Top Energy Consumer Trust

Group Financial Statements

for the year ended 31 March 2018

Directory

Top Energy Consumer Trust

Trustees

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

Secretary

Mr Steven James	ACA

Top Energy Limited

Directors

Mr Richard Krogh	BE (Hons) MEngNZ CMInstD - Chairman
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)

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

Trustees' report

The Trustees present the annual report of the Top Energy Consumer Trust, incorporating the financial statements and the auditor's report, for the year ended 31 March 2018.

The Board of Trustees of the Top Energy Consumer Trust authorised the financial statements presented on pages 8 to 61 for issue on 26 June 2018.

For and on behalf of the Board.

Yvonne Sharp Trustee	Steven James Secretary

26 June 2018

TRUSTEES' REVIEW

IN RELATION TO THE YEAR ENDED 31 MARCH 2018

This has been a very interesting and challenging year for both the Trust and Top Energy Ltd. For a number of years, the Company has been working on the possible expansion of the Ngawha generation project. This has involved preparing all the data to support the resource consent applications, securing land access to drill wells and build a new power station and seeking funding so all this can be brought together as a successful project.

During this time, the Company's directors and management have regularly briefed the Trustees on progress. The size of the project means that the directors had to make a formal request to the Trust, as the shareholder of the Company, for Major Transaction approval. This is a process set out in the Companies Act 1992 and the Company's constitution. In the middle of 2017, the directors made that request and we worked with them and our own advisers to examine the business case which set out all the information to support the request. On 7 November 2017 the Trust meet to formally consider the request. This is a project which will provide very significant benefits for the Far North and the Trustees were confident that the business case presented a sound and complete evaluation of the risks and benefits involved. As such, we resolved to approve the Major Transaction and the Company has begun the task of adding another 28MW of power generation. This will mean we produce a total of 53MW, once the new plant is commissioned in 2021.

It is very pleasing to see that the Group has had no lost time injuries during the reporting year. In recent years, health and safety have been areas of focus for both the Trust and the Company. To achieve a lost time free year is very commendable and the trustees strongly support the Company's continued focus on this aspect of operating, what can be, dangerous activities.

Each year the trustees agree a Statement of Corporate Intent (SCI) with the directors. The SCI sets out the objectives for the Group, which includes both financial and service level targets. The profit targets for the Group were exceeded and the return on Investment was achieved. Unfortunately, ongoing severe weather events through the year has resulted in the Company not achieving the service level targets which had been agreed.

We note the directors' comments in relation to uncertainty associated with both transmission charging (ie our share of the cost of operating the national grid) and the benefits that the Group receives from the national grid operator avoiding new investment in their assets because of the power generation from our Ngawha geothermal power plant. While change is always an issue that has to be managed by the Company, continuing uncertainty in legislation and regulation, which may increase costs, is highly undesirable. We would suggest that the government and the industry regulator should resolve these issues as promptly as possible.

During the year the Trust undertook a comprehensive review of the Group corporate structure and director performance. As the Group moves from being an organisation dominated by its lines business and the transport of power to consumers to one where power generation is at least as significant, if not more so, the skills and experience that the boards will need to draw on will change. One of the most important roles that the Trust has is to appoint the Top Energy Ltd Board of Directors. Once the new power station is commissioned in 2021 the appropriate director appointments must be in place and we are starting down this path now.

Financial performance of the Trust

Operating costs of the Trust were lower this year, when compared to last year when we completed a 5 yearly Ownership Review. Consultancy costs included the advisers engaged to consider the business case supporting the Major Transaction, referred to previously. A comprehensive review of the Company's board of directors and the corporate structure of the group was also completed. The dividend paid to the Trust by the Company was also reduced from the previous year. The result was a small loss for the year, however, this does not impact materially on the total of beneficiaries' equity.

Financial and Service Performance of Top Energy Group

Top Energy Group Profit for the year was down on the previous year, mainly due to changes in the valuation of derivatives. The result from trading, reported as Earnings before interest, tax, depreciation, amortisation and fair value movements (EBITDAF) increased by $0.25m. Interest rates remain historically low and as debt levels increase, to fund the Ngawha expansion, the Company manages the risk of increasing interest rates by entering into derivates, mainly rate swaps to produce fixed costs. The revaluation of these swaps reflect the constant movements in market rates. Whereas last year the group reported gains of $6.4m, for the reporting year this had changed to a loss of $1.5m.

The frequency of severe weather events seems to be increasing. As Top Energy's distribution lines are mainly overhead, they will always be exposed to these events. As noted in previous annual reports, one of the biggest causes for loss of power is falling trees. The Company spent over $1.8m on addressing trees endangering lines but the semi tropical climate we have in the Far North will always test the adequacy of this. Many trees are, of course, on private property and are therefore the responsibility of the landowner but there is often a reluctance by those landowners to manage their trees away from the power lines.

It was noted last year that the use of live line maintenance techniques was being reduced. The natural result of this is an increase in the number and length of power outages. In the end the number of SAIDI minutes (ie the average duration of outages), at 483 minutes, breached the target set out in the SCI but SAIFI (ie the average frequency of outages) was, as agreed at 4.9 times.

Communications

The trustees met 12 times during the course of the year under review, to manage the business of the Trust. In addition, we met with the directors of the Company, as part of our role as shareholder, for the Annual General Meeting. The trustees also meet with the Chairman of Directors and the Chief Executive to receive regular briefings on the Company's performance and industry issues.

The Chairs of the Trust and the Company meet regularly to discuss issues as they arise and to ensure there are "no surprises".

Statement of Corporate Intent (SCI)

The SCI is negotiated with the directors of the Company, on an annual basis. At the Company Annual General Meeting in June 2017, trustees agreed performance level targets for the year ending 31 March 2018. The following summarises the actual performance achieved by the Group, measured against those targets.

	Actual 2018	Target 2018	Actual 2017
Net Profit After Tax, as a percentage of average shareholders funds for:			
*The Group	7.3%	7.0%	7.4%
*The Network Business	6.4%	6.1%	8.4%
*The balance of the Group	9.3%	8.4%	4.9%
The average length of high voltage outages (including planned) per customer excluding Transpower outages (minutes/pa)	483	345	401

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

Trust Guidelines

The Trust has adopted guidelines to govern the right of beneficiaries to have access to certain information. Those guidelines also set out the procedure to be adopted if a request for information is declined by the Trust. During the year ended 31 March 2018, no requests were made to the Trust for information to which the provisions apply. Therefore, no costs have been incurred in meeting such requests, nor has there been any requirement for the Trust to have any decision reviewed and consequently, no costs have been incurred in relation to this possibility either.

Appointment of Directors

The trustees, acting as shareholder, are responsible for appointing the directors of Top Energy. In conjunction with the Chairman of Directors, the trustees assess the requirements of the Company and the performance of individual directors, to determine what appointments will be made.

At the Company's AGM in June 2017, Murray Bain was appointed as Chairman of the Top Energy Board. Greg Steed and Paul White were re-appointed to the Board at that same meeting.

Murray Bain resigned from his position as a director on 28 February 2018, due to other commitments. Richard Krogh was appointed as Interim Chairman and was appointed to that role on an ongoing basis, on 29 May 2018.

Appointment of Trustees

Two trustees will retire by rotation at the end of March 2019. They are Ken Rintoul and Bruce Mathieson, the latter having been appointed on 19 June 2017 by the Trustees to fill a casual vacancy created by the resignation of Stuart Spittle, as he no longer met the qualification criteria as he had moved out of the District.

