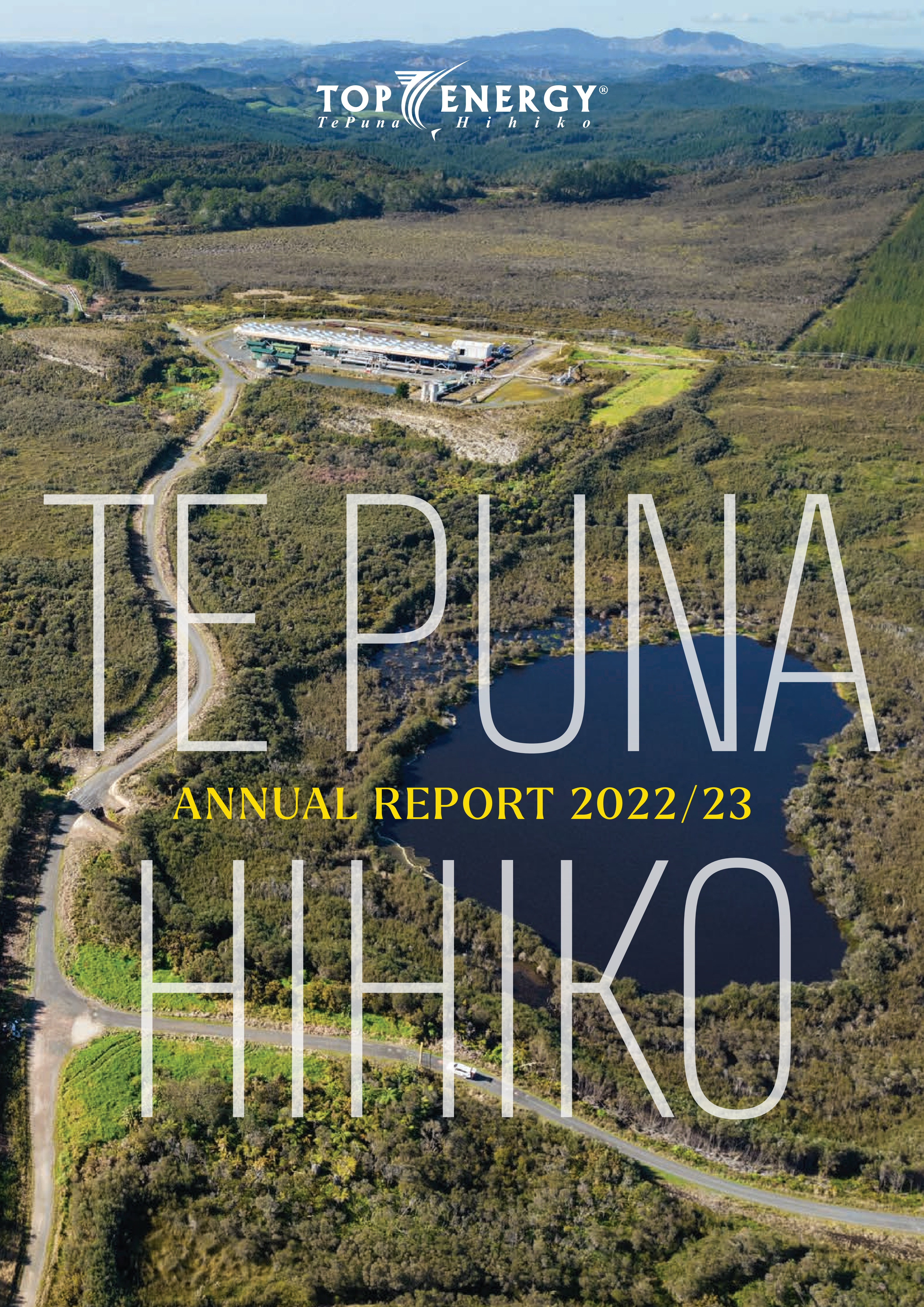


TOP ENERGY

Te Puna Hihiko

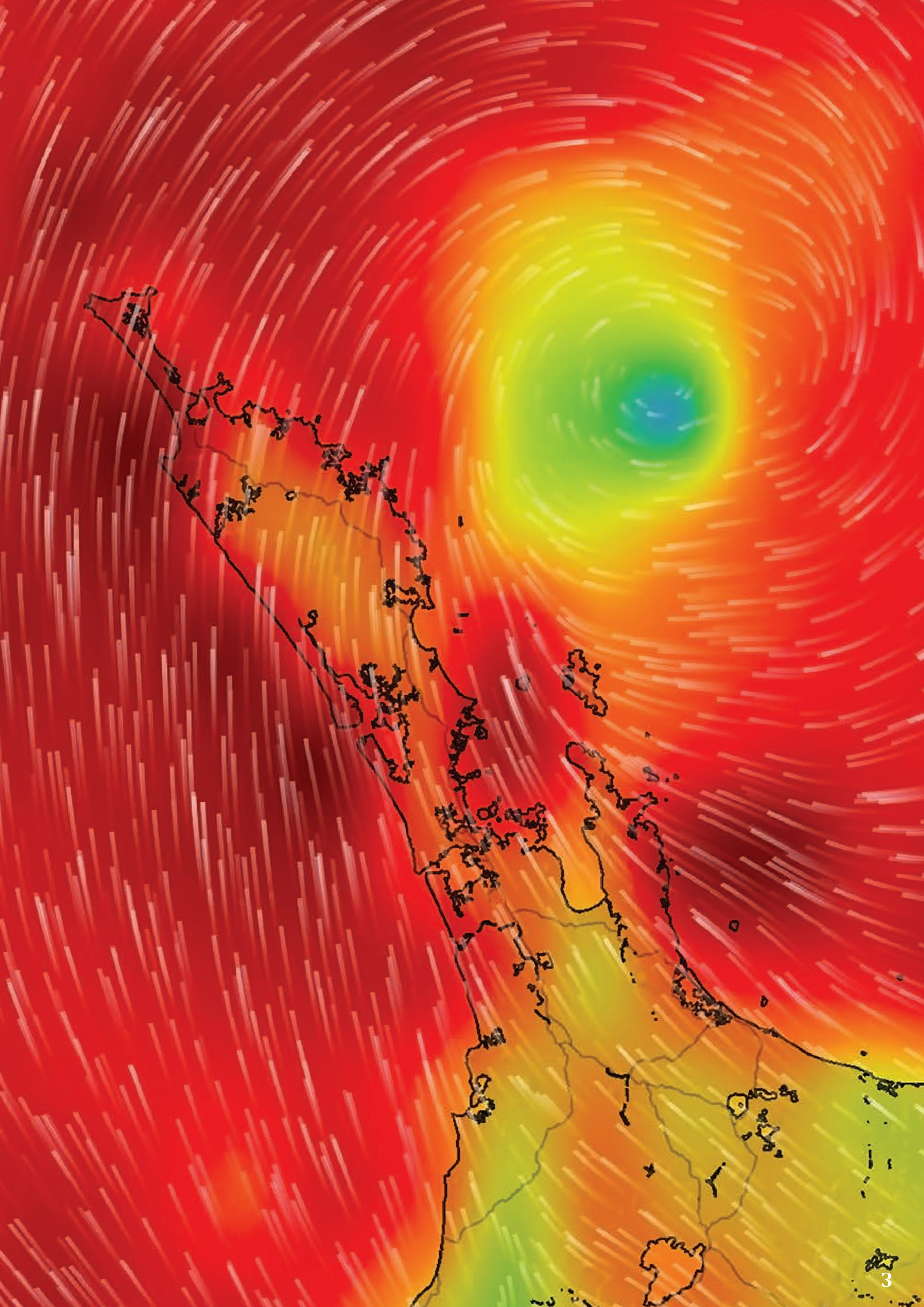
TE PUNA HIHIKO

ANNUAL REPORT 2022/23

CYCLONE GABRIELLE

One of the most extreme storms to hit Aotearoa New Zealand this century had a profound effect on us and our Far North community.

14,000 PEOPLE WERE WITHOUT POWER



CAPE REINGA WEATHER STATION RECORDED GUSTS UP TO

141km/h

ON 12 FEBRUARY AS GABRIELLE MADE LANDFALL

This was an indication of things to come!

The ferocity of the storm meant it was initially not safe to send our teams into the field.

Once conditions abated and it was safe to work in the field, our lines mechanics and vegetation teams worked tirelessly to restore power, many working for three weeks straight.

SEVERE WEATHER LASTED

3

DAYS

DURING THAT TIME

300-400mm

OF RAIN FELL ACROSS THE REGION

THE BIGGEST WAVE RECORDED WAS

10.9m

IN THE BAY OF ISLANDS

AROUND

14,000

CUSTOMERS WERE WITHOUT POWER AT THE HEIGHT OF THE STORM

"Never before have we had to deal with such a fluid and dynamic range of outages on our network in such a short period of time."

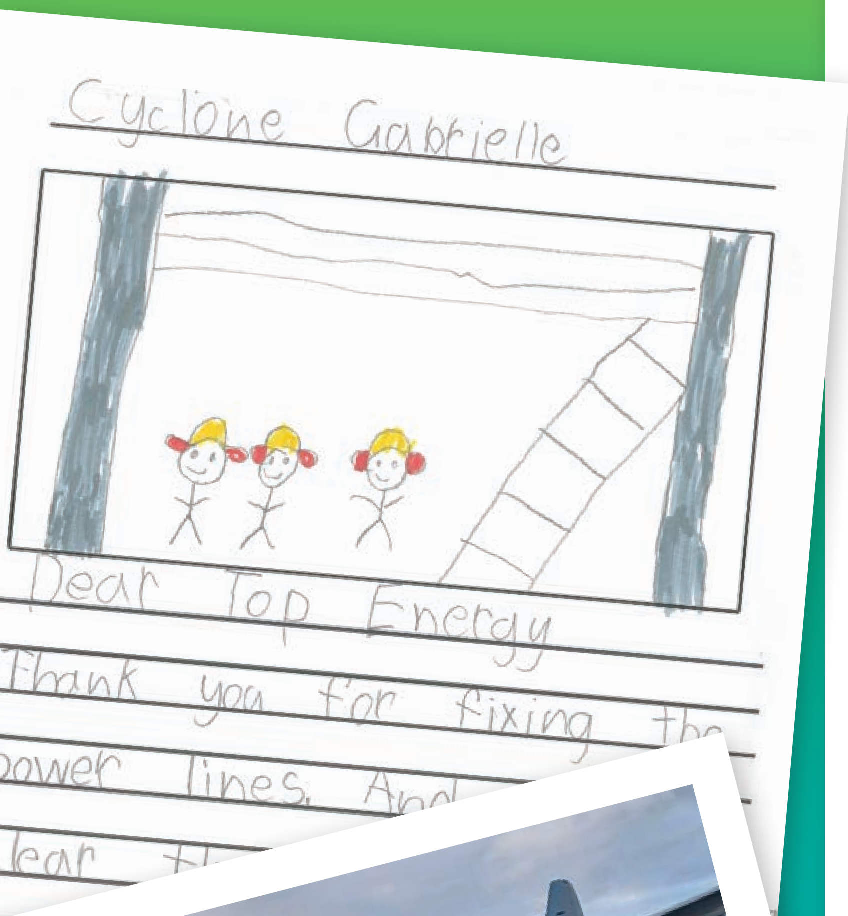
"Yesterday we had a team walk three hours with their equipment to restore the power, only to have it go off again when a tree further down the line damaged the network."

