7,278	7,139
Generation plant	6,361	6,464
Resource consents	167	–
Plant and equipment	705	830
Vehicles	663	769
Buildings	109	157
Impairment charge - buildings	–	2
Total depreciation	**15,283**	**15,361**
Amortisation		
Software	140	466
Total amortisation	**140**	**466**
Total depreciation, amortisation and impairment	**15,423**	**15,827**
Net loss (gain) on disposal of property, plant and equipment	1,371	279
Rental expense relating to operating leases		
Minimum lease payments	1,018	785
Employee benefits expense		
Wages and salaries, including restructuring costs and termination benefits	14,206	13,023
ACC levies and employee medical insurance	274	450
Pension costs - defined contribution plans	399	391
	14,879	**13,864**

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:

	2017 $'000	2016 $'000
Audit services		
Audit of the financial statements - Deloitte Limited	125	128
Total remuneration for audit services	**125**	**128**
Other assurance services		
Audit of regulatory statements - Deloitte Limited	58	57
Audit of Unique Emissions Factor - Deloitte Limited	15	–
Total remuneration for other assurance services	**73**	**57**
Total remuneration for assurance services	**198**	**185**

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

	2017 $'000	2016 $'000
Net gain (loss) on interest rate swaps	4,594	(5,569)
Net gain on electricity Contract For Differences	1,811	–
Net gain on forward foreign currency contracts	–	2
Fair value adjustment to investment property	5	10
	6,410	**(5,557)**

(a) Revaluation of investment property

The investment properties were revalued as at 31 March 2017 and 2016.

7 : Income tax expense

(a) Income tax expense

	2017 *$'000*	2016 *$'000*
Current tax		
Current tax on profits for the year	2,252	1,284
Adjustments in respect of prior years	131	(221)
Total current tax	**2,383**	**1,063**
Deferred tax		
Origination and reversal of temporary differences	9,054	(1,420)
Exclude: element arising on fixed asset revaluation	(6,895)	–
Under (over) provided in prior years	(6)	39
Total deferred tax	**2,153**	**(1,381)**
Income tax expense / (benefit)	**4,536**	**(318)**
Income tax expense is attributable to:		
Profit (loss) from continuing operations	4,536	(134)
(Loss) from discontinued operations	–	(184)
Aggregate income tax expense	**4,536**	**(318)**
Deferred income tax expense (benefit) included in income tax expense comprises:		
Increase (decrease) in deferred tax liabilities (note 25)	2,153	(1,381)
	2,153	**(1,381)**

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

	2017 *$'000*	2016 *$'000*
Profit from continuing operations before income tax expense	16,528	2,042
(Loss) from discontinued operations before income tax expense	–	(660)
	16,528	1,382
Tax at the New Zealand tax rate of 28% (2016: 28%)	4,628	387
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenditure	68	188
Income not subject to tax	(285)	(428)
Other reconciling items		
Adjustment on disposal of subsidiary	–	(279)
Adjustment in respect of prior years	125	(182)
Other	–	(4)
Income tax expense / (benefit)	**4,536**	**(318)**

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

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

	Before tax $'000	**Tax (expense) / benefit** $'000	**After tax** $'000
31 March 2017			
Fair value gains:			
Revaluation of generation plant	26,474	(7,413)	19,061
Reversal of revaluation surplus on disposal of revalued assets	(1,849)	518	(1,331)
Changes in fair value of available for sale financial assets	15	–	15
Other comprehensive income	**24,640**	**(6,895)**	**17,745**

There was no charge or credit for the year ended 31 March 2016.

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.

On 10 March 2017 a subsidiary company, Ngawha Spa Ltd, was amalgamated into Top Energy Ltd. Ngawha Spa Ltd had been a non trading company since it was formed on 28 October 2015. There was no financial effect of this amalgamation.

(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.