The Trust's Deed requires that nominations for the position of trustee be called by public notification. It is anticipated that this will occur in November 2018.

The Industry and the future

Electricity demand has been falling for a number of years. We note, with interest, the increase in consumption this year across the Top Energy network. This appears to be a nationwide trend. The interplay between reducing demand as solar generation increases, in some cases linked with the use of batteries, and the expected significant increases linked to EV growth, is causing a degree of uncertainty in setting strategic directions for Top Energy but the trustees are confident that the Company is well positioned to respond to the changes which will arise. Government energy policy and the objectives recently released in relation to achieving carbon neutrality by 2050 all reinforce the importance of lines companies and their ability to distribute the energy requirements of the community.

It is also with considerable interest that we note the recently announced re-opening of the 4th pot line at the Tiwai smelter. The future of the smelter has been a significant uncertainty for the power generation industry for a number of years. It was certainly one of the factors that the directors and trustees were required to consider when considering the business case for the Ngawha expansion. This recent announcement gives greater confidence in relation to future market pricing which has been assumed in the business case.

Yvonne Sharp
Chair

Statement of comprehensive income

For the year ended 31 March 2018

	Notes	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Operating revenue	4	**69,064**	67,003	**170**	208
Operating expenses	5	**(34,946)**	(33,149)	**(185)**	(200)
Earnings (loss) before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**34,118**	33,854	**(15)**	8
Depreciation and amortisation	5	**(16,903)**	(15,423)	**-**	-
Finance costs		**(8,327)**	(8,470)	**-**	-
Earnings (loss) before tax and fair value movements of financial assets (EBTF)		**8,888**	9,961	**(15)**	8
Fair value gains (losses) on financial assets	6	**(1,538)**	6,410	**-**	-
Profit (loss) before income tax		**7,350**	16,371	**(15)**	8
Income tax (expense) / benefit	7	**(1,776)**	(4,536)	**-**	-
Profit (loss) from continuing operations		**5,574**	11,835	**(15)**	8
Profit (loss) for the year		**5,574**	11,835	**(15)**	8
Other comprehensive income					
Items that will not be reclassified to profit or loss:					
Gain on revaluation of generation plant	16	**-**	26,474	**-**	-
Reversal of revaluation surplus on disposal of revalued assets	16	**-**	(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	**(24)**	15	**-**	-
		(24)	15	**-**	-
Other comprehensive income for the year, net of tax		**(24)**	17,745	**-**	-
Total comprehensive income for the year		**5,550**	29,580	**(15)**	8
Profit is attributable to:					
Beneficiaries of the Top Energy Consumer Trust		**5,574**	11,835		
		5,574	11,835		
Total comprehensive income for the year is attributable to:					
Beneficiaries of the Top Energy Consumer Trust		**5,550**	29,580		
		5,550	29,580		

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

Statement of financial position

As at 31 March 2018

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
ASSETS					
Current assets					
Cash and cash equivalents	8	**152**	85	**2**	2
Trade and other receivables	9	**7,917**	7,579	**1,556**	1,578
Inventories	10	**302**	366	**-**	-
Current tax benefit	11	**27**	101	**-**	-
Available-for-sale financial assets	12	**830**	-	**-**	-
Intangible assets	13	**361**	158	**-**	-
Derivative financial instruments	14	**1,999**	1,529	**-**	-
Non-current assets classified as held for sale	15	**4,170**	-	**-**	-
Total current assets		**15,758**	9,818	**1,558**	1,580
Non-current assets					
Property, plant and equipment	16	**402,536**	384,954	**-**	-
Intangible assets	17	**10,746**	9,770	**-**	-
Biological assets	18	**-**	1,138	**-**	-
Available-for-sale financial assets	19	**-**	719	**-**	-
Investment properties	20	**-**	380	**-**	-
Derivative financial instruments	14	**558**	363	**-**	-
Deferred tax assets	21	**36**	-	**-**	-
Investments in subsidiaries	37	**-**	-	**25,267**	25,267
Total non-current assets		**413,876**	397,324	**25,267**	25,267
Total assets		**429,634**	407,142	**26,825**	26,847
LIABILITIES					
Current liabilities					
Trade and other payables	22	**13,601**	9,347	**949**	956
Interest bearing liabilities	23	**134**	-	**-**	-
Current tax liabilities	24	**1,470**	686	**-**	-
Derivative financial instruments	14	**879**	404	**-**	-
Provisions	25	**384**	478	**-**	-
Total current liabilities		**16,468**	10,915	**949**	956
Non-current liabilities					
Interest bearing liabilities	26	**155,100**	143,760	**-**	-
Derivative financial instruments	14	**11,082**	9,356	**-**	-
Deferred tax liabilities	27	**48,664**	50,341	**-**	-
Total non-current liabilities		**214,846**	203,457	**-**	-
Total liabilities		**231,314**	214,372	**949**	956
Net assets		**198,320**	192,770	**25,876**	25,891
BENEFICIARIES' EQUITY					
Settlors' capital	29	**-**	-	**-**	-
Reserves	30	**63,894**	67,212	**-**	-
Retained earnings	30	**134,426**	125,558	**25,876**	25,891
Total beneficiaries' equity		**198,320**	192,770	**25,876**	25,891

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

Statement of changes in equity

For the year ended 31 March 2018

Consolidated	Notes	Settlors' capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2017		-	67,212	125,558	192,770
Comprehensive income					
Profit for the year		-	-	5,574	5,574
Fair value (loss) on available-for-sale financial assets, net of tax	19	-	(24)	-	(24)
Depreciation on revalued assets transferred to retained earnings		-	(3,294)	3,294	-
Total comprehensive income		-	(3,318)	8,868	5,550
Balance as at 31 March 2018		-	63,894	134,426	198,320
Balance as at 1 April 2016		-	49,467	113,723	163,190
Comprehensive income					
Profit for the year		-	-	11,835	11,835
Gain on the revaluation of land and buildings		-	26,474	-	26,474
Reversal of revaluation surplus on disposal of revalued assets		-	(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		-	(6,895)	-	(6,895)
Total comprehensive income		-	17,745	11,835	29,580
Balance as at 31 March 2017		-	67,212	125,558	192,770

Parent	Settlors' capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2017	-	25,891	25,891
Comprehensive income			
(Loss) for the year	-	(15)	(15)
Total comprehensive income	-	(15)	(15)
Balance as at 31 March 2018	-	25,876	25,876
Balance at 1 April 2016	-	25,883	25,883
Comprehensive income			
Profit for the year	-	8	8
Total comprehensive income	-	8	8
Balance as at 31 March 2017	-	25,891	25,891

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

Cash flow statement

For the year ended 31 March 2018

	Notes	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Cash flows from operating activities					
Receipts from customers		**68,951**	66,628	**-**	-
Payments to suppliers and employees		**(29,661)**	(30,418)	**(192)**	(215)
		39,290	36,210	**(192)**	(215)
Interest received		**4**	3	**40**	43
Interest paid		**(8,327)**	(8,470)	**-**	-
Income taxes paid		**(2,631)**	(1,926)	**-**	-
Net cash inflow / (outflow) from operating activities	39	**28,336**	25,817	**(152)**	(172)
Cash flows from investing activities					
Payments for property, plant and equipment		**(41,208)**	(19,963)	**-**	-
Proceeds from sale of property, plant and equipment		**918**	43	**-**	-
Disposals of biological assets		**682**	116	**-**	-
Purchases of available-for-sale financial assets		**(135)**	(107)	**-**	-
Dividends received		**-**	-	**130**	165
Repayment (increase) of loans to related parties		**-**	-	**22**	(108)
Net cash inflow / (outflow) from investing activities		**(39,743)**	(19,911)	**152**	57
Cash flows from financing activities					
(Repayments of) proceeds from borrowings		**11,340**	(5,850)	**-**	-
Net cash inflow / (outflow) from financing activities		**11,340**	(5,850)	**-**	-
Net increase (decrease) in cash balances		**(67)**	56	**-**	(115)
Cash at bank and on hand at the beginning of the financial year		**85**	29	**2**	117
Cash and cash equivalents at end of year	8	**18**	85	**2**	2

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

1 General information

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

Top Energy Ltd provides electricity line function, electrical construction and other services. Top Energy Ltd and its subsidiaries (the Top Energy Ltd Group) operate geothermal power stations and provide other goods and services to customers principally in New Zealand.