"We went from 14,000 homes off last night to under 5,000 during the day yesterday, only for it to rise again overnight to 14,000 this morning."

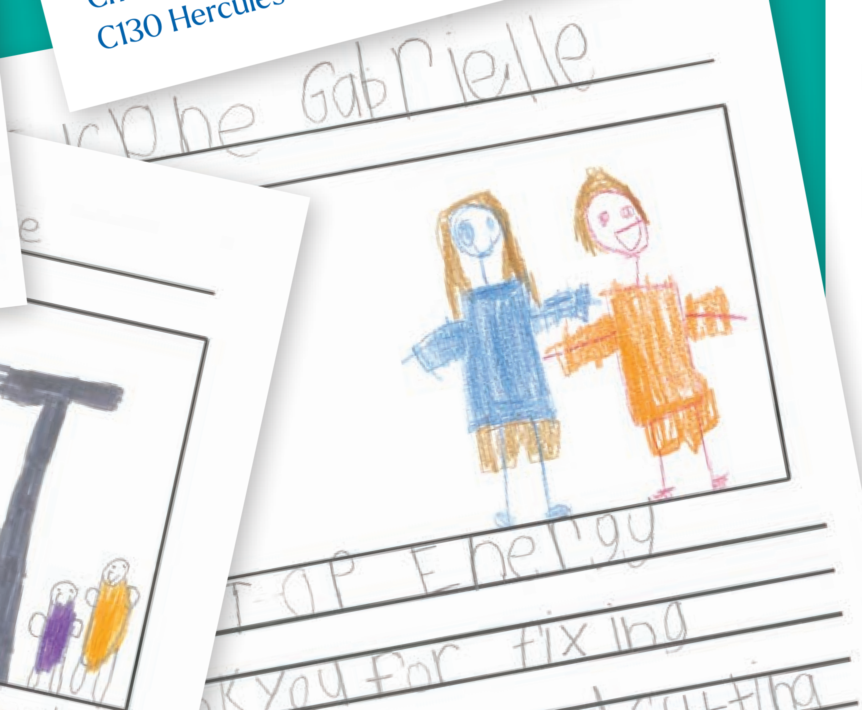
CYCLONE GABRIELLE

In the aftermath of Cyclone Gabrielle, we want to thank the Far North community for their resilience and patience.

It was an incredibly challenging time for all of us and your encouragement and support really lifted the spirits of our hard-working crews and operations teams.



Christchurch-based line mechanics getting on a NZDF C130 Hercules to come help us clear and fix the network.



Firstly stay safe amongst this natural occurrence so you're home after a days work to your families, secondly thank you for all you're doing to those affected and thirdly make sure you're all well rested to make it thru another day.

We appreciate all the efforts you all are doing!! Thank you so much 💓 Stay safe x

You are doing an amazing job, look after yourselves out there 🌊⛈️👏

You got us back on again! Superstars, all of you 🥰

phenomenal job by everyone involved.

Thank you all so much for the hard work you are doing.

Keep up the good work guys we really appreciate what you all do for us all.

Thank you for all your teams hard work in these trying conditions. It is appreciated 🙂

You guys have been amazing. I travel to work in the mornings about 7.15am and they are workong on a transformer that smashed and toppled power posts and i travel around 5.30pm and they are still hard at it. All your hardwork and sacrifices have... **See more**

We really appreciate your updates and know your team are working out there for all of us. Stay safe.

Thank you for your efforts! Certainly want to make sure your linesman are well rested - doesn't sound like a good mix: this weather, fatigue and electricity

You guys are doing a fab job in dangerous conditions

Thankyou Thankyou Thankyou. Everyone thanks you guys for keeping us updated. 💓love 💓

Thank you for all the mahi that Top Energy workers do. Please put your safety first

Thanks. Alot power restored stay safe my husband used to work for auck power board know how your family is feeling get some rest

Thank you 😊 very much Top Energy NZ you's are awesome for Mahi you's All do for Us ❤️

CONTENTS

ABOUT US

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

With operations throughout the Far North, the Group is progressive and technically driven with interests in the areas of electricity generation and distribution.

34,000
POWER CONSUMERS

Top Energy is owned by the Top Energy Consumer Trust, on behalf of **34,000 power consumers connected to the company's network**

160
STAFF

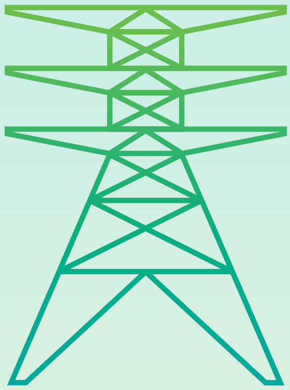
The Group **employs over 160 staff**

750
MILLION ($)

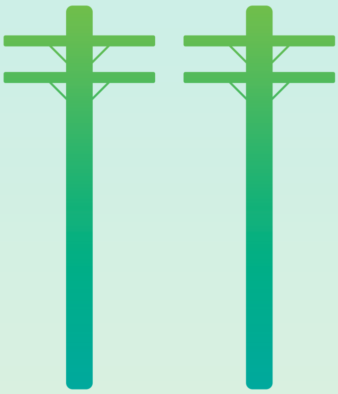
The Group manages **assets of more than $750 million**

We are one company with a clear vision: **Enabling Northland to contribute to the decarbonisation challenge**.

Geothermal electricity **generation** through our 100% owned subsidiary Ngāwhā Generation



Transmission and distribution lines **network**



Electrical reticulation **contracting**

CHAIR'S

REPORT

E ngā mana, e ngā reo o te Tai Tokerau whānui, tēnā rā koutou katoa. Ko ngā whakaaro nui ki a koutou i pāngia, rawatia e te taiao i tēnei tau kua hipa.

Our thoughts go out to you all who were affected by the impacts of weather this past year.

The year in review reflects incredible effort and achievement to deliver against our key strategic objectives and vision, positioning the Group well for the future.

Moving from a goal of offsetting our carbon emissions 12 months ago to our new goal of achieving net zero emissions has been a significant undertaking for the company.

I am delighted to report we are well on our way and ahead of the targets we set. The change in climatic conditions experienced over the year highlights the importance of our goal to achieve net zero carbon emissions.

We continue to challenge ourselves to deliver for our Far North consumers, ensuring our investments generate value and costs are managed. We received overwhelming support following our five-yearly ownership review, with 96% of public submissions supporting the continuation of local ownership. It is a testament to the progress we have made and pleasing to know we will be able to continue to deliver value to our shareholder and the Far North under trust ownership.

Health and Safety

Our focus on the safety, health and overall wellbeing of our staff continues. It is great to be back to attending onsite meetings and interacting in person, while being mindful that COVID-19 remains in our communities and we therefore need to remain vigilant.

I would like to acknowledge the significant efforts of staff who went above and beyond during the extreme weather of Cyclone Gabrielle to restore power for our consumers. It is critical to manage fatigue and staff welfare during such events while balancing the welfare of our community to restore power supply as quickly as possible. Throughout Gabrielle, the support from our community through Facebook messages was overwhelming. These messages were shared every morning as the teams prepared for the difficult day ahead.

We continue to focus on ensuring critical safety risks are managed and controlled to a high standard. Unfortunately, we had two staff lost-time injury (LTI) events during the year. Although none of our contractors had any LTIs, any injury is undesirable.

Financial Results

A key highlight was the success of refinancing our core debt during the year, demonstrating the strong support we have from our incumbent and new lenders.

Against a backdrop of volatile wholesale electricity prices and multiple adverse weather events, our team delivered on our financial objectives. Benefiting from lower carbon costs more than offset higher network-related expenditure.

Network Reliability

A focus for the Board throughout the year has been obtaining deeper insight and analysis on network reliability, investment and resourcing. The consequences of climate change, with nine extreme weather events over the period, resulted in a breach of our regulatory cap for unplanned SAIDI (the average number of high voltage outage minutes per customer). The Board takes any breach very seriously and believes that the actions taken throughout the year and insights gained will improve our network resilience as we face up to climate-related challenges.

Industry and Regulatory Issues

The Transmission Pricing Methodology (TPM) was finalised last year, and effective from 01 April 2023 we have allocated transmission costs to our consumer groups based on the Electricity Authority guidelines from our pricing. Facing a significant increase of 205% in transmission pricing, it will take two years to achieve the full allocation, noting we are committed to following the guidelines and recovering this as a fixed cost.

We continue to highlight and promote the significant opportunity for a Northland Renewable Energy Zone (REZ) to enable delivery of more than 2 GW of renewable generation enquiries. Transpower has identified that further development and consideration is required to develop a REZ concept that is right for New Zealand. We will continue to work with Transpower and Northpower to realise the sizeable opportunity that exists in the Northland region.

Governance

Progress was made on our sustainability journey and our wider Environmental, Social, Governance (ESG) strategy. Our thinking has evolved during the year, with some significant achievements and bold goals set for the future. We hope you enjoy reading about our progress in our second separate Sustainability Report and are as excited as we are for the future.

The Board retains its commitment to be transparent in our approach to governance and have included our annual review of the Board's Governance Code.