	2017 *$'000*	2016 *$'000*
Summarised statement of comprehensive income		
Revenue	–	2,434
Expenses	–	(3,094)
(Loss) before income tax	–	(660)
Income tax benefit	–	184
(Loss) after income tax of discontinued operations	**–**	**(476)**
Summarised statement of cash flows		
Net cash (outflow) from operating activities	–	(83)
Net cash inflow (outflow) from investing activities	–	4
Net cash inflow from financing activities	–	90
Total cash flows	**–**	**11**

(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.

	2017 *$'000*	2016 *$'000*
Assets		
Property, plant and equipment	–	144
Intangible assets	–	2
Deferred tax asset	–	45
Other current assets	–	22
Total assets	**–**	**213**
Liabilities		
Trade and other payables	–	55
Total liabilities	**–**	**55**
Shareholders' equity		
Contributed equity	–	2,893
Retained earnings	–	(2,735)
Net equity	**–**	**158**

9 : Current assets – Cash and cash equivalents

	2017 *$'000*	2016 *$'000*
Cash on hand	1	1
Bank balances	82	33
	83	**34**
Cash and cash equivalents include the following for the purposes of the consolidated cash flow statement:		
Cash and cash equivalents	83	34
Bank overdrafts (note 21)	–	(122)
Cash and cash equivalents	**83**	**(88)**

10 : Current assets – Trade and other receivables

	2017 *$'000*	2016 *$'000*
Net trade receivables		
Trade debtors	7,345	6,973
Provision for doubtful receivables	(536)	(331)
Net trade receivables	**6,809**	**6,642**
Prepayments		
Sundry prepayments	693	724
Accrued income	75	36
	768	**760**
Total current receivables	**7,577**	**7,402**

(a) Impaired receivables

	2017 *$'000*	2016 *$'000*
Movements in the provision for impairment of trade receivables are as follows:		
At 1 April	331	372
Provision for impairment arising during the year	170	–
Provision for impairment released in the year	–	(21)
Charge (credit) to profit and loss during the period	35	(2)
Provision held in Phone Plus 2000 Ltd, cleared on disposal of that company	–	(18)
At 31 March	**536**	**331**

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.

11 : Current assets – Inventories

	2017 *$'000*	2016 *$'000*
Raw materials		
Raw materials at cost	985	782
Construction work in progress		
Contract costs incurred and recognised profits less recognised losses	208	140
Progress billing	(1,155)	(496)
	38	**426**

12 : Current assets – Current tax benefit

	2017 *$'000*	2016 *$'000*
Excess of tax paid for current period over amount due	–	128
Tax benefit of losses	101	83
	101	**211**

13 : Current assets – Intangible assets

	2017 *$'000*	2016 *$'000*
Emission Trading Scheme Units	158	800
	158	**800**

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.

14 : Derivative financial instruments

	2017 $'000	2016 $'000
Current assets		
Electricity Contract for Differences	1,529	-
Total current derivative financial instrument assets	**1,529**	**-**
Non-current assets		
Interest rate swaps - at fair value through profit or loss - see below ((a)(i))	81	-
Electricity Contract For Differences	282	-
Total non-current derivative financial instrument assets	**363**	**-**
Total derivative financial instrument assets	**1,892**	**–**
Current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(i))	404	3,267
Total current derivative financial instrument liabilities	**404**	**3,267**
Non-current liabilities		
Interest rate swaps - at fair value through profit or loss - see below ((a)(i))	9,356	11,006
Total non-current derivative financial instrument liabilities	**9,356**	**11,006**
Total derivative financial instrument liabilities	**9,760**	**14,273**
Net (liabilities) in relation to derivative financial instruments	**(7,868)**	**(14,273)**

For further information refer to note 2(i)

(a) Instruments used by the Group

(i) 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 2017 the notional principal amount of current contracts totalled $168,000,000 (31 March 2016: $170,000,000). At 31 March 2017 the Parent had committed to enter into 7 (2016: 6) contracts, with a total notional principal value of $38,000,000 (2016: $36,000,000), 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.

(ii) Electricity Contract for Differences

The Group has entered into electricity Contract For Differences (CFDs) under which it receives a fixed amount based on a notional quantity of electricity generation. At 31 March 2017, the notional amount of current contracts totalled $22,123,000 (31 March 2016: $NIL). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month. The contracts are settled on a net basis under a Power Purchase Agreement as described in note 3(a)(iv).