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

These financial statements were approved by the Trustees of the Trust on 26 June 2018.

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

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

The financial statements of Top Energy Ltd and its subsidiaries, which have been consolidated into the Trust's group financial statements, have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Energy Companies Act 1992.

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities that fall within the Tier 1 for-profit category.

Entities reporting

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

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

The Parent and the Group are designated as profit-oriented entities as defined in External Reporting Board Standard A1: Application of the Accounting Standards Framework.

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 2017.

At the 31 March 2018 reporting date certain non-current assets held by a Group company were reclassified as either non-current assets held for sale or available-for-sale financial assets, in both cases within the category of current assets. The relevant comparative amounts at 31 March 2017 are included within non-current assets, in accordance with the basis on which they were held at that time.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Functional and presentation currency

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

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

(b) Accounting estimates and assumptions

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

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Top Energy Consumer Trust (the 'Trust' or 'parent entity') as at 31 March 2018 and the results of all subsidiaries for the year then ended. Top Energy Ltd and its subsidiaries together are referred to in these financial statements as the Top Energy Group.

Subsidiaries are those entities over which the Trust has, because of its ownership of Top Energy Ltd, the power to govern the financial and operating policies. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

(d) Available for sale investments

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

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

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

Available-for-sale investments are classified as non current assets, unless they are expected to be realised within twelve months of the balance date. The Group intends to sell its holding of Fonterra Co-operative Group shares to the purchaser of other non-current assets currently held for sale by a Group company. Consequently, at the 31 March 2018 reporting date, those available-for-sale investments have been classified as current assets.

2 Summary of significant accounting policies (continued)

(d) Available for sale investments (continued)

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

At the beginning of the current reporting period the Group owned biological assets, comprising a quantity of trees, which were carried in the statement of financial position at fair value less costs to sell. During the reporting year ended 31 March 2018 the Group disposed of all of its biological assets.

(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.

Where network capital contributions have been received in respect of contract work and the work has not commenced by the reporting date, the total of such contributions held on account are included in trade payables, not deducted from the total value of contract work in progress. This accounting treatment was applied within this reporting period, and adopted in respect of the comparative period presented in these financial statements.

(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) Distributions to beneficiaries

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

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

(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.

2 Summary of significant accounting policies (continued)

(k) Employee benefits (continued)

(ii) Long service gratuity

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

(iii) Retirement benefit obligations

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

(l) Fair value estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the 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).

2 Summary of significant accounting policies (continued)

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

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

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

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

The carrying value of the units, and the value of the liabilities for which they will have to be surrendered, are calculated on a first in first out basis. The total value of units held is allocated between current and non-current intangible assets. The basis of allocation is that the carrying value of units which equals the current amount accrued as an ETS liability is treated as a current intangible asset. 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.

2 Summary of significant accounting policies (continued)

(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.

Where the Group owns a building that ceases to be used as an owner-occupied property and becomes an investment property, or vice versa, the property is transferred between the respective categories at its fair value. For an investment property whose use changes to being an owner-occupied property, that fair value is treated as deemed cost.

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

(u) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. At 31 March 2018 the Company's available-for-sale financial assets were re-classified as current on the basis that they are intended to be sold.

2 Summary of significant accounting policies (continued)

(u) Investments and other financial assets (continued)

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 instruments

(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 consolidated income statement. 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

2 Summary of significant accounting policies (continued)

(u) Investments and other financial assets (continued)

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) Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

(x) 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.

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.

2 Summary of significant accounting policies (continued)

(x) Property, plant and equipment (continued)

The Group owns one building that has undergone a change of use from investment property to owner-occupied property. The property was transferred between the respective categories at its fair value, which is treated for accounting purposes as being deemed cost.

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.

2 Summary of significant accounting policies (continued)

(x) Property, plant and equipment (continued)

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.

(y) 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.

(z) 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.

2 Summary of significant accounting policies (continued)

(z) Revenue recognition (continued)

(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 Group 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.

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

(aa) Trade and other payables

These amounts represent liabilities for goods and services provided to the Trust or the Group prior to the end of the accounting period and which are unpaid at that date.

Included in trade payables are amounts of contract liabilities. These represent payments received from customers of the Group's Contracting Services division prior to the commencement of the work contracted for. In the event that the customer were to cancel the contract prior to the commencement of work, the advance payment would become repayable to the customer.

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

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

(ab) 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'.

2 Summary of significant accounting policies (continued)

(ac) Changes in accounting policies

All accounting policies have been applied on a basis consistent with those applied during the previous reporting period.

(ad) 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, amendments and interpretations 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 has reviewed the timing of its recognition of revenues arising from its contracts with customers under the provisions of IFRS 15 Revenue from Contracts with Customers, which will apply from the accounting period beginning 1 April 2018. It is anticipated that, whilst there will be an effect on the timing of recognising some items of contracting revenue, the amounts will not be material and the delay in recognising those items of revenue and costs will rarely exceed one annual reporting period.

The Group is currently assessing the expected impact of NZ IFRS 16 Leases, which will apply from the accounting period beginning 1 April 2019.

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.

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

(a) Market risk

(i) Foreign exchange risk

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

During the reporting period ended 31 March 2018 the Group has entered into contracts to acquire materials and equipment that are denominated in US dollars. In order to limit the effect of currency exposure, prior to the reporting date the Group entered into a series of forward foreign currency contracts for amounts equal to its total US dollar exposure. At the current reporting date, the Group had a total of US$32,585,000 of forward foreign currency contracts, to manage exposure relating to the expansion of the Ngawha generation plant. The values of these contracts were translated into New Zealand dollars at the exchange rate applying on 31 March 2018 and adjusted for credit risk. This has created an unrealised profit for the period which has been credited to profit or loss and included in the statement of financial position.

Of the foreign currency contracts in force at 31 March 2018, US$12,810,000 mature prior to the Group's next annual reporting date and the remainder during the year ending 31 March 2020.

The Group did not enter into any new forward foreign exchange contracts during the year ended 31 March 2017.

(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 2018 and 2017, 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 2.7% (2017: 2.9%) 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 a reduction / increase in the fair value derivative loss recognised at the reporting date of +$12,997,000/ -$14,449,000 respectively (2017: +$5,615,000 / -$6,022,000).