Looking Forward

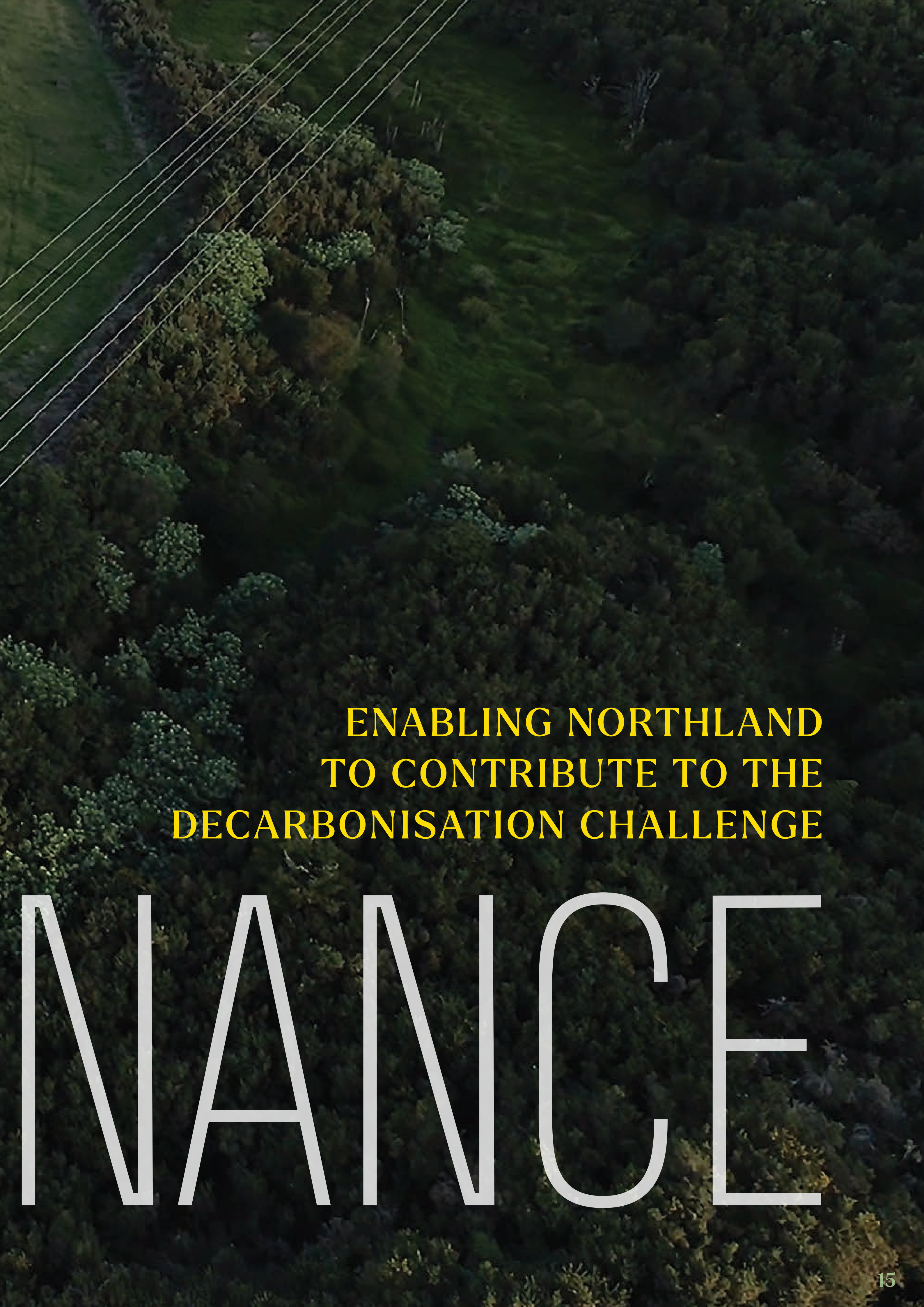
The year in review demonstrates the progress made, moving quickly towards our goal of net zero emissions. It is with this progress that we have been able to support our Far North consumers, allowing us to deliver benefits in a time of cost increases. Delivering on our goal of lower prices by not increasing our line charge revenue for the year ahead does place pressure on the business. However, it reflects the balance of delivery against our trilemma (the need to find a balance between reliability, affordability and sustainability) and sharing the value of our locally owned assets.

Thank You

We can't deliver to our consumers, maintain our network and achieve zero carbon without an amazing team. The Board is proud of the achievements over the year and acknowledge the significant contributions from everyone at Top Energy and their whānau who support us in meeting the needs of our Far North customers.

David Sullivan
Chair


GOVER



ENABLING NORTHLAND TO CONTRIBUTE TO THE DECARBONISATION CHALLENGE

NANCE

In this section we outline our approach to governance, how we are tracking against our Statement of Corporate Intent (SCI) and where we are on our sustainability journey.

Board Governance

The Top Energy Group is conscious that each Group company needs to operate in its own best interests. All related transactions must have independent thought and be on an arms-length basis. To support this, both Top Energy and Ngāwhā Generation have two independent directors to confirm all transactions between the companies are fair and appropriate, and ensure correct inquiries and judgements are made.

The Top Energy Group has an established Corporate Governance Code, which is based on the Financial Markets Authority guidance for corporate governance. A copy of the Corporate Governance Code is available on the company's website. The Corporate Governance Code calls for a review annually. This was completed in November 2022. No changes were proposed or made during the current reporting year.

Code of Ethics

- A review of compliance with the Code of Ethics has been undertaken by the CEO, which included an invitation for feedback from all employees and directors. There were no issues raised or concerns expressed in relation to the Code.
- There were no reported breaches made under the Protected Disclosures Policy.
- There were no reports of loss, damage, misuse, waste or theft of company assets.

Board charter

- The Board met formally with the Shareholder through the annual general meeting, and on two further occasions, to discuss strategy, changes to the risk environment and how the company was responding, and the drafting of a new SCI.
- The Chair and/or CEO met with the Shareholder twice more during the year to provide updates on general operations. The CEO also provided updates on how the business was managing during Cyclone Gabrielle in February when the second state of emergency was issued.
- The Chair met the shareholder as a member of the shareholder's Director Nominations Committee to report on director performance.
- Interest registers have been maintained for all directors and reviewed and updated at each directors' meeting. Perceived or potential conflict of interest were identified, noted and managed appropriately to ensure full transparency. None of these instances required a director to remove themselves from the discussion.
- No director has failed to attend a properly notified meeting without providing an apology and leave being granted.
- Director fees were considered during the year and a recommendation was made to the shareholder to increase fees to reflect the scale and complexity of the company and market movements. The fees proposed were benchmarked using an independent report. This recommendation was accepted by the shareholder.

Audit and Risk Committee

- The committee met six times during the financial year.
- The committee reviewed all major risks of the business. No significant changes or concerns were identified that weren't already being managed by the Group.
- The committee reviewed all financial policies and were satisfied there was full compliance with those policies and all legislative requirements.

Performance planning and review

- The Board has maintained an annual Work Plan and has ensured that all material items have been completed.
- The Board met with the CEO to assess his performance and that of senior management, and to ensure suitable remuneration arrangements are in place.

Stakeholder engagement

- The SCI for the period to 31 March 2023 was provided to the shareholder within the statutory period required. All comments provided by the shareholder were considered but none necessitated amendment to the draft document provided. The SCI was adopted at the annual general meeting on 28 June 2022 and published on the company's website.
- The Board provided its report on the ownership review in May 2022. Following consideration of feedback from the public consultation, completed by the shareholder, the Board met with the shareholder on 30 August 2022 to confirm its ownership recommendation.
- The shareholder approved a major transaction on 20 September 2022, allowing the company to enter into contracts to replace the existing funding facilities.
- All legislated disclosures and information were provided to the shareholder by the dates required.

Risk management

- After consideration of the report from the Audit and Risk Committee, in relation to the review of all material risks to which the company is exposed, the Board confirms that there are no known risks expected to materialise that could impact on the business to an extent that the business could not address them as part of its normal business process and using its existing resources. The Board paid particular attention to the risks in relation to climate change, the implications for the network following the weather patterns over the past 12 months, the wider decarbonisation goals and the focus on reducing emissions. Consideration was also given to energy hedging positions, including the risks and opportunities associated with volatile wholesale spot prices. Overlaying the risks were the consideration of the wider economic environment, the cost-of-living crisis and the impact on the wider community.

Sustainability

The company is proud to release the 2023 Sustainability Report, our second sustainability report. This shows the significant progress made over the last 12 months and evidence of how seriously we have taken our vision of 'Enabling Northland to contribute to the decarbonisation challenge'. The highlight for the period has been our shift away from carbon offset to carbon net zero. Three of our four geothermal power stations no longer emit any carbon emissions, and progress is well underway to achieve this with the fourth station over the coming months. This fourth station will see us achieve carbon-free geothermal energy generation.

Wider engagement has also occurred with our stakeholders as we understand 'what matters'. To stand by our performance, we have applied to be part of the Toitū carbon programme to accurately audit and measure our greenhouse gas emissions.

Statement of Corporate Intent

The SCI is reviewed annually by the company and discussed with the shareholder, the Top Energy Consumer Trust. Finding alignment on the key deliverables remains an important part of the success that has been achieved across all five key objectives: safety, returns to shareholders, quality and security of supply, remaining relevant to our customers, and lower cost to serve. Quarterly reporting against the performance of the SCI is provided to the Trust, allowing ongoing discussion and transparency throughout the year.

Ownership Review

During the year the Top Energy Consumer Trust completed its five yearly ownership review, consulting with power consumers to find out what they think about how the company should be owned. The outcome was overwhelmingly in favour of Top Energy ownership remaining with the trust. This will continue for the next five years unless circumstances arise that the trustees believe warrants them undertaking a full review and public consultation procedure.

Over 300 written and verbal submissions were received during the public consultation period and, as in previous reviews, consumers were supportive of the trust model, with 96% of respondents in favour.

Group directors

David Sullivan

David Sullivan was appointed Board chair on 1 June 2022, having been deputy chair since October 2021 and on the Board since August 2018.

He was previously chair of the Audit and Risk Committee, becoming an ex officio member when he became Board chair. David is a qualified chartered accountant. He has many years of experience as a director and senior executive, including chair of the Audit Committee of a substantial finance company.

Simon Young

Simon has been a Top Energy director since June 2014. He has over 20 years' experience in the New Zealand electricity industry and associated financial markets.

He has previously been director of a number of electricity-related public and private companies, including listed generator retailer Trustpower. As an executive, Simon has been general Manager of Opunake Hydro, Managing Director of Alliant Energy New Zealand and founding Managing Director of Empower, New Zealand's first independent electricity retailer.