(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).

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

	Distribution system *$'000*	Capital work in progress *$'000*	Generation plant *$'000*	Resource consents *$'000*	Plant and equipment *$'000*	Motor vehicles *$'000*	Freehold land *$'000*	Buildings *$'000*	Total *$'000*
Year ended 31 March 2017									
Opening net book amount	189,690	9,661	140,960	–	2,339	3,073	11,992	2,241	359,956
Additions	8,044	8,296	1,067	–	610	506	146	112	18,781
Disposals	(169)	–	(1,578)	–	(25)	(315)	–	(1)	(2,088)
Transfers and reclassifications	6,454	(8,252)	(5,858)	5,834	24	–	–	–	(1,798)
Depreciation charge	(7,278)	–	(6,361)	(167)	(705)	(663)	–	(109)	(15,283)
Depreciation released on disposals	62	–	421	–	21	257	–	–	761
Revaluation of generation plant	–	–	26,474	–	–	–	–	–	26,474
Reversal of previous revaluation on disposals	–	–	(1,849)	–	–	–	–	–	(1,849)
Closing net book amount	**196,803**	**9,705**	**153,276**	**5,667**	**2,264**	**2,858**	**12,138**	**2,243**	**384,954**
At 31 March 2017									
Cost	356,278	9,705	849	5,834	10,561	9,505	12,138	2,876	407,746
Valuation	–	–	152,427	–	–	–	–	–	152,427
Accumulated depreciation	(159,475)	–	–	(167)	(8,297)	(6,647)	–	(633)	(175,219)
Net book amount	**196,803**	**9,705**	**153,276**	**5,667**	**2,264**	**2,858**	**12,138**	**2,243**	**384,954**
At 1 April 2015									
Cost	327,646	12,669	3,435	–	11,733	9,465	8,108	4,535	377,591
Valuation	–	–	146,822	–	–	–	–	–	146,822
Accumulated depreciation	(145,126)	–	(10,393)	–	(7,935)	(5,728)	–	(1,053)	(170,235)
Net book amount	**182,520**	**12,669**	**139,864**	**–**	**3,798**	**3,737**	**8,108**	**3,482**	**354,178**
Year ended 31 March 2016									
Opening net book amount	182,520	12,669	139,864	–	3,798	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)	4,118	–	(995)	–	–	–	(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**	**3.59,956**
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**

(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 2017 did not exceed its Regulatory Asset Basis value as defined in the Electricity Distribution Information Disclosure Determination 2012.

The external valuation of the generation plant was performed as at 31 March 2017 using an approach based principally on discounted predicted future cash flows over a 10 year period to 31 March 2027.

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.

(b) Valuation of generation plant

Independent valuations of the Groupís generation plant were performed by valuers to determine its fair value as at 31 March 2017. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 28).

As part of the generation plant revaluation as at 31 March 2017, certain assets with a carrying value of $995,000 were reclassified from Generation Plant into Plant & Equipment.

This has resulted in a change to the net book values as at 1 April 2015 across those two categories. There is no change to the total value of Property Plant and Equipment at that date.

The carrying amount of the generation plant that would have been recognised at 31 March 2017 had those assets been carried under the cost model is $62,917,000 (31 March 2016: $66,771,000).

(c) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 2017, the fair values of the generation plant assets were determined by a specialist team within PricewaterhouseCoopers, Auckland.

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

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

Description	Fair value at 31 March 2017 *($'000)*	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Generation plant	152,427	Discounted cash flow	Projected Wholesale Price Path (revenue) taking into consideration ASX futures prices and the Ministry of Business, Innovation and Employment's November 2016 price path forecast. Consideration has also been given 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 WACC of 7.9%.	The higher the weighted average cost of capital, the lower the fair value
			Terminal growth rate	The higher the terminal growth rate, the higher the fair value

Sensitivities

The valuation is most sensitive to a change in revenue driven by a change in the wholesale price path and WACC. A 5% movement in revenue and the WACC changes the mid-point valuation by approximately 8% and 7% respectively. The valuation is moderately sensitive to movements in operating costs. The average impact on the mid-point valuation of a movement of 5% in operating costs is 3%. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure. The average impact on the mid-point valuation of a multiplicative movement of 5% in those variables is less than 1% on value.