3 Financial risk management (continued)

(iv) Energy market risk

The Group has entered into a Power Purchase Agreement (PPA), effective from 1 July 2017, to sell 100% of the electricity generated from the Ngawha plant. Under the PPA, physical ownership of the energy is transferred from Ngawha Generation Ltd to the counterparty. In return, 100% of the generation spot revenue is 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 50% of the Group's total trade accounts receivable as at 31 March 2018 (2017: 47% 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 2018 there were unrealised gains on forward foreign currency contracts of $863,000 (2017: none) and unrealised gains on electricity CFDs totalling $1,346,000 (2017: $1,811,000). There were no unrealised gains on interest rate swaps at 31 March 2018 (2017: $81,000).

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.

At 31 March 2018	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
Bank overdrafts and loans	4,890	33,965	128,809	-
Trade and other payables	13,601	-	-	-
Parent				
Trade and other payables	949	-	-	-

3 Financial risk management (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2017				
Group				
Bank overdrafts and loans	3,845	33,722	90,339	29,016
Trade and other payables	9,347	-	-	-
Parent				
Trade and other payables	956	-	-	-

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

Consolidated only	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 March 2018				
Interest rate swaps - held for trading				
- inflow	-	-	-	-
- outflow	(5,860)	(5,296)	(12,165)	(14,509)
Electricity CFD's - held for trading				
- inflow	1,636	70	-	-
- outflow	-	(185)	(173)	-
At 31 March 2017				
Interest rate swaps - held for trading				
- inflow	-	-	-	-
- outflow	(4,534)	(3,594)	(7,107)	(3,374)
Electricity CFD's - held for trading				
- inflow	1,529	278	4	-
- outflow	-	-	-	-

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

3 Financial risk management (continued)

(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.

3 Financial risk management (continued)

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

Consolidated - At 31 March 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total balance $'000
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - electricity CFDs	-	1,693	-	1,693
– Trading derivatives - forward FX contracts	-	864	-	864
Available-for-sale financial assets				
– Equity securities	830	-	-	830
Total assets	830	2,557	-	3,387
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	-	11,614	-	11,614
– Trading derivatives - electricity CFDs	-	347	-	347
Total liabilities	-	11,961	-	11,961
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

Parent - At 31 March 2018 and 31 March 2017

Assets - None
Liabilities - None

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

3 Financial risk management (continued)

(e) Financial instruments by category

Financial assets as per balance sheet	Loans and receivables $'000	Assets at fair value through profit or loss $'000	Available for sale financial assets $'000	Other $'000	Total $'000
Consolidated					
At 31 March 2018					
Available for sale financial assets	-	-	830	-	830
Derivative financial instruments - electricity CFDs	-	1,693	-	-	1,693
Derivative financial instruments - forward foreign exchange contracts	-	864	-	-	864
Trade and other receivables	6,879	-	-	-	6,879
Other financial assets	-	-	-	2,257	2,257
Cash and cash equivalents	152	-	-	-	152
	7,031	2,557	830	2,257	12,675
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	85	-	-	-	85
	6,894	1,892	719	2,387	11,892

Financial assets as per balance sheet	Loans and receivables $'000	Total $'000
Parent		
At 31 March 2018		
Trade and other receivables	1,554	1,554
Cash and cash equivalents	2	2
	1,556	1,556
At 31 March 2017		
Trade and other receivables	1,576	1,576
Cash and cash equivalents	2	2
	1,578	1,578

3 Financial risk management (continued)

Financial liabilities as per balance sheet	Financial liabilities at fair value through profit or loss $'000	Financial liabilities at amortised cost $'000	Total $'000
Consolidated			
At 31 March 2018			
Borrowings	-	155,234	155,234
Derivative financial instruments - interest rate swaps	11,614	-	11,614
Derivative financial instruments - electricity CFDs	347	-	347
Trade and other payables	-	10,725	10,725
	11,961	165,959	177,920
At 31 March 2017			
Borrowings	-	143,760	143,760
Derivative financial instruments - interest rate swaps	9,760	-	9,760
Trade and other payables	-	7,240	7,240
	9,760	151,000	160,760
Parent			
At 31 March 2018			
Trade and other payables	-	932	932
	-	932	932
At 31 March 2017			
Trade and other payables	-	939	939
	-	939	939

4 Revenue

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
From continuing operations				
Electricity line revenue	**50,906**	50,319	-	-
Network line charge discount	**(5,245)**	(5,191)	-	-
Capital contributions	**1,205**	1,017	-	-
Electricity sales	**17,494**	14,968	-	-
Contracting services	**2,445**	3,687	-	-
Farming income	**1,895**	1,857	-	-
Interest	-	-	**40**	43
Dividends	-	-	**130**	165
Other revenue	**364**	346	-	-
Total revenue from continuing operations	**69,064**	67,003	**170**	208

Discontinued operations

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

5 Expenses

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature				
Raw materials and consumables used	**4,738**	3,027	-	-
Employee benefits expense	**14,469**	14,879	-	-
Other expenses	**9,995**	10,039	**185**	200
Transmission charges	**5,156**	5,204	-	-
Impairment charges	**588**	-	-	-
	34,946	33,149	**185**	200
Profit before income tax includes the following specific expenses:				
Depreciation				
Distribution system	**7,564**	7,278	-	-
Generation plant	**7,472**	6,361	-	-
Resource consents	**167**	167	-	-
Plant and equipment	**760**	705	-	-
Vehicles	**630**	663	-	-
Buildings	**111**	109	-	-
Total depreciation	**16,704**	15,283	-	-
Amortisation				
Software	**199**	140	-	-
Total amortisation	**199**	140	-	-
Total depreciation and amortisation	**16,903**	15,423	-	-
Net loss (gain) on disposal of property, plant and equipment	**118**	1,371	-	-
Rental expense relating to operating leases				
Minimum lease payments	**1,070**	1,018	-	-
Employee benefit expense				
Wages and salaries, including restructuring costs and termination benefits	**13,660**	14,206	-	-
ACC levies and employee medical insurance	**404**	274	-	-
Pension costs - defined contribution plans	**405**	399	-	-
	14,469	14,879	-	-

5 Expenses (continued)

Auditors' fees

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

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Audit services				
Grant Thornton New Zealand Audit Partnership				
Audit of the financial statements of the Top Energy Consumer Trust Group	**19**	18	**19**	18
Deloitte Limited New Zealand				
Audit of the financial statements of the Top Energy Ltd Group	**123**	125	**-**	-
Total remuneration for assurance services	**142**	143	**19**	18
Other assurance services				
Deloitte Limited New Zealand for services to the Top Energy Ltd Group:				
Audit of regulatory statements	**59**	58	**-**	-
Audit of Unique Emissions Factor	**-**	15	**-**	-
Total remuneration for other assurance services	**59**	73	**-**	-
Total remuneration for assurance services	**201**	216	**19**	18

6 Fair value gains / (losses) on financial assets

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Net (loss) gain on interest rate swaps	**(1,936)**	4,594	**-**	-
Net (loss) gain on electricity Contract For Differences	**(465)**	1,811	**-**	-
Net gain on forward foreign currency contracts	**863**	-	**-**	-
Fair value adjustment to investment property	**-**	5	**-**	-
	(1,538)	6,410	**-**	-

(a) Revaluations of investment property

The investment properties were revalued as at 31 March 2017. The Group ceased to hold investment properties during the reporting period ended 31 March 2018. Further information is provided at note 20.