Jon Nichols

Jon Nichols was appointed a director in March 2022 and Chairs the Group's Audit and Risk Committee. He is a director and business consultant with experience in a number of strategic growth, regulatory and performance based initiatives for infrastructure-related businesses in New Zealand and the Pacific Islands. Jon also serves on the Board of the Eastland Group and its subsidiaries, Hawke's Bay Airport and consulting firm Tregaskis Brown. Additionally, Jon is the independent chair of the Risk and Assurance Committee at the Hastings District Council and the Audit and Risk Committee at the Maungaharuru Tangitu Trust. He is a fellow of the Chartered Accountants Australia and New Zealand and a chartered member of the New Zealand Institute of Directors.

Top Energy Independent Directors

Nicole Anderson

Nicole Anderson was appointed an independent director in April 2021 and is on the company's Audit and Risk Committee.

Nicole is a chartered professional director with a background in accountancy, health and business development. She holds other directorships, including with Northland Inc, the International Accreditation Council, Kāinga Ora and the Ngāpuhi Asset Holding Company.

Steve Sanderson

Steve Sanderson was appointed an independent director in March 2022.

Steve's career has mainly been in infrastructure businesses, including Chief Executive of Wellington and Queenstown airports, General Manager for New Zealand and Australia at Powerco, General Manager at Lyttelton Port Company and Director at Pioneer Generation. Steve is a graduate of Monash University and a member of the Institute of Directors.

Ngāwhā Generation Directors

Dr Robert Kirkpatrick

Robert Kirkpatrick has been an independent director since October 2009. He teaches engineering and business at The University of Auckland, including design to chemical engineers.

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

Keith Tempest

Keith Tempest was appointed an independent director in June 2019 and is on the company's Audit and Risk Committee. Keith spent 23 years with Trustpower, resigning as Chief Executive in 2009. Since then, he has progressed his career as a professional director across a range of companies and industries, including Crown Infrastructure Partners, Port of Tauranga, Transpower New Zealand, NZ Bus, UltraFast Fibre and Bay Venues. Keith has been directly involved in large-scale capital infrastructure projects across New Zealand and Australia. He is a chartered fellow of the Institute of Directors.

CEO'S REPORT

The year has seen the delivery of some significant changes, which have repositioned and strengthened our place into the future and delivered value to our consumers who continue to see and believe in the benefits of trust ownership.

Our greatest pivot this year has been on sustainability.

As reported in our second sustainability report, we have made significant progress in multiple areas. Our audacious goal to move to net zero emissions is a highlight, and I am extremely proud of the team at Ngāwhā who have worked tirelessly and achieved outstanding results.

To now have three of our four geothermal power stations at zero emissions is a huge achievement in such a short time, with the last station planned for this coming year.

We have also been mindful of the people in our community.

We are really pleased that we have been able to support our consumers by not increasing our network line charges for the year ahead, absorbing the significant transmission cost increases and inflation pressures.

Although it will impact our financial performance, with the current cost-of-living crisis it was a conscious decision to support our consumers in these challenging times.

And to top this all off, it has been great to be back out in the business community and engaging with people face to face again.

Although we are still aware of COVID and the impact it can have on health and the operation of our critical lifeline services, there is a feeling of relief that the worst is behind us.

Safety, Health and Wellbeing

It is a credit to our teams that although significant adverse weather was a common occurrence during the year, fatigue was managed well, and no major injuries occurred during these events.

It was, however, disappointing that we had several injuries during the year, two of which caused staff to have time away from work due to muscle strains. This highlighted the importance of managing manual labour tasks, which were once common but are now often completed by machinery.

This year we have focused on our critical risks, those that could result in a fatality or life-changing consequences. Implementing formal reporting to better understand them, and provide assurance that the controls we think are in place are actually working, has been an important step. It was great that we didn't report any non-conformances for these critical risk controls during the year.

To continue to support wellbeing, we rolled out an improved employee assistance programme through the Clearhead digital platform, an easy-to-use tool for our staff and their whānau. To become accredited as a living wage employer was also supportive of improving collective wellbeing for our wider community, and part of our greater focus on energy hardship going forward.

$1.5 MILLION
COST OF CYCLONE GABRIELLE

$1.5 MILLION
EBITDAF ABOVE BUDGET

$2 OVER MILLION
CARBON COSTS REDUCTION

Operational Performance

Every year has its challenges, and this year was no different. The biggest challenge was on the network, with significant weather events impacting us every month other than December and March. Having two emergencies declared for Northland within weeks highlighted the unprecedented weather that was being experienced. The additional costs to maintain the network were reflective of this, with Cyclone Gabrielle alone costing $1.5 million. To then achieve an operational EBITDAF result of $1.5 million above budget was a significant achievement. It was another year with strong capital contributions from the ongoing development in the Far North and outstanding performance from the generation business. The emission reductions – noted earlier from the carbon reinjection at the geothermal plants – reduced our carbon costs by over $2 million this year. Plant availability exceeded the full year target, enabling the business to extract value from the volatile wholesale market.

Network Service Levels

As mentioned previously, we set separate targets for planned and unplanned outages to align with the Commerce Commission requirements. We achieved the planned targets, as set out in the Statement of Corporate Intent (SCI), for SAIDI (system average interruption duration index) and SAIFI (system average interruptions frequency). However, the frequency and severity of weather events experienced this year, including Cyclone Gabrielle, meant that the unplanned targets were not achieved. We also breached our regulatory cap.

Breaching a regulatory cap is not taken lightly. Over the last 18 months we have been assessing the causes of network outages to ensure the network remains resilient to meet the needs of our consumers and that we maintain regulatory compliance. Revised work programmes focusing on our 11 kV network were implemented last May. Following data mining and extensive analysis, a new field resourcing strategy has also been implemented.

We are also mindful that we can always spend more money to build network resilience, but this comes at a cost to our consumers. Consumer affordability is a key input into any increased investment, so we surveyed 1,000 consumers to ensure we make the appropriate decision. Importantly, 81% of our consumers would not be prepared to pay more for an improved level of service and over two-thirds consider our current reliability to be acceptable.

We have shared this information with the Commerce Commission as we manage the quality/cost trade-off with our consumers.

110 kV line to Kaitaia

Fortunately, this will be the last time I report on this topic. After a five-year journey through the courts, we received a decision from the Supreme Court in December, and they have ruled in our favour.

This now allows us to finalise easement agreements with these last three landowners over the coming months and bring this matter to a close.

Staff

Further to the note from the Board chair, I would like to thank all our staff, who have gone above and beyond in a year of significant challenges and achievements. You have helped place the Group in a much stronger and positive position to deliver value to the Far North.

Russell Shaw
Chief Executive

Top Energy Group

FINANCIAL SUMMARY

EBITDAF was $1.5m (2.5%) ahead of target although $0.6m (-1.0%) lower than 2022. Despite higher revenue, EBITDAF decreased due to higher-than-expected Network maintenance costs, debt refinancing establishment costs and overall inflation related expenses across all areas of the business.

Revenue increased by 3.0% ($2.8m) to $95.7m with the largest growth seen in electricity sales from Ngawha. Generation revenue increased $8.0m (20.8%) with generation (kWh) increasing to 450.7GWh, 6.5GWh higher than FY22. Average spot prices were $118/MWh, $55/MWh lower than FY22 caused by strong hydrology which saw July-December 2022 average $61/MWh.

Network revenue decreased by 8.9% ($5.0m) primarily due to the expected reduction in pass-through costs. Electricity consumption grew by 0.6% with increases across all consumer groups. Peak demand also continued to increase, up to 78MW from 77MW. Capital Contributions, being the network extensions driven by customer requirements, increased by $0.3m (6.8%), and Contracting revenue decreased by $0.5m (15.0%).

Operating expenses rose by $3.4m or 8.9%. The main driver of this increase was the $2.0m or 27.8% rise in network maintenance costs due to the extreme weather events. Other contributors were higher insurance premiums, debt refinancing establishment fees, wage costs reflecting a competitive employment market and general inflation impacting all areas of operating costs.

Depreciation and amortisation costs increased slightly by $0.1m (0.5%).

Despite the increase in interest rates during the financial year, finance costs only increased by $0.1m (0.8%). This was achieved through effective hedging through interest rate swaps, refinancing of the debt facilities, and the reduction in debt levels. Debt levels decreased by $21.6m (-6.7%) due to better operating cash flow activities and no requirement to purchase ETS units ($12.2m PY).

The group's hedging strategy, which manages the risk of volatile interest rates and wholesale electricity prices to deliver certainty and appropriate financial returns, resulted in a total non-cash gain of $31.6m from fair value adjustments on financial assets. A gain of $19.3m was achieved under CFD's with lower wholesale energy prices and a gain of $12.3m under interest rate swaps with higher interest rates.

With the progress towards zero-carbon generation and changes to wider economic factors, the value of our generation assets was independently reviewed and a positive asset valuation adjustment of $64.5m was recognised, reflecting that the prior investments made continue to offer significant value into the future.

Overall, total equity increased by $76.5m for the year, the net effect of the gain after tax of $30.2m and the net revaluation gain of $46.4m.

It is anticipated that EBITDAF for 2024 will reduce by $4.4m (-8.0%), reflective of the decision to absorb the increased Transpower transmission prices and inflation impacts when setting our network line charges for the year ahead.