(e) Capitalised borrowing costs

Capital work in progress during the periods reported above comprises capital projects undertaken by the Network division of Top Energy Ltd which have an expected cost in excess of $500,000 and a planned duration of longer than three months. Interest on borrowings raised to finance capital projects has been capitalised. The amount capitalised by the Group during the year ended 31 March 2017 was $107,000 (2016: $79,000).

Interest capitalised was at the average rate of 2.9% for the year ended 31 March 2017 (2016: 3.8%).

16 : Non-current assets – Investment properties

	2017 *$'000*	2016 *$'000*
At fair value		
Opening balance at 1 April	**462**	**365**
Acquisitions	–	87
Net gain from fair value adjustment	5	10
Transfer (to) from inventories and owner occupied property	(87)	–
Closing balance at 31 March	**380**	**462**

(a) Valuation basis

The investment properties were valued as at 31 March 2017 and 2016 by TelferYoung Ltd, 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 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. That property was disposed of during the year ended 31 March 2017.

(b) Leasing arrangements

The investment properties at 31 March 2017 comprise two dwellings (at 31 March 2016: three dwellings). Both of these properties are 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 the reporting date both of the properties were tenanted.

The rents charged are at market rate.

17 : Non-current assets – Intangible assets

	Goodwill $'000	Computer software $'000	Easements $'000	Emission Trading Scheme units $'000	Total $'000
Year ended 31 March 2017					
Opening net book amount	811	212	3,678	1,878	6,579
Additions	–	250	932	–	1,182
Transfers from Capital work in progress	–	–	1,798	–	1,798
Reclassification between current and non-current ETS units	–	–	–	351	351
Amortisation charge	–	(140)	–	–	(140)
Closing net book amount	**811**	**322**	**6,408**	**2,229**	**9,770**
At 31 March 2017					
Cost	811	4,783	6,408	2,229	14,231
Accumulated amortisation	–	(4,461)	–	–	(4,461)
Net book amount	**811**	**322**	**6,408**	**2,229**	**9,770**
At 1 April 2015					
Cost	811	4,804	2,177	–	7,792
Accumulated amortisation	–	(4,108)	–	–	(4,108)
Net book amount	**811**	**696**	**2,177**	**–**	**3,684**
Year ended 31 March 2016					
Opening net book amount	811	696	2,177	–	3,684
Additions	–	3	510	–	513
Disposals	–	(21)	–	–	(21)
Transfers from Capital work in progress	–	–	991	–	991
Reclassification between current and non-current ETS units	–	–	–	1,878	1,878
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**

For further details of the Emission Trading Scheme units refer to note 13.

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Generation Ltd $'000	Total $'000
At 31 March 2017		
Cost at 1 April 2016	811	811
At 31 March 2017	**811**	**811**
At 31 March 2016		
Cost at 1 April 2015	811	811
At 31 March 2016	**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 2023, and a post-tax discount rate of 7.9% (2016: 7.7%). At 31 March 2017 and 2016 the calculations support the carrying amounts of recorded goodwill. Management believes that any reasonable change in the key assumptions used in the calculations would not cause the current carrying amount to exceed its recoverable amount.