7 Income tax expense

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
(a) Income tax expense				
Current tax				
Current tax on profits for the year	**3,478**	2,252	-	-
Adjustments in respect of prior years	**11**	131	-	-
Total current tax	**3,489**	2,383	-	-
Deferred tax				
Origination and reversal of temporary differences	**(1,698)**	9,054	-	-
Exclude: element arising on fixed asset revaluation	-	(6,895)	-	-
Under (over) provided in prior years	**(15)**	(6)	-	-
Total deferred tax	**(1,713)**	2,153	-	-
Income tax expense / (benefit)	**1,776**	4,536	-	-
Income tax expense is attributable to:				
Profit from continuing operations	**1,776**	4,536	-	-
Aggregate income tax expense	**1,776**	4,536	-	-
Deferred income tax expense (benefit) included in income tax expense comprises:				
(Increase) decrease in deferred tax assets (note 21)	**(970)**	-	-	-
Increase (decrease) in deferred tax liabilities (note 27)	**(743)**	2,153	-	-
	(1,713)	2,153	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit (loss) from continuing operations before income tax expense	**7,350**	16,371	**(15)**	8
	7,350	16,371	**(15)**	8
Tax at the New Zealand tax rate of 28% (2017: 28%) (Parent: 33% for both periods)	**2,058**	4,584	**(5)**	3
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-deductible expenditure	**18**	69	-	-
Income not subject to tax	**(301)**	(239)	-	-
Other reconciling items				
Adjustment in respect of prior years	**(4)**	125	-	-
Tax losses utilised	-	(3)	-	(3)
Losses carried forward	**5**	-	**5**	-
Income tax expense	**1,776**	4,536	-	-

7 Income tax expense (continued)

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

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

	Before tax $'000	Tax (expense) / benefit $'000	After tax $'000
Consolidated only			
31 March 2018			
Fair value gains:			
Changes in fair value of available for sale financial assets	(24)	-	(24)
Other comprehensive income	(24)	-	(24)
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

8 Current assets - Cash and cash equivalents

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Cash on hand	**1**	1	**-**	-
Bank balances	**4**	84	**2**	2
Deposits at call	**147**	-	**-**	-
	152	85	**2**	2

(a) Reconciliation to cash at the reporting date

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

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Balances as above	**152**	85	**2**	2
Bank overdrafts (note 23)	**(134)**	-	**-**	-
Cash and cash equivalents	**18**	85	**2**	2

(b) Deposits at call

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

9 Current assets - Receivables

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Net trade receivables				
Trade debtors	**7,454**	7,345	**-**	-
GST receivable	**214**	-	**-**	-
Provision for doubtful receivables	**(575)**	(536)	**-**	-
Net trade receivables	**7,093**	6,809	**-**	-
Net related party receivable				
Receivable from Top Energy Ltd	**-**	-	**1,554**	1,576
Prepayments				
Sundry prepayments	**736**	695	**2**	2
Accrued income	**88**	75	**-**	-
	824	770	**2**	2
Total current receivables	**7,917**	7,579	**1,556**	1,578

(a) Impaired receivables

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

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
At 1 April	**536**	331	**-**	-
Provision for impairment arising during the year	**-**	170	**-**	-
Provision for impairment released in the year	**(8)**	-	**-**	-
Charge (credit) to profit and loss during the period	**47**	35	**-**	-
At 31 March	**575**	536	**-**	-

9 Current assets - Receivables (continued)

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

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

10 Current assets - Inventories

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Raw materials				
Raw materials at cost	**1,267**	985	-	-
Construction work in progress				
Contract costs incurred and recognised profits less recognised losses	**245**	208	-	-
Progress billing	**(1,210)**	(827)	-	-
	302	366	-	-

11 Current assets - Current tax benefit

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Tax benefit of losses	**27**	101	-	-
	27	101	-	-

12 Current assets - Available-for-sale financial assets

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
At 1 April	-	-	-	-
Reclassification of non-current available-for-sale financial assets	830	-	-	-
At 31 March	830	-	-	-

The available-for-sale financial assets at 31 March 2018 comprise 140,473 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 2018 and 2017 in order to meet its obligations. However, as a result of the intended sale of a Group company's property, plant and equipment, these available-for-sale financial assets have been reclassified as current.

13 Current assets - Intangible assets

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Emission Trading Scheme Units	361	158	-	-
	361	158	-	-

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

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

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

14 Derivative financial instruments

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Current assets				
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	368	-	-	-
Electricity Contract for Differences - see below ((a)(iii))	1,631	1,529	-	-
Total current derivative financial instrument assets	1,999	1,529	-	-
Non-current assets				
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(ii))	496	-	-	-
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	-	81	-	-
Electricity Contract for Differences - see below ((a)(iii))	62	282	-	-
Total non-current derivative financial instrument assets	558	363	-	-
Total derivative financial instrument assets	2,557	1,892	-	-
Current liabilities				
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	879	404	-	-
Total current derivative financial instrument liabilities	879	404	-	-
Non-current liabilities				
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	10,735	9,356	-	-
Electricity Contract For Differences - see below ((a)(iii))	347	-	-	-
Total non-current derivative financial instrument liabilities	11,082	9,356	-	-
Total derivative financial instrument liabilities	11,961	9,760	-	-
Net (liabilities) in relation to derivative financial instruments	(9,404)	(7,868)	-	-

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

During the year ended 31 March 2018 Top Energy Ltd entered into a series of forward foreign exchange contracts denominated in US Dollars in respect of future capital equipment purchases by the Group to manage the exposure relating to the expansion of the Ngawha generation plant. The original principal amounts totalled US$33,127,000 which, at the committed contract exchange rates, equated to NZ$44,847,000. When translated at the closing spot rate on 31 March 2018, the NZ Dollar equivalent of the remaining US Dollar commitment (US$32,585,000) was NZ$44,116,000. The remaining contracts mature during the years ending 31 March 2019 and 2020.

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

14 Derivative financial instruments (continued)

(ii) Interest rate swaps

Top Energy Ltd has entered into interest rate swap contracts under which it receives interest at variable rates and pays interest at fixed rates in respect of the notional principal amount of each contract. At 31 March 2018 the notional principal amount of current contracts totalled $286,000,000 (31 March 2017: $168,000,000). At 31 March 2018 the Parent had committed to enter into 12 (31 March 2017: 7) contracts, with a total notional principal value of $156,000,000 (2017: $38,000,000), 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.

(iii) Electricity Contract for Differences

The Group has entered into electricity Contract For Differences (CFDs) under which it receives a fixed amount based on a notional quantity of electricity generation. At 31 March 2018, the notional amount of current contracts totalled $29,256,000 (31 March 2017: $22,123,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month. 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 Current assets - Non-current assets classified as held for sale

	Consolidated		**Parent**	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Land	**3,210**	-	-	-
Buildings	**700**	-	-	-
Plant and equipment	**260**	-	-	-
Total	**4,170**	-	-	-

The above assets are the subject of a sale and purchase agreement that was being negotiated at the 31 March 2018 reporting date.

A further group of assets, with a carrying value of $402,000 at 31 March 2018, were reclassified as held for sale at that date, at a fair value equal to their contractual disposal price of $1. The purchaser is not a related party to any entity within the Group.