LAST YEAR COMPARISIONS

3.0%
TOTAL REVENUE INCREASE

-8.9%
NETWORK REVENUE DECREASE

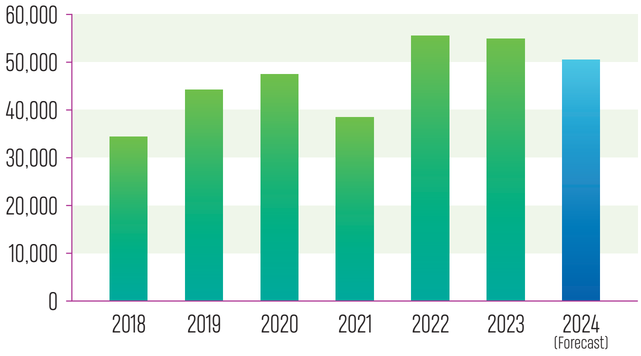
20.8%
GENERATION REVENUE INCREASE

8.9%
OPERATING EXPENSES INCREASE

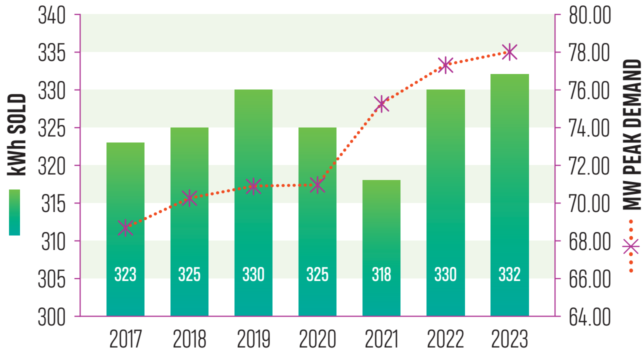
0.6%
NETWORK CONSUMPTION INCREASE

-1.0%
EBITDAF DECREASE

EBITDAF ($'000)



Total Energy Sold



STATEMENT OF CORPORATE INTENT

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

	ACTUAL 31.03.2023	TARGET 31.03.2023	ACTUAL 31.03.2022
FINANCIAL PERFORMANCE TARGETS			
Group			
Net profit after tax as a percentage of average shareholder's funds	5.0%	4.2%	5.8%
Ratio of shareholder's funds to total assets	1:2:8	1:2:8	1:2:9
Network business			
Profit before finance and tax as a percentage of total tangible assets	3.6%	4.8%	5.9%
Net profit after tax as a percentage of average shareholder's funds	3.4%	4.9%	6.8%
Generation business			
Profit before finance and tax as a percentage of total tangible assets	8.4%	7.1%	6.1%
Net profit after tax as a percentage of average shareholder's funds	10.9%	7.4%	4.2%

(i) The above performance targets and actual results are before any unrealised gains or losses from derivatives (Ngāwhā and Group) are taken to account and exclude the effect of any asset revaluations (Ngāwhā and Group).

(ii) Group results include Network (Top Energy), Generation (Ngāwhā) and all other minor activities carried out by the Group. Network Business plus Generation Business will not add to the Group due to the immaterial amounts from other activities.

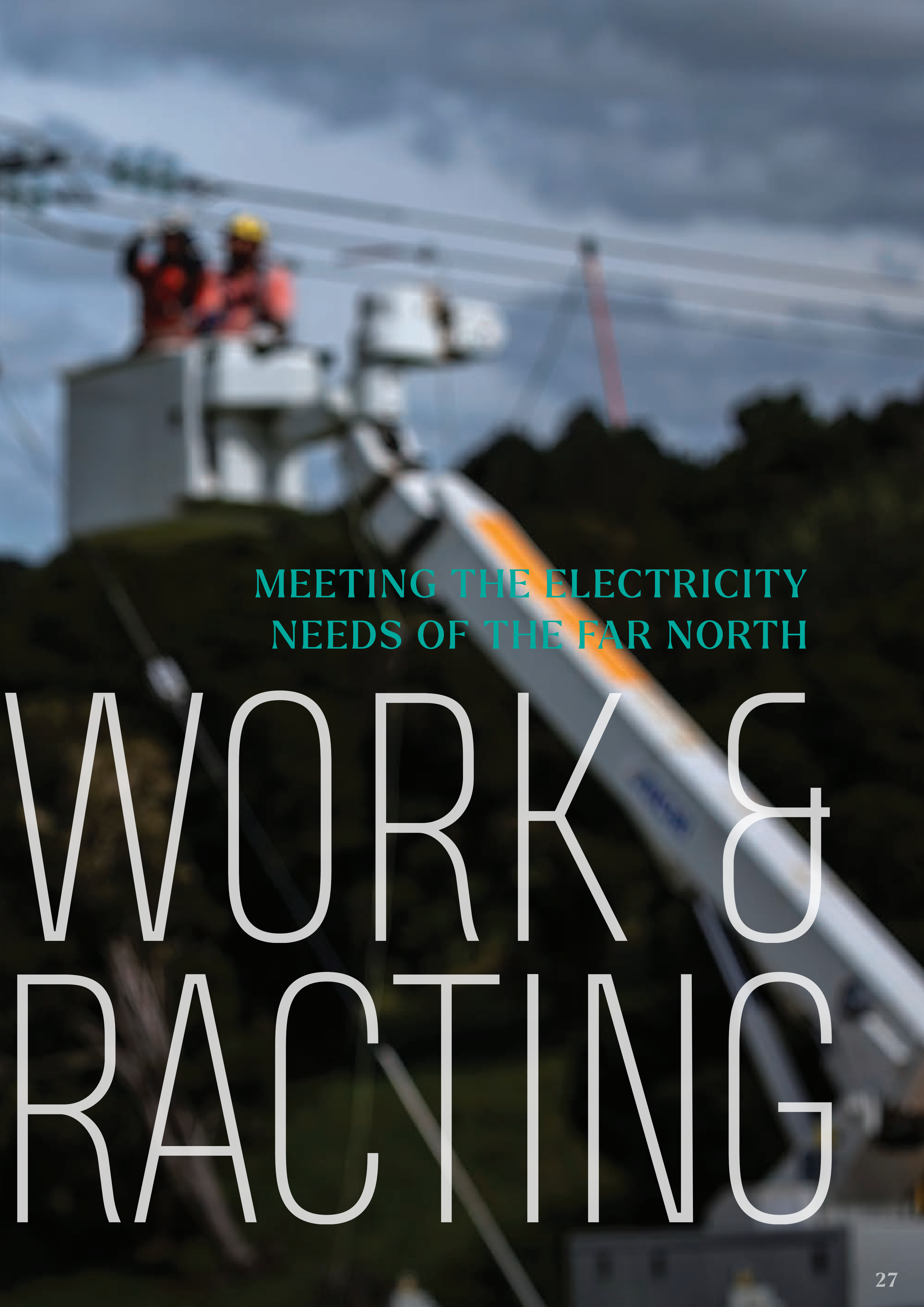
(iii) Shareholder's Funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves, excluding any minority interests, excluding any effect of the revaluations. Total Assets of the Group comprise all the tangible and intangible assets of the Group at their current book values as determined in the Group's Statement of Accounting Policies, excluding the effect of any asset revaluations. Therefore, these values will not be the same as disclosed in the Financial Statements.

	ACTUAL 31.03.2023	TARGET 31.03.2023	ACTUAL 31.03.2022
NETWORK QUALITY STANDARDS			
System Average Interruption Duration Index (SAIDI). The average duration of high voltage outages (including planned) per customer (minutes)			
– Planned	68	125	83
– Unplanned	516	240	339
System Average Interruption Frequency Index (SAIFI). The average number of outages (including planned) per year for any customer			
– Planned	0.7	1.0	1.0
– Unplanned	5.5	3.0	3.9
Above items are measured using the methodology determined by the Commerce Commission, and are subject to audit.			
SAFETY CULTURE			
Total Recordable Injury Frequency Rate (TRIFR)	2.9	2.4	1.2

OWNERSHIP

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

NET
CONT



MEETING THE ELECTRICITY NEEDS OF THE FAR NORTH

WORK & RACTING

NETWORK AND CONTRACTING

Top Energy's network team is responsible for managing the network to ensure it is safe, resilient and reliable.

IAN ROBERTSON, GENERAL MANAGER NETWORK

Cyclone Gabrielle has been described as one of the worst and deadliest storms to hit New Zealand.

DAVID JAMES, GENERAL MANAGER CONTRACTING

The team is supported by our in-house contracting team who provide construction, maintenance, vegetation management and a 24/7 fault response service.

Between 12 and 14 February 2023, parts of the country recorded rainfall of 300–400 mm, wind gusts of 130–140 km/h and waves as high as 11 m. A national state of emergency was declared on 14 February.

The Far North was the first region in New Zealand to bear the brunt of the cyclone. There was extensive network damage, leaving around 14,000 customers without power at the height of the storm. While repairs to the network were made as conditions allowed, it would be many days before full power was restored for all our customers, particularly those on the west coast.

This was a gruelling and challenging time for the community and for the contracting teams working in difficult conditions to restore power. Managing fatigue was critical. In many situations crews were stood down as the conditions were too unsafe to continue working.

The level of support shown by other electricity network companies not impacted by the storm was unprecedented. Crews from Orion subsidiary Connetics Limited and Dannevirke-based Scanpower worked alongside Top Energy's contracting teams to restore supply.

300–400mm

RAINFALL RECORDED

130–140km/h

WIND GUSTS

14,000

PEOPLE WITHOUT POWER

Keeping the Lines Clear of Vegetation

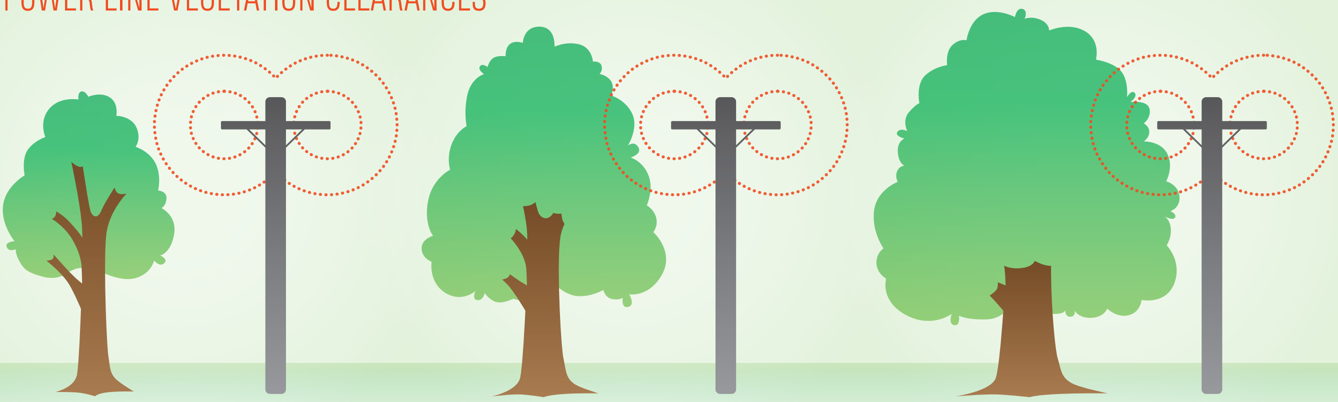
Trees were uprooted by the force of Cyclone Gabrielle, causing extensive damage to the network. Access was a major issue for the vegetation teams clearing the lines to allow restoration by the contracting teams.