18 : Non-current assets – Biological assets

Movements in the Group's biological assets are as follows:

	2017 $'000	2016 $'000
Carrying amount at 1 April	546	546
Disposals	(116)	–
Gain arising from changes in fair value less estimated costs to sell	708	–
Carrying amount at 31 March	**1,138**	**546**

At 31 March 2016 the Group's biological assets comprised 55 hectares of forestry plantation with an estimated market value of $546,000. Of this, 49 hectares valued at $511,000 are owned by Top Energy Ltd and the remaining 6 hectares are owned by Grazing North Ltd. During the year to 31 March 2017, Top Energy Ltd entered into a contract with NZForestry Ltd for the felling and sale of its forestry block. The work under that contract commenced in February 2017. The valuation of this block at 31 March 2017 has been recalculated by reference to the volume of timber cut and sold in the period up to the reporting date, and the estimated volume of timber remaining to be cut. It has been assumed that the prices realised prior to the reporting date will continue to apply during the period to completion of the contract, which is estimated to be within the first half of the 2018 reporting year. Previously this block had been independently valued by Creighton Anderson Property and Infrastructure Ltd., who have extensive experience in the valuation of forestry assets.

The balance of 6 hectares belonging to Grazing North Ltd has been valued at both reporting dates at its cost price of $35,000, on the grounds that this approximates to fair value. The plantation comprises slow growing pines and consequently the impact of biological transformation since it was acquired in 2013 is considered not to be material.

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

	2017 $'000	2016 $'000
At 1 April	597	432
Additions	107	118
Net gain transferred to equity	15	47
At 31 March	**719**	**597**

The available-for-sale financial assets at 31 March 2017 comprise 118,592 shares (2016: 100,480 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 2016 and 2017 in order to meet its obligations.

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

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 Financial Instruments: Recognition and Measurement 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 $88,000 in its 2017 financial statements (2016: $103,000), 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.

20 : Current liabilities - Trade and other payables

	2017 $'000	2016 $'000
Trade payables	4,339	2,809
GST payable	324	501
ACC levies, PAYE and other payroll taxes	200	291
Payroll creditors	1,109	1,132
Accruals	2,089	2,142
	8,061	**6,875**

(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.

21 : Current liabilities – Interest-bearing liabilities

	2017 $'000	2016 $'000
Bank overdrafts	–	122
Total interest bearing bank borrowings	–	**122**
Loan from parent entity	1,576	1,468
Total other interest bearing borrowings	**1,576**	**1,468**
Total current interest bearing borrowings	**1,576**	**1,590**

The Group's borrowings are subject to negative pledges given to its bankers. Details are provided at note 24.

22 : Current liabilities – Current tax liabilities

	2017 $'000	2016 $'000
Income tax payable	686	340
	686	**340**

23 : Current liabilities – Provisions

	2017 $'000	2016 $'000
Employee benefits	478	456
	478	**456**

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

24 : Non-current liabilities – Interest-bearing liabilities

	2017 $'000	2016 $'000
Bank loans	143,760	149,610
Total non-current interest bearing liabilities	**143,760**	**149,610**

(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:

	2017 $'000	2016 $'000
Bank overdrafts and bank loans	143,760	149,732
Total liabilities covered by the negative pledges	**143,760**	**149,732**

(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 2017. 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.

25 : Non-current liabilities – Deferred tax liabilities

	2017 *$'000*	2016 *$'000*
The balance comprises temporary differences attributable to:		
Property, plant and equipment	53,044	45,871
Intangible assets	(59)	(59)
Financial assets at fair value through profit or loss	(2,203)	(4,058)
Other temporary differences	(441)	(461)
Net deferred tax liabilities	**50,341**	**41,293**
Movements		
Balance at 1 April	41,293	42,783
Arising on acquisition of subsidiary	–	412
Charged / (credited) to profit or loss	2,153	(1,381)
Eliminated on disposal of subsidiary	–	(521)
Tax charged directly to equity (note 7)	6,895	–
Closing balance at 31 March	**50,341**	**41,293**
Expected maturity of deferred tax liabilities		
Within 12 months	(126)	(1,438)
In excess of 12 months	50,467	42,731
	50,341	**41,293**

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2017 and 2016.

26 : Imputation credits

	2017 *$'000*	2016 *$'000*
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2016: 28%)	8,172	5,794

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.

27 : Contributed equity

(a) Share capital

	2017 Shares 000s	2016 Shares 000s	2017 $'000	2016 $'000
Ordinary shares				
Authorised, issued and fully paid	25,000	25,000	25,267	25,267
Total contributed equity			**25,267**	**25,267**

(b) Ordinary shares

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

(c) Capital risk management

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

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

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 any minority interest) plus net debt. Total capital excludes the valuation of derivatives at the reporting date.