16 Non-current assets - Property, plant and equipment

Consolidated	**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 2018									
Opening net book amount	196,803	9,705	153,276	5,667	2,264	2,858	12,138	2,243	384,954
Additions	14,547	23,992	42	-	1,298	435	2	344	40,660
Disposals	(196)	-	-	-	(20)	(406)	(527)	(326)	(1,475)
Transfers and reclassifications	4,005	(4,801)	-	1	9	(4)	-	-	(790)
Depreciation charge	(7,564)	-	(7,472)	(167)	(760)	(630)	-	(111)	(16,704)
Depreciation released on disposals	71	-	-	-	16	321	-	31	439
Impairment adjustment (charge) recognised in profit and loss	-	-	-	-	128	-	(801)	85	(588)
Transfers to disposal group classified as held for sale	-	-	-	-	(260)	-	(3,210)	(490)	(3,960)
Closing net book amount	207,666	28,896	145,846	5,501	2,675	2,574	7,602	1,776	402,536
At 31 March 2018									
Cost	374,634	28,896	891	5,834	11,571	9,528	7,602	2,457	441,413
Valuation	-	-	152,427	-	-	-	-	-	152,427
Accumulated depreciation	(166,968)	-	(7,472)	(333)	(8,896)	(6,954)	-	(681)	(191,304)
Net book amount	207,666	28,896	145,846	5,501	2,675	2,574	7,602	1,776	402,536

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

Consolidated	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
At 1 April 2016									
Cost	341,950	9,661	6,085	5,335	9,883	9,315	11,992	2,765	396,986
Valuation	-	-	146,822	-	-	-	-	-	146,822
Accumulated depreciation	(152,260)	-	(16,953)	(329)	(7,544)	(6,242)	-	(524)	(183,852)
Net book amount	189,690	9,661	135,954	5,006	2,339	3,073	11,992	2,241	359,956
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

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

(a) Parent entity

The Parent entity owned no assets in the above categories during the years ended 31 March 2018 and 2017.

(b) Critical accounting estimates and assumptions

The Group considers annually whether the carrying values of its property, plant and equipment are supportable, based on their expected value-in-use or fair value as detailed below.

The carrying value of the distribution network at 31 March 2018 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. Under the terms of a new resource consent and a subsequent variation issued in June 2017, the consent was granted for 35 years from the date of the variation, so will now expire in June 2052.

(c) Valuation of generation plant

Independent valuations of the Group's generation plant were performed by valuers to determine its fair value as at 31 March 2017. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in beneficiaries' equity (note 30).

The carrying amount of the generation plant that would have been recognised at 31 March 2018 had those assets been carried under the cost model is $60,044,000 (31 March 2017: $62,917,000).

(d) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 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.

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

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

Description	Fair value at 31 March 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.

(f) Capitalised borrowing costs

Capital work in progress during the periods reported above includes capital projects which have an expected cost in excess of $500,000 and a planned duration of longer than three months. Interest on borrowings raised to finance those projects has been capitalised. The amount capitalised by the Group during the year ended 31 March 2018 was $289,000 (2017: $107,000).

Interest capitalised was at the average rate of 2.7% for the year ended 31 March 2018 (2017: 2.9%).

17 Non-current assets - Intangible assets

Consolidated	Goodwill $'000	Computer software $'000	Easements $'000	Emission Trading Scheme units $'000	Total $'000
Year ended 31 March 2018					
Opening net book amount	811	322	6,408	2,229	9,770
Additions	-	196	515	-	711
Transfers from Capital work in progress	-	-	797	-	797
Reclassification between current and non-current ETS units	-	-	-	(333)	(333)
Amortisation charge	-	(199)	-	-	(199)
Closing net book amount	811	319	7,720	1,896	10,746
At 31 March 2018					
Cost	811	4,979	7,720	1,896	15,406
Accumulated amortisation	-	(4,660)	-	-	(4,660)
Net book amount	811	319	7,720	1,896	10,746
At 1 April 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
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

Parent entity

The Parent entity owned no assets in the above categories during the years ended 31 March 2018 and 2017.

Emission Trading Scheme units

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

17 Non-current assets - Intangible assets (continued)

(a) Allocation of goodwill between cash-generating units

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

	Ngawha Generation Ltd $'000	Total $'000
At 31 March 2018		
Cost at 1 April 2017	811	811
At 31 March 2018	811	811
At 31 March 2017		
Cost at 1 April 2016	811	811
At 31 March 2017	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 8.1% (2017: 7.9%). At 31 March 2018 and 2017 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:

	Consolidated		Parent	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Carrying amount at 1 April	**1,138**	546	-	-
Disposals	**(682)**	(116)	-	-
(Loss) gain arising from changes in fair value less estimated costs to sell	**(456)**	708	-	-
Carrying amount at 31 March	-	1,138	-	-

At 1 April 2016 the Group's biological assets comprised 55 hectares of forestry plantation with an estimated market value of $546,000. Of this, 49 hectares were owned by Top Energy Ltd and 6 hectares were owned by Grazing North Ltd. During the year to 31 March 2017, Top Energy Ltd entered into a contract with NZ Forestry Ltd for the felling and sale of its forestry block. The work under that contract commenced in February 2017. The valuation of that block at 31 March 2017 was calculated by NZ Forestry Ltd by reference to the volume of timber cut and sold in the period up to the reporting date, and their estimate of the volume of timber remaining to be cut. The Grazing North Ltd forestry block was valued at 31 March 2017 at cost, on the grounds that this approximated to fair value.

During the year to 31 March 2018 NZ Forestry Ltd completed the felling and sale of the Top Energy Ltd forestry block. The Group then entered into a further contract with NZ Forestry Ltd, for the felling and sale of the Grazing North Ltd block. This work was completed in December 2017. Accordingly, the Group owned no biological assets at the 31 March 2018 reporting date.

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

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
At 1 April	**719**	597	-	-
Additions	**135**	107	-	-
Net (loss) gain transferred to equity	**(24)**	15	-	-
Carrying value at 31 March 2018 reclassified as current assets	**(830)**	-	-	-
At 31 March	-	719	-	-

The available-for-sale financial assets at 31 March 2018 comprise 140,473 shares (2017: 118,592 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 2017 and 2018 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.

As detailed in note 15, the Group is intending to sell its holding of Fonterra Co-operative Group shares to the same party that intends to purchase certain property, plant and equipment, at the market price prevailing 5 days prior to the date of settlement. Consequently, the conditions for treating the Fonterra shares as non-current available-for-sale financial assets ceased to apply and the holding has been reclassified as a current asset. There is no effect on the fair value of the shareholding from this reclassification.

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 $112,000 in its 2018 financial statements (2017: $88,000), 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 Non-current assets - Investment properties

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
At fair value				
Opening balance at 1 April	**380**	462	-	-
Transfer (to) from inventories and owner occupied property	**(170)**	-	-	-
Net gain from fair value adjustment	-	5	-	-
Classified as held for sale or disposals	**(210)**	-	-	-
Disposals	-	(87)	-	-
Closing balance at 31 March	-	380	-	-

(a) Valuation basis

The investment properties were valued as at 31 March 2017 by Telfer Young, registered valuers and associates of the New Zealand Institute of Valuers, at a total value of $380,000. 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.

Effective 30 June 2017 the use of one of the two investment properties changed to being owner-occupied by the Group. Consequently it was transferred into the buildings category of property, plant and equipment at its fair value at the time. The value was reviewed by Telfer Young and was unchanged from its previously assessed market value at 31 March 2017.

The Group's investment property is part of the group of assets that is being held for sale. Consequently at 31 March 2018 it no longer fulfils the definition of an investment property. It has therefore been included in the pool of non-current assets held for sale at that date, at its anticipated sale value.