Trees are the main cause of power outages – not just through extreme weather events, but in day-to-day operations. Over the past year Top Energy has responded to 320 tree-related outages. More than half of these faults occurred during the storms that hit the region in January and February.

The responsibility for keeping trees out of the power lines is governed by the Electricity (Hazards from Trees) Regulations 2003, which sets out our obligations and those of tree owners. The regulations prescribe the minimum safe distances for trees growing near power lines.

The company spends almost $2m a year on tree management, working with tree owners to keep trees and vegetation away from the lines.

POWER LINE VEGETATION CLEARANCES



TREE OUTSIDE NOTICE ZONE
(RISK WARNING NOTICE)

TREE INSIDE NOTICE ZONE
(HAZARD WARNING NOTICE)

TREE INSIDE GROWTH LIMIT ZONE
(CUT OR TRIM NOTICE)

Solar Uptake and Emerging Technologies

The trend towards solar power in Northland has been strong for some time. In fact, the region has the highest penetration of network-connected rooftop photovoltaic generation in the country.

Currently there are 1,670 customers connected to our network, with more than 9.5 MW of solar generation. New connections continue to grow monthly. Top Energy has a streamlined process for people wishing to install solar, both from residential customers and larger-scale farms.

1670
CUSTOMERS CONNECTED TO OUR NETWORK

9.5MW
OF SOLAR GENERATION

Generators Provide Backup During Kaitaia Line Maintenance

We were pleased with the successful completion of our annual two-day December maintenance shutdown on the Kaitaia 110 kV line which supplies our northern towns.

Power was provided by backup generators. We are grateful to the community for limiting their power use during this time to avoid overloading the generators.

Omanaia 33 kV structure refurbishment

Paua (Te Kao) 11 kV feeder refurbishment

Top Energy Key Operational Activities

1. **Paua (Te Kao) 11 kV feeder refurbishment – stage one**. The first stage of the replacement of poles and hardware on the 11 kV line is complete. Completion of stage two is expected at the end of May 2023.
2. **South Road (Kaitaia) and Horeke feeder automation**. This was delayed as we await equipment delivery. Fuses were installed as an interim measure to help reduce the number of customers affected by unplanned power outages.
3. **Tokerau 11 kV feeder refurbishment**. Planning and design completed, with construction planned to be underway in March 2024.
4. **Rangiahuia / South Road interconnection** design is underway. **Whangaroa / Matauri Bay interconnection** was delayed as transformers were unavailable across the industry. Work has been deferred until next year.
5. **Omanaia 33 kV structure refurbishment (stage five).** The final stage to reinforce the supply into Omanaia was completed, with poles, cross-arms, insulators and conductors upgraded.
6. **Moerewa wooden pole cross-arm replacement** is underway.
7. **Haruru 33 kV insulator and cross-arm replacement** is underway.
8. **Russell Peninsula redundancy underground cable** is underway. A high-voltage switch was installed in October 2022 with the cable installed at the end of March 2023.

N
OPE

PROVIDING A SUSTAINABLE AND SELF-SUFFICIENT SOURCE OF ENERGY TO BENEFIT OUR COMMUNITY THROUGH OUR SUBSIDIARY, NGĀWHĀ GENERATION LIMITED

GĀWHĀ
RATIONS

Prior to OEC4 coming on stream, NGL exported excess power south about 2% of the time, based on plant output and the Far North's consumption pattern. With OEC4 operating, the Far North is exporting power 97% of the time.

Reinjecting emissions to meet carbon zero

During 2022 Ngāwhā Generation Limited (NGL) has been on a transition path, from being the highest emitting geothermal power station in New Zealand to one of the lowest.

Working with station designers, Puna Geothermal Venture in Hawaii and Israeli company Ormat, NGL developed and trialled an innovative technology and methodology to reinject 100% of non-condensable gases extracted during the production of geothermal electricity.

Through reinjection, gases are not released into the atmosphere but 'recycled' through the power station, and back underground into the reservoir from where they originate. This creates a secure, closed-loop carbon zero system.

Re-injection trial

The trial, which began in May 2022, was undertaken in four stages. The first stage focused on the 10 MW Station One, with plans to extend to Station Two (15 MW) and Station Three (32 MW) in stages across 2023 and 2024. The overall goal is to be carbon neutral across the Top Energy Group by 2026.

Before the trial, the stations were emitting 128,000 tonnes of non-condensable gases a year.

While this amount was reducing, the company felt it could do more to meet the government's carbon neutral targets and deliver a truly renewable, clean and affordable source of energy.

The reinjection trial was also a key response to the Climate Commission's 2021 report Ināia tonu nei: a low emissions future for Aotearoa which stated that high emitting geothermal fields would need to close within a decade.

The report was released just as NGL was commissioning its new power station, (OEC4) that would generate 125% of the Far North's energy requirements and substantially lower distribution network line charges for consumers.

A great outcome

The results of the trial are outstanding, and they provide benefit both for the environment and the local community. The trial also delivers on the company's sustainability goal of providing resilient, sustainable and innovative infrastructure that gives consumers access to reliable and affordable energy sources. The station stayed compliant and fully operational throughout the conversion process and there have been no adverse effects to the plant or environment.

Mānuka planted as part of the OEC4 expansion is growing well

Environmental Monitoring

Over the last 12 months, additional weed and pest control measures have been implemented. These are improving the environmental values of the surrounding wetland/gumland habitats around the NGL power stations.

Fernbird and Northland mudfish populations continue to flourish in the habitat around the power stations, with no to very minimal impact from human activities.

Annual Shutdown

The station runs to a monthly target of 98.8% availability. The exception is in October/November when the annual shutdown occurs for routine maintenance and checks.

The stations are considered to be base-load generators, which means that they run continuously, except for planned maintenance periods. It is not unusual for NGL to exceed the monthly target, and last financial year was no different.

Actual availability for the entire year was over 96%. The station generated all the electricity consumed in the Far North in the year, plus an additional 36% which was transmitted out of the district.

ACTUAL AVAILABILITY FOR THE ENTIRE YEAR WAS

OVER 96%

ADDITIONAL 36%

ELECTRICTY TRANSMITTED OUT OF THE DISTRICT

OUR P

WORKING HARD FOR OUR COMMUNITY

EOPLE

Top Energy acknowledges the effort, service and resilience of our people in ensuring our Far North community has access to a safe and reliable electricity supply for their homes and businesses.

Our Frontline Heroes

Cyclone Gabrielle was the deadliest weather event to hit New Zealand since 1968. Never before have we had to deal with such a fluid and dynamic range of outages on our network in such a short period of time.

The impact of the storm had a profound effect on us and our Far North community. Our line mechanics, vegetation teams and contractors showed great resilience as they worked long hours, often in the dark and in very high winds and rain, to repair the damage caused and restore power.

Mike Shepherd (Vegetation Foreman) worked with his son to remove trees during the cyclone.

The first day of the storm was really disheartening. Every time they cleared a tree from the line and power was restored, another tree would come down and they'd be back to square one.

Monty Walker (Faultman) worked on fault restoration. Rostered on nights, his job was to scope and attend to any safety critical issues while fatigued repair crews were stood down for the evening. He also helped manage teams brought in from other lines companies to assist with repairs.

Michael Mitchel (Apprentice Technician) worked in the field with his dad, a linesman on fault restoration work. He investigated main power lines and reported in where poles were compromised, lines were down and trees had fallen onto lines. It was his first storm situation.

Like many of their colleagues, they worked almost three weeks straight. They agreed how unreal and rewarding the situation was. Their families and the wider community were relying on them – it was a big responsibility. People were grateful and understood what they were doing. It kept them going.

Everybody pulled together. It was a big sense of achievement at the end to know they were going home with the power back on.

Image overleaf of Mike Shepherd (Vegetation Foreman), Monty Walker (Faultman) and Michael Mitchell (Apprentice Technician)

Keeping Ourselves and our Community Safe

Employee Safety

COVID-19 continues to present challenges. We have had around 60% of our staff across the business contract the virus in the past year, with 2% contracting it for a second time. Despite this, we have managed to keep the lights on for our consumers by having robust practices in place – for example, staff staying home when they are sick, RAT testing if a family member has COVID-19 and being vigilant with hygiene practices at work.

We had five workplace injuries during the year. Two were lost-time injuries (LTIs) resulting in 45 lost days, and three were restricted days injuries (RTIs) resulting in 24 lost days.

Work on the network's critical health and safety risk programme progressed this year. Relevant managers attended bowtie workshops to identify preventive and mitigation measures associated with the critical risks* to staff, contractors and the public surrounding much of our work. The year also saw the Audit and Risk Committee and Board specifying tolerances with respect to our critical health and safety risks.

In line with our biennial review, in December the Board commissioned an external review of our health and safety management systems. The resultant recommendations will be considered and prioritised for action in the next and subsequent financial years.

*Activities that carry the risk of fatality or a life-changing consequence/injury if uncontrolled.

Public Safety

The management system external audits were completed successfully once again. Both Ngāwhā and Top Energy retain NZS 7901: 2008 Public Safety and ISO 9001: 2015 Quality Management System certifications, with no major non-conformances identified.

Health, Safety and Wellbeing Committee

Consultation with staff continues to be effective. In addition to the weekly toolbox and monthly Safe Team Meetings (STM), the work by our Health and Safety Representatives (HSRs) shows continual improvement. In August the HSRs led a brainstorming workshop to identify issues that need attention and that fall within the role of the Health, Safety and Wellbeing Committee. Several valuable issues were raised and addressed. Those of greater complexity, including a need to ensure legal compliance, are ongoing.

Work to grow the effectiveness of the HSRs is proving invaluable. Their improved communication with staff, along with their growing confidence and assertiveness at the various workshops and forums, has seen more effective health and safety consultation throughout the business. Plus, they are empowered to raise a blockage to safe operations within the business (an issue remaining unresolved at the STM) directly with the CEO for immediate and focused attention until resolution.

Creating a Great Place to Work

Diversity and Inclusion

Top Energy is proud to have a workforce made up of many individuals with diverse skills, values, backgrounds and experiences. Our differences are what brings us all together; they are the reason we have a safe, successful and thriving workplace, a supportive work culture and strong relationships within the Far North community we are part of.