During the years ended 31 March 2017 and 2016 the Group's strategy was to maintain a gearing ratio of less than 60%. The gearing ratios at 31 March 2017 and 31 March 2016 were as follows:

	2017 $'000	2016 $'000
Total borrowings	146,170	152,121
Less: cash and cash equivalents (note 9)	(83)	(34)
Net debt	**146,087**	**152,087**
Total equity	**192,148**	**162,576**
Exclude: derivatives at valuation	7,868	14,273
Exclude: available-for-sale financial assets cumulative valuation movement	88	103
Total capital	**346,191**	**329,039**
Gearing ratio	**42%**	**46%**

28 : Reserves and retained earnings

(a) Reserves

	2017 *$'000*	2016 *$'000*
Property, plant and equipment revaluation reserve	67,300	49,570
Available-for-sale investments revaluation reserve	(88)	(103)
	67,212	**49,467**
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	49,570	52,058
Revaluation - surplus before tax	26,474	–
Deferred tax on the revaluation surplus	(7,413)	–
Depreciation transfer - gross	–	(3,456)
Deferred tax on the amount released from reserve	–	968
Reversal of revaluation surplus on assets written off	(1,849)	–
Deferred tax released on write-down	518	–
Balance at 31 March	**67,300**	**49,570**
Available-for-sale investments revaluation reserve		
Balance at 1 April	(103)	(150)
Fair value gains in the year	15	47
Balance at 31 March	**(88)**	**(103)**

(b) Retained earnings

Movements in retained earnings were as follows:

	2017 *$'000*	2016 *$'000*
Balance at 1 April	87,842	83,769
Net profit for the year	11,992	1,700
Dividends	(165)	(115)
Net transfer from revaluation reserve	–	2,488
Balance at 31 March	**99,669**	**87,842**

29 : Dividends

(a) Ordinary shares

	2017 *$'000*	2016 *$'000*
Dividend of 0.66 cents per ordinary share paid on 28 March 2017	165	–
Dividend of 0.46 cents per ordinary share paid on 31 March 2016	–	115
Total dividends provided for or paid	**165**	**115**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 28 March 2017 and 31 March 2016 were not imputed.

30 : Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2017:

(i) Chairman - non-executive

- Mr Murray Bain (appointed as non executive director on 1 May 2016 and as Chairman on 28 June 2016)
- Mr Paul Byrnes (resigned as a non executive director and as Chairman on 28 June 2016)

(ii) Other non-executive directors

- Mr Richard Krogh
- Mr James Parsons
- 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. Details of the remuneration of each director of the Top Energy Limited Group are set out in the following tables.

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

	Cash salary and fees *$'000*	Total *$'000*
Year to 31 March 2017		
Directors of Top Energy Ltd		
– M Bain (from 1.5.2016)	84,333	84,333
– P Byrnes (to 28.6.2016)	21,750	21,750
– R Krogh	47,363	47,363
– J Parsons	50,205	50,205
– G Steed	54,114	54,114
– P White	47,363	47,363
– S Young	47,363	47,363
Directors of other Group companies		
– S James*	–	–
– R Kirkpatrick	47,363	47,363
– R Shaw*	–	–
Total	**399,854**	**399,854**
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**

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.

31 : Contingencies

As at 31 March 2017 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 2017 the total value of contingent obligations entered into by the Group was $450,000 (2016: $450,000) and the total value of contingent receivables from third parties was $305,000 (2016: $515,000).

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 2017 under this guarantee was $191,000 (31 March 2016: $273,000).

32 : Commitments

(a) Capital commitments

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

	2017 *$'000*	2016 *$'000*
Property, plant and equipment	6,423	846
	6,423	**846**

(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:

	2017 *$'000*	2016 *$'000*
Within one year	889	871
Later than one year but not later than five years	2,281	2,758
Later than five years	3,293	3,652
Commitments not recognised in the financial statements	**6,463**	**7,281**

33 : 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 $165,000 to the Trust during the year ended 31 March 2017 (2016: $115,000). 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 $43,000 in the year ended 31 March 2017 (2016: $58,000).