(b) Leasing arrangements

At the 31 March 2018 reporting date the Group owned one property which was let for residential purposes on an open tenancy basis 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 31 March 2017 reporting date the Group owned two investment properties. Those properties were let for residential purposes on the same basis as above. In all cases the rents charged have been at market rate throughout the periods presented in these financial statements.

The rents charged are at market rate.

21 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Fixed assets	36	-	-	-
Total deferred tax assets	36	-	-	-
Movements				
Balance at 1 April	-	-	-	-
Credited (charged) to the income statement	36	-	-	-
At 31 March	36	-	-	-
Expected settlement				
Deferred tax assets to be recovered within 12 months	36	-	-	-
	36	-	-	-

22 Current liabilities - Payables

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Trade payables	**8,391**	4,675	**-**	7
GST payable	**-**	324	**-**	-
ACC levies. PAYE and other payroll taxes	**291**	200	**-**	-
Payroll creditors	**1,111**	1,109	**-**	-
Accruals	**2,876**	2,107	**17**	17
Unclaimed dividends due to Trust beneficiaries	**932**	932	**932**	932
	13,601	9,347	**949**	956

Foreign currency risk

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

23 Current liabilities - Interest bearing liabilities

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Bank overdrafts	**134**	-	**-**	-
Total current interest bearing borrowings	**134**	-	**-**	-

The bank borrowings held in Top Energy Ltd and its subsidiaries are subject to negative pledges given to Top Energy Ltd's bankers. Further details are provided at note 26. The Top Energy Consumer Trust is not a party to these pledges.

24 Current liabilities - Current tax liabilities

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Income tax payable	**1,470**	686	**-**	-
	1,470	686	**-**	-

25 Current liabilities - Provisions

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Employee benefits	**384**	478	**-**	-
	384	478	**-**	-

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.

26 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Bank loans	**155,100**	143,760	**-**	-
Total non-current interest bearing liabilities	**155,100**	143,760	**-**	-

(a) Liabilities subject to negative pledges given over assets

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

Bank overdrafts and bank loans	**155,234**	143,760	**-**	-
Total liabilities covered by negative pledges	**155,234**	143,760	**-**	-

(b) Banking covenants

The bank loans and overdraft are subject to identical negative pledges given to both of the Top Energy Ltd Group's banks. The pledges impose certain covenants on a "Guaranteeing Group". The Guaranteeing Group comprises all Top Energy Ltd Group companies at 31 March 2018. 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 Top Energy Ltd Group; and

(ii) borrowing costs will not exceed 40% of the Top Energy Ltd Group's 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 Top Energy Ltd Group.

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

27 Non-current liabilities - Deferred tax liabilities

	Consolidated 2018 $'000	Consolidated 2017 $'000	Parent 2018 $'000	Parent 2017 $'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	**52,316**	53,044	-	-
Intangible assets	**(24)**	(59)	-	-
Financial assets at fair value through profit or loss	**(2,875)**	(2,203)	-	-
Other temporary differences	**(753)**	(441)	-	-
	48,664	50,341	-	-
Movements				
Opening balance at 1 April	**50,341**	41,293	-	-
Charged / (credited) to profit or loss	**(1,677)**	2,153	-	-
Eliminated on disposal of subsidiary	-	-	-	-
Tax charged directly to equity (note 7)	-	6,895	-	-
Closing balance at 31 March	**48,664**	50,341	-	-
Expected maturity of deferred tax liabilities				
Within 12 months	**(570)**	(126)	-	-
In excess of 12 months	**49,234**	50,467	-	-
	48,664	50,341	-	-

The tax rate applied in calculating the deferred tax provision was 28% at 31 March 2018 and 2017.

28 Imputation credits

	Consolidated only 2018 $'000	Consolidated only 2017 $'000
Balances		
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2017: 28%)	**11,718**	8,172

The above amounts represent the balance of the Group companies' imputation accounts as at the end of the reporting period, adjusted for:

a) Imputation credits that will arise from the payment of the amount of the provision for income tax;

b) Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) Imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

29 Settlors' capital

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

(b) Capital risk management

The Trustees regularly monitor the Group's capital ratios. The Trustees have delegated the responsibility for day-to-day maintenance of the Group's overall capital position to the Directors of the Top Energy Ltd Group.

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

In order to maintain or adjust the capital structure, the Top Energy Ltd Group may adjust the amount of distributions paid to the Trust, may return capital to the Trust, 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 2018 and 2017 the Group's strategy was to maintain a gearing ratio of less than 60%.The gearing ratios at 31 March 2018 and 31 March 2017 were as follows:

	Top Energy Ltd Group	
	2018	2017
	$'000	$'000
Total borrowings	**157,767**	146,170
Less: cash and cash equivalents (note 8)	**(150)**	(83)
Net debt	**157,617**	146,087
Total equity	**197,711**	192,146
Exclude: derivatives at valuation	**9,404**	7,868
Exclude: available-for-sale financial assets cumulative valuation movement	**112**	88
Total capital	**364,844**	346,189
Gearing ratio	**43 %**	42 %

30 Reserves and retained earnings

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
(a) Reserves				
Property, plant and equipment revaluation reserve	**64,006**	67,300	-	-
Available-for-sale investments revaluation reserve	**(112)**	(88)	-	-
	63,894	67,212	-	-
Movements				
Property, plant and equipment revaluation reserve				
Balance at 1 April	**67,300**	49,570	-	-
Revaluation - surplus before tax	-	26,474	-	-
Deferred tax on the revaluation surplus	-	(7,413)	-	-
Depreciation transfer - gross	**(4,575)**	-	-	-
Deferred tax on the amount released from reserve	**1,281**	-	-	-
Reversal of revaluation surplus on assets written off	-	(1,849)	-	-
Deferred tax released on write-down	-	518	-	-
Balance at 31 March	**64,006**	67,300	-	-
Available-for-sale investments revaluation reserve				
Balance at 1 April	**(88)**	(103)	-	-
Fair value gain (loss) in the year	**(24)**	15	-	-
Balance at 31 March	**(112)**	(88)	-	-

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 2018 $'000	2017 $'000	Parent 2018 $'000	2017 $'000
Balance 1 April	**125,558**	113,723	**25,891**	25,883
Net profit for the year	**5,574**	11,835	**(15)**	8
Net transfer from revaluation reserve	**3,294**	-	-	-
Balance at 31 March	**134,426**	125,558	**25,876**	25,891

31 Distributions

All payments made to beneficiaries of the Trust during the years ended 31 March 2018 and 2017 related to the re-issue of distributions arising in financial years up to 31 March 2011. Accordingly, these re-issued payments were charged against the provisions previously made.

32 Trustee and Director disclosures

(a) Trustees

The following persons were Trustees of the Top Energy Consumer Trust during the financial year ended 31 March 2018:

Mr Hugh Ammundsen
Mrs Ann Court
Mr Bruce Mathieson (appointed 19 June 2017)
Mr Ken Rintoul
Mrs Yvonne Sharp (Chair)
Mr Stuart Spittle (resigned 19 June 2017)

Mr Stuart Spittle resigned as a trustee and was replaced by Mr Bruce Mathieson effective 19 June 2017.

None of the trustees was due to retire by rotation at 31 March 2018.