Diversity and inclusion are built into our everyday operations. This year saw our involvement with the Northern Energy Group (NEG) subcommittee focused on the attraction, development and retention of talent across the electricity industry. The goal is to investigate and report on key demographics across NEG's collective workforces, sharing ideas around diversity and inclusion to determine what initiatives could be tabled to the Electricity Networks Association for consideration. The lack of women in leadership positions in the industry is a significant area of focus.

We are looking forward to implementing initiatives that are identified as part of this forum. In the past year we have become an Accredited Immigration Employer, which will allow us to recruit from overseas where we cannot find or develop the necessary skills we need.

One of Top Energy's current initiatives is ensuring all hiring managers complete an unconscious bias course to hold ourselves accountable as part of a greater awareness in this area.

Living Wage

Since 2021 we have been committed to paying all our staff in entry-level roles the living wage rate as a minimum.

This year we passed the robust approvals process to become a Living Wage Accredited Employer. We now ensure all indirectly paid workers of contractors we engage on an ongoing basis are also paid the living wage as a minimum.

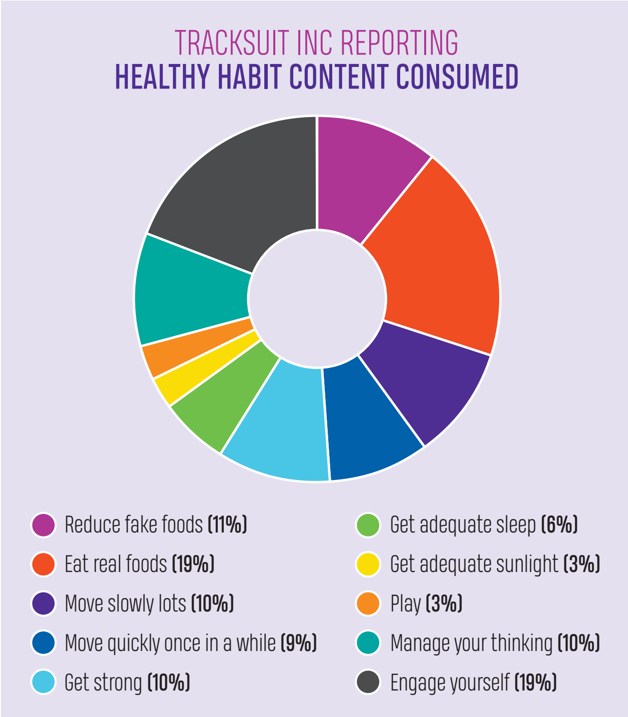
We are proud to be a Living Wage Employer, assisting our staff and the people in our community to pay for the necessities of life. The living wage rate is calculated independently each year by the New Zealand Family Centre Social Policy Unit, based on international best practice.

Our living wage licence is reviewed annually to ensure we maintain the criteria required.

Living Wage EMPLOYER Aotearoa New Zealand

Employee Wellbeing

Employee mental health and wellbeing continue to be a focus for our staff. We provide annual wellness checks, flu vaccinations, employee assistance programmes and medical insurance, and we encourage participation in sporting events.



Our online wellness programme Tracksuit Inc continues to be well supported by our staff and their families.

In the past year some of the most popular challenges staff have completed include:

MOVE IT	START WITH VALUES
SIGN LANGUAGE QUIZ	TE REO MĀORI QUIZ
IT STARTS WITH FOOD	MATARIKI MODULE
HEADSTRONG	DIGITAL DETOX

Flexible Working

Our people are the key to ensuring our ongoing success. By recognising and maintaining flexible work practices, we are creating an environment where staff enjoy their jobs and give us their best.

Last year we introduced a hybrid working policy to recognise that working from home provides our staff and their families with the flexibility they need to balance the requirements of the business with their personal needs. This way of working continues to be well received by our staff who enjoy the flexibility but remain connected with the culture and camaraderie of their teammates.

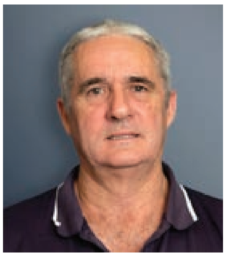
Shining a Light on our People

Long-Service Recognition

Maurice Cooper and Tony Smallman were recognised for achieving significant long-service milestones. Each has worked at Top Energy for 35 years.

Caroline Pusch and Steven Mitchell marked 25 and 20 years respectively. Wendon Galvin, Cameron Gates and Brendon Francis have each provided 15 years of great service to the company.

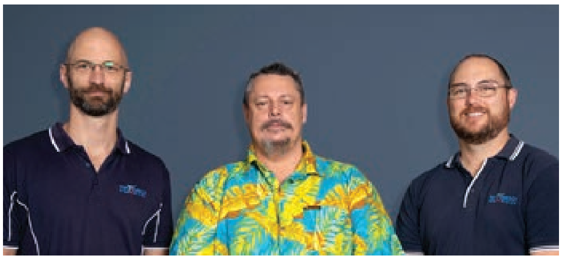
Taryn Collins, Jody Gates, Vince Joyce, James Murray and Paul Smeets have all worked for us for 10 years.



TONY SMALLMAN

CAROLINE PUSCH

STEVEN MITCHELL



CAMERON GATES, WENDON GALVIN AND BRENDON FRANCIS

PAUL SMEETS, JODI GATES, TARYN COLLINS, JAMES MURRAY AND VINCE JOYCE

Community Heroes

Community is one of Top Energy's core values. Staff who give up their free time to give back to the community are regularly recognised within our business.

Kape Murray,
Corrective Maintenance Coordinator and basketball coach

Kape started coaching basketball about 14 years ago, just about the same time he joined Top Energy as a line mechanic. He put his hand up at his 5 year old's muster because no one else did, and he didn't want his boy to miss out. His parents had done the same for him and his brothers.

He runs a basketball club with five age-group teams, including mixed and girls teams, and is an active member of the Kaitaia Basketball Association. This group of hardworking volunteer parents and committee members are dedicated to making basketball happen for kids aged 5–19 in Kaitaia.

Being able to hang out with his kids and his teams is so rewarding. Kape's grateful for the support given by work colleagues over the years as he juggled sporting commitments every night of the week and most weekends, especially as he often worked evenings when he was a line mechanic.

Kape's believes sports, arts and culture are things that youth love and thrive in. For him, coaching is more than just teaching sports. It's about building relationships, supporting youth and making a positive impact in the community. It just happens to be a bonus that he gets to spend extra time with his children and their friends and families.

His motto is work hard, learn the basics and the rest will take care of itself. He's known as 'Uncle Kape' by many in the basketball community. In 2020 he won an award for his work in the community.

Retirement – Kerry Flay

December 2022 saw the retirement of Kerry Flay, Network Field Auditor, after more than 40 years of service to the company.

Kerry joined the Bay of Islands Power Board as a certified linesman in August 1978 from the Waitematā Power Board.

In 1984 he was promoted to Leading Hand. He progressively took on more responsibility during the next 10 years: Grade 1 Foreman in 1986, Grade 2 Foreman in 1988 and finally Grade 3 Foreman in 1993. Kerry became qualified for Glove and Barrier in 2001 and worked on 33 kV and 11 kV overhead and underground line construction, reconstruction, low-voltage reticulation and service main work, and maintenance, including tree cutting and installation of transformers. At one stage he held the position of Foreman of Overhead Construction.

In 2003 Kerry went to Ireland for three years, working for Obelisk Energy as a Team Leader. He was involved in the refurbishment of the 10kV network system, and its upgrade to a 20kV network system.

Kerry re-joined Top Energy as a Foreman in February 2007 on his return to NZ. For the next 15 years he held the Lines Inspector and Network Field Auditor positions as well as being a Health and Safety rep for many years.

We wish him well!

Staff Profile – Elaine Collinson

Elaine joined Top Energy as an Information Delivery Specialist in 2018. She'd been in Europe for four years, travelling as a roving tester and project manager for Apple's mapping division, and decided it was time to come home.

After a busy 13 months of updating systems and handling requests, she was seconded to the manager position, enabling a colleague to manage a significant IT project. In 2020 she was promoted to Geographic Information System (GIS) Team Leader and now manages a team of five.

Her team manages, analyses and displays the asset information for the Top Energy network using Electric Office, FieldMaps and SAP. This involves system integration, managing updates and responding to requests. This is all to ensure the seamless flow of data from field tablets to regulatory reporting. The work the team does is incredibly varied and essential, giving everyone the information they need to do their jobs.

A pragmatic person, Elaine has focused on building a skilled team that fits together well and creating a collaborative work environment. Her all-woman team, unusual in IT, is a favourite part of her job. Team members enjoy working together and have even set up a Woman in IT social group.

As a leader, Elaine wants to help her team members specialise and build their careers. There's a lot happening in the energy sector now and, with technology advancing all the time, there are plenty of growth opportunities for her team. She sees an expanded GIS team helping Top Energy be at the forefront of technology in the New Zealand energy sector.

Caring for our People

This year we reviewed the Employee Assistance Programme (EAP) services as a result of the feedback received in our 2021 wellness survey.

Our goal was to ensure we had the right providers available, then run a refresher session for staff about EAP, the services offered and how to contact providers.

CLEARHEAD

Implemented in November, Clearhead is an online mental health and wellbeing platform available to Top Energy's employees and their families.

It's also available as a mobile app and provides our people with wellbeing support in their pockets while they're on the move.

- A digital assistant
- Family therapy
- Career coaching
- Financial advice
- Online booking
- Can select a therapist that best suits your needs
- Choice of over 300 registered therapists across New Zealand.

Feedback from employees has been great. Being able to select a therapist that you can connect with has been invaluable. The app is also very interactive.

Rewarding our People

Applaud Awards

Our rewards and recognition programme has now been operating successfully for 10 years. It empowers managers to formally recognise, encourage and reward high performance by individuals and teams who demonstrate our values.

A total of 151 rewards were handed out. Ka pai, people!

105 EMPLOYEES DEMONSTRATED OUR CORE VALUES BY SHOWING INITIATIVE, OWNERSHIP AND GOING THE EXTRA MILE

27 EMPLOYEES COMPLETED A KEY PIECE OF WORK OR ACTION, DELIVERED TO A HIGH STANDARD WHILE EFFECTIVELY MANAGING ALL OTHER REQUIREMENTS OF ROLE

19 EMPLOYEES COMPLETED AN OUTSTANDING INITIATIVE, RESULT OR OUTCOME, MAKING A SIGNIFICANT AND POSITIVE IMPACT ON ONE OR ALL OF OUR KPI'S

applaud | EXCELLENCE

Some examples of high performance:

For the high degree of ownership and devotion demonstrated during the G3 LV rewire outage. You facilitated and coordinated suppliers and contractors to ensure the job was completed without incident.