As at 31 March 2017, a balance of $1,576,000 was owed by the Company to the Trust (31 March 2016: $1,468,000) 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 30.

(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 2017	**4,671**	**108**	**68**	**271**	**5,118**
Year ended 31 March 2016	4,692	104	50	–	4,846

There were no contracts for share based payments during the years ended 31 March 2017 and 2016.

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

There were no transactions with key management personnel or entities related to them, other than the payment of remuneration, during the year ended 31 March 2017 (2016: none).

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 35. 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:

	2017 *$'000*	2016 *$'000*
Balance due to the Trust at 1 April	1,468	1,554
Loan advanced from the Trust	65	–
Interest charged by the Trust	43	58
Amounts repaid to the Trust	–	(144)
Balance due to the Trust at 31 March	**1,576**	**1,468**

(g) Guarantees

Details of negative pledges made by the Group to its bankers are given at note 24.

(h) Terms and conditions

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

34 : Business combinations

(a) Summary of acquisitions

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

On 28 October 2015 Top Energy Ltd formed a new subsidiary company, Ngawha Spa Ltd. This company remained dormant until its subsequent amalgamation (see section (c) below).

(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.

(c) Amalgamation

On 10 March 2017 Ngawha Spa Ltd was amalgamated into Top Energy Ltd using the short form amalgamation process under the Companies Act 1993. Until the date of amalgamation, Ngawha Spa Ltd had been a wholly owned subsidiary of Top Energy Ltd.

Ngawha Spa Ltd had no assets or liabilities at any time prior to the amalgamation. Ngawha Spa Ltd has been removed from the New Zealand register of companies.

35 : Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2017:

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
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.

36 : Events occurring after the reporting period

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

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

	2017 *$'000*	2016 *$'000*
Profit for the year	**11,992**	**1,700**
Adjustments made for:		
Depreciation and amortisation	15,423	15,827
Net loss (gain) on sale of non-current assets	1,371	279
Fair value (gain) loss on biological assets	(708)	–
Movement in provision for doubtful debts	205	(41)
Fair value (gains) losses on other financial assets at fair value through profit or loss	(6,410)	5,557
Changes in working capital:		
Decrease (increase) in trade debtors	(372)	57
Decrease (increase) in inventories	388	(157)
Decrease (increase) in other operating assets	283	(227)
Increase (decrease) in trade creditors	1,261	(2,755)
Increase (decrease) in other operating liabilities	(53)	281
Increase (decrease) in income taxes payable	456	(786)
Increase (decrease) in provision for deferred income tax	2,153	(1,444)
Net cash inflow from operating activities	**25,989**	**18,291**

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TOP ENERGY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

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 Limited, 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 his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 28 to 64, that comprise the statement of financial position as at 31 March 2017, 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 2017; 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 2017.

Our audit was completed on 19 June 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the Group's statement of corporate intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Chairman's and CEO's Reports, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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

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

DIRECTORY

Principal business	Electricity generation and lines distribution business

Directors

– Mr Murray Bain	BSc M Comm (Hons) CFInstD - 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 Limited on behalf of the Auditor-General

Bankers

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

Executive Team, Top Energy Group

Chief Executive Officer	Russell Shaw
General Managers	
– Network	David Worsfold
– Generation	Ray Robinson
– Contracting Services	Ian Robertson
– Corporate Services	Steven James
– Finance	Paul Doherty

Top Energy Group

HEAD OFFICE
Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri
PO Box 43, Kerikeri 0245
Phone: 09 401 5440 – Fax: 09 407 0611

KAITAIA
Whangatane Drive, Kaitaia 0482
PO Box 5, Kaitaia 0441

PUKETONA
1254 Puketona Road, RD 3, Kerikeri 0293
PO Box 43, Kerikeri 0245

Website ***www.topenergy.co.nz***