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

(b) Trustees' and Directors' remuneration

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

Year to 31 March 2018

Name	Cash salary and fees $	Total $
Trustees of the Top Energy Consumer Trust		
H Ammundsen	14,613	14,613
A Court	12,119	12,119
B Mathieson (from 19.6.2017)	9,469	9,469
K Rintoul	12,119	12,119
Y Sharp	23,329	23,329
S Spittle (to 19.6.2017)	2,650	2,650
Directors of Top Energy Ltd		
M Bain (to 28.2.2018)	85,500	85,500
R Krogh	63,925	63,925
J Parsons	55,409	55,409
G Steed	55,409	55,409
P White	48,475	48,475
S Young	48,475	48,475
Directors of other Group companies		
S James*	-	-
R Kirkpatrick	48,475	48,475
R Shaw*	-	-
Total	479,967	479,967

32 Trustee and Director disclosures (continued)

Year to 31 March 2017

Name	Cash salary and fees $	Total $
Trustees of the Top Energy Consumer Trust		
H Ammundsen	14,393	14,393
A Court	11,841	11,841
K Rintoul	11,841	11,841
Y Sharp	22,687	22,687
S Spittle	11,841	11,841
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	472,457	472,457

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

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

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

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

33 Contingencies

As at 31 March 2018 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 Top Energy Ltd Group companies. Each deed of pledge imposes a liability on each subsidiary company within the Top Energy Ltd Group, whereby each subsidiary is liable to repay the total debt of the Top Energy Ltd Group should Top Energy Ltd, 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. The Top Energy Consumer Trust is not a party to either of these pledges.

The Top Energy Ltd 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 2018 the total value of contingent obligations entered into by the Top Energy Ltd Group was $623,000 (2017: $450,000) and the total value of contingent receivables from third parties was $3,135,000 (2017: $305,000).

The Top Energy Ltd Group has entered into a new funding arrangement with Australia and New Zealand Banking Group Ltd to provide funding for the expansion of the Ngawha generation plant. This funding arrangement is contingent on Top Energy Ltd resolving to proceed with the project, determined by the results of the current drilling programme and confirmation of the major business case inputs.

34 Commitments

(a) Capital commitments

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

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Property, plant and equipment	**45,234**	6,423	-	-
	45,234	6,423	-	-

Of the capital commitments, $42,977,000 (2017: $2,444,000) relate to the Ngawha Generation subsidiary. The increase is related to the contracts entered into for the expansion of the Ngawha generation plant.

(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 Top Energy Ltd 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:

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Within one year	**930**	889	-	-
Later than one year but not later than five years	**2,541**	2,281	-	-
Later than five years	**3,453**	3,293	-	-
Commitments not recognised in the financial statements	**6,924**	6,463	-	-

(c) Purchases of Carbon Credits

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

35 Related party transactions

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

During the year, Top Energy Ltd processed transactions on an agency basis on behalf of the Trust in order to settle the latter's routine business dealings.

During the year ended 31 March 2018, Top Energy Ltd paid a dividend to the Trust of $130,000 (2017: $165,000). These dividends were to assist with the Trust's running costs.

The Trust charged Top Energy Ltd interest at prevailing market rates on the balance of funds loaned, totalling $40,000 in the year ended 31 March 2018 (2017: $43,000). The effective average interest rate applied by the Trust on the loan to Top Energy Ltd during the year ended 31 March 2017 was 2.7% (2017: 2.9%).

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

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

(b) Trustees

The names of persons who were trustees of the Trust at any time during the financial year are given at note 32.

(c) Key management personnel remuneration

The totals below refer to remuneration paid to employees of the Top Energy Ltd Group only. They do not include the remuneration of the Trustees of the Trust, details of which are given at note 32.

	Short-term benefits $'000	Post-employment benefits $'000	Other long-term benefits $'000	Termination benefits $'000	Total $'000
Year ended 31 March 2018	**4,775**	**125**	**88**	**128**	**5,116**
Year ended 31 March 2017	4,671	108	68	271	5,118

There were no contracts for share-based payments during the years ended 31 March 2018 and 2017.

(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 2018 (2017: none).

(e) Subsidiaries

The Trust's interests in its direct and indirect subsidiaries are set out in note 37.

35 Related party transactions (continued)

(f) Loan to Top Energy Limited

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

	Parent only	
	2018	2017
	$'000	$'000
Balance due from Top Energy Ltd at 1 April	**1,576**	1,468
Amounts advanced to (repaid by) Top Energy Ltd	**(62)**	65
Interest charged to Top Energy Ltd	**40**	43
Balance due from Top Energy Ltd at 31 March	**1,554**	1,576

The above balance is unsecured and is repayable on demand.

(g) Guarantees

Details of negative pledges made by the Top Energy Ltd Group to its bankers are given at note 26.

(h) Terms and conditions

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

36 Business combinations

(a) 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.

37 Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2018

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

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

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

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

	2018 $'000	2017 $'000
Shares at cost		
Shares at cost - Top Energy Ltd	25,267	25,267

38 Events occurring after the reporting period

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

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

	Consolidated		Parent	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Profit for the year	**5,574**	11,835	**(15)**	8
Adjustments made for:				
Depreciation and amortisation	**16,903**	15,423	**-**	-
Impairment of fixed assets	**588**	-	**-**	-
Dividend received from subsidiary	**-**	-	**(130)**	(165)
Net loss (gain) on sale of non-current assets	**118**	1,371	**-**	-
Fair value (gain) loss on biological assets	**456**	(708)	**-**	-
Movement in provision for doubtful debts	**39**	205	**-**	-
Fair value (gains) losses on other financial assets at fair value through profit or loss	**1,536**	(6,410)	**-**	-
Changes in working capital:				
Decrease (increase) in trade debtors	**(109)**	(372)	**-**	-
Decrease (increase) in inventories	**64**	60	**-**	-
Decrease (increase) in other operating assets	**76**	283	**-**	-
Increase (decrease) in trade creditors	**3,281**	1,574	**(7)**	(15)
Increase (decrease) in other operating liabilities	**665**	(53)	**-**	-
Increase (decrease) in income taxes payable	**784**	456	**-**	-
Increase (decrease) in provision for deferred income tax	**(1,639)**	2,153	**-**	-
Net cash inflow from operating activities	**28,336**	25,817	**(152)**	(172)

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Matters relating to the electronic presentation of the audited consolidated financial statements

This audit report relates to the consolidated financial statements of Top Energy Consumer Trust (the "Trust") for the year ended 31 March 2018 included on the Top Energy Group's (the "Group") website. The Trust is responsible for the maintenance and integrity of the Group's website. We have not been engaged to report on the integrity of the Group's website. We accept no responsibility for any changes that may have occurred to the consolidated financial statements since they were initially presented on the website.

The audit report refers only to the consolidated financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these consolidated financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited consolidated financial statements and related audit report for the year ended 31 March 2018 to confirm the information included in the audited consolidated financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Grant Thornton New Zealand Audit Partnership

Grant Thornton

V J Black
Partner
Auckland

26 June 2018

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An instinct for growth™

Independent Auditor's Report

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To the Beneficiaries of Top Energy Consumer Trust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Top Energy Consumer Trust on pages 8 to 61 which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with the New Zealand Equivalents to International Reporting Standards issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Other Information Other than the Financial Statements and Auditor's Report thereon

The Trustees are responsible for the other information. The other information comprises the Trustee's Review, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Trustees' Responsibilities for the Consolidated Financial Statements

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

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

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8/

Restriction on use of our report

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

Grant Thornton New Zealand Audit Partnership

Grant Thornton

V J Black
Partner
Auckland

26 June 2018