Creating a good health and safety culture with our trainees.

Stepping up and leading the completion of the two-year steel tower project. Showing very good leadership with a big emphasis on health and safety, and in recognition of the fact that the last section of the project also contained some of the most challenging parts.

For the fantastic work clearing three large trees from overhead lines in Russell at short notice. SAIDI was a consideration, but the work was great, and we were able to restore supply with all critical trees removed.

Acknowledging the significant contribution you have made over recent months. You have ensured Ngāwhā maintains regular high availability and you have also made a substantial positive contribution to new projects.

Developing our Staff

Professional Development

We are committed to upskilling our staff and supporting them with their continuing professional development. In the last year, staff completed or continued a range of industry qualifications and training.

- Utility Competent Worker Zone
- Enchem Level 3 Process Operations
- Year 2 Block Course Practical Week- Electrical Registration
- Line Mechanic Block 2
- Line Mechanic block 3
- ESI Module 4 Line Mechanic.

Two staff members completed their Graduate Diploma in Business Studies. Brightstar ran an internal workshop for 15 of our staff on 'The fundamentals of the New Zealand electricity industry'.

Leadership Development

Two employees who recently started leading teams attended a two-day Leadership Essentials workshop at The Institute of Management New Zealand.

Promotion From Within

Offering employees the opportunity to grow their knowledge and experience is one of the main reasons we continue to retain good people. **Last year five staff were promoted:**

- Michael Boocock – Control Centre Team Leader
- Peter Roux – LV Data Technician
- Rowena Walker – Recruitment, Training and Payroll Assistant
- Mel Ellis – Graduate GIS Technician
- Tarquin Henry – Line Mechanic Foreman

MICHAEL BOOCOCK

OUR COM

MMUNITY

OUR
COMMUNITY

Kōrero...

Cherry picker rides at the Waimate North A&P Show with staff handing out rewards to brave riders.
Bus tours to Ngāwhā power station from the Kaikohe A, P & H Assoc show.

... WITH OUR COMMUNITY AND PEOPLE

Top Energy is owned by the people of the Far North, so it's important that we actively engage with our residential and commercial consumers at events throughout the year.

After the restrictions of COVID-19 being lifted and a gradual return to normal, it was great to finally get back out and chat with people about who we are and what we do.

A team of staff volunteers regularly attends the region's agricultural and pastoral (A&P) shows to highlight many of the activities we are involved in. Our most popular activity is the cherry picker rides for kids.

Due to the clean-up after Cyclone Gabrielle tore through our region, we were unable to attend the Broadwood or Kaitaia A&P shows. However, we did make it to Waimate North and Kaikohe where we talked about safety around our network and the issues caused by trees getting into the lines. We took the time to answer questions on power consumption and how to reduce energy costs. The responses we receive from people at these shows are always positive.

As in previous years, we offered a tour of the Ngāwhā power station from the Kaikohe A&P show. This gave everyone an opportunity to learn more about geothermal generation as a sustainable energy source and our environmental management practices.

... WITH **BUSINESS**

Getting to know members of the Kerikeri District Business and Kawakawa Business and Community Associations.

During the year we hosted Kerikeri District Business Association's first networking event since its re-establishment and the Kawakawa Business and Community Association's networking event at the Kawakawa Railway Station. Local businesses had a chance to learn more about Top Energy and what we do, and we had the opportunity to get to know our business community better. We discussed a wide range of topics at both events, including:

- Our goal to have our electricity pricing in the industry's lowest quartile by 2030
- How the Ngāwhā power station has provided the Far North with an independent, renewable and affordable power supply, and ended the region's reliance on the national grid and electricity from the south
- Our network maintenance programme
- Solar and new technologies, sustainability, geothermal generation and carbon emissions.

We are grateful to the support of these associations for allowing us to kōrero with their members.

... WITH **YOUTH**

Chatting to students at the Tai Tokerau Trades Training Secondary School event.

Top Energy was invited to participate in the Tai Tokerau Trades Training Secondary School Event at Te Kura Kaupapa Māori o Pukemio in Kaitaia in September. It was a busy event attended by senior students from schools all around the Far North interested in exploring different trade careers.

The students were divided into groups and given 20 minutes at each table to interact with industry representatives and gather information.

Our staff did a great job of introducing themselves to the students, providing an overview of Top Energy's role in providing electricity to the Far North, the work we do in the community, our focus on sustainability, and the variety of job opportunities we offer. One of our Vegetation Assistants also demonstrated the equipment he uses on a daily basis.

The event was a great opportunity for us to engage with students and give them insights into our industry, as well as other local industries in the Far North. Overall, it was a successful day that allowed students to learn more about different career paths and interact with industry representatives.

CARING ABOUT THE COMMUNITY WE ARE PART OF

SPONS


ORSHIP

SPONSORSHIP

'We consciously invest in sponsorships and events that benefit our people in the Far North.'

$1.9 MILLION

INVESTED IN SPONSORSHIPS OVER THE LAST FIVE YEARS

As a consumer-owned company, it is a privilege for Top Energy to help our local businesses achieve success and our young people reach their potential.

Our $450k annual sponsorship programme is designed to support as many individuals, whānau and businesses in our community as possible.

The programme has helped our tamariki learn to swim, explore business ideas and take off to university; given our innovative businesses an extra boost; and assisted those struggling with electricity costs and uninsulated homes.

Helping our Local Economy to Thrive

Business Development Fund

Since its inception in 2014, the biannual $30K Business Development Fund has provided grants for 17 local businesses.

This year we chose to support an initiative that was not only a great idea, it also helped our Far North whānau in financial hardship by keeping warmth in and moisture out of their homes during colder months.

Kai Whetu curtain bank initiative

As part of the EnergyMate programme, Kai Whetu is contracted by the Electricity Retailers Association New Zealand (ERANZ) to deliver financial mentoring services in Tai Tokerau. When whānau have to prioritise essentials such as food, water and fuel over curtains and heating, they are referred to other agencies for help.

Knowing that curtain banks, like the nearest one in Whangārei, struggle to keep up with demand and often have long waiting lists, Kai Whetu decided to pull together its own one in Kaitaia. The aim is to charge an acceptable fee based on each whānau's situation.

Kai Whetu aims to use the grant to help with the cleaning and repairing of donated curtains, securing end-of-line and seconds materials and sewing new curtains. Volunteers do most of the sewing.

A warehouse in Kaitaia for storage and a paid position to focus on sponsorship and funding applications are in the works too.

Business Awards

Top Energy is a keen supporter of business ideas or initiatives that help to grow and diversify the Far North economy. In addition to our Business Development Fund, we are a principal sponsor with Northpower of the NorthChamber Northland Business Excellence Awards and sponsors of the Māori Business Leader Award for the Taitokerau Māori Business Awards.

Congratulations to this year's winners!

Taitokerau Māori Business Awards

Steve Bennett, founder of Bennett and Associates, won the 2023 Māori Business Leader Award.

His chartered accountancy firm is a leader in Māori business within Northland. It delivers a mentoring and facilitation programme within the Tai Tokerau region on behalf of Te Puni Kokiri, and provides support and advice on commercial and social accounting structures to a number of iwi and hapū organisations. It also provides trustee training for Māori enterprise and direct board support for prudent financial decision-making.

Steve takes a lead role in advising Māori businesses. His view is that developing economic principles and foundations for Māori benefits the entire community.

Top Energy Chief Executive Russell Shaw pictured with Steve Bennett at the Taitokerau Māori Business Awards

Northland Business Excellence Awards

tlc4u2 Ltd took the Supreme Winner of the 2022 Northland Business Excellence Awards.

Set up in 2010 by founder and Managing Director, Jonathan Harris, tlc4u2 provides an in-home service that enables Northlanders to be cared for in the comfort of their own homes, continuing to enjoy a high quality of life until they no longer require care. They specialise in caring for those suffering spinal cord or traumatic brain injuries.

Russell Shaw, Chief Executive Top Energy (right), and Andrew McLeod, Chief Executive Northpower (left), pictured with tlc4u2 founder, Jonathan Harris (middle)

Helping the People in our Community who Need it Most

Energy Hardship

EnergyMate is an award-winning and nationwide service that gives whānau struggling to pay their power bills free access to trained home energy coaches. Sessions are held in the comfort of their own home.

Set up by the ERANZ, the service is sponsored in the Far North by Top Energy in partnership with the Kaitaia Family Budgeting Services.

Thanks to the hard work of their coaches, EnergyMate has reported the following outcomes with whānau:

30%	made a positive change with their power company, e.g. setting up a payment plan or changing to a more suitable plan
67%	reported a change in their power bills
33%	reported a reduction in average monthly debt

This success has seen us provide additional support to extend the programme to Te Kao.

Northland Rescue Helicopter

We are in our 34th year of sponsoring the Northland Rescue Helicopter. Together with neighbouring lines company Northpower, we provide an essential lifeline for our remote communities. These helicopters have flown thousands of kilometres in rescue missions and saved countless lives.

Demand for rescue helicopters continues to increase as the Northland population grows.

$339,331	Donations for 2022 appeal
1,210	Call-out numbers July 2021 to June 2022
25,000	Missions completed since 1988

Northland Rescue Helicopter CEO Craig Gibbons, left, with retiring Northland Emergency Services Trust Trustee David Keys and NEST Chair Paul Ahlers. In front of Lima, a Sikorsky, that was retired on 25 October 2022 after 22 years of loyal service.

Healthy Homes Tai Tokerau

We continue to support the Warm Up New Zealand Healthy Homes programme, which has been retrofitting Northland homes with eco-friendly insulation since 2011.

Key facts for this year

Over 3,010	homes have benefited from quality, eco-friendly insulation since 2011
Since 1 July 2021 821	homes have been insulated

Helping our Young People Build Their Best Future

Staff and trainees aboard the R Tucker Thompson for the October 2022 voyage

Staying Safe in the Water

As a coastal region it is critical that Northland's young people know about water safety and learn swim-to-survive skills. One of our most enduring and valuable sponsorships is the Northland WaterSafe programme, which has been teaching water safety skills to primary and intermediate aged tamariki for nearly 30 years. The goals are zero preventable drownings and a reduction in the number of hospitalisations due to near drownings in Northland.

About WaterSafe

- Aimed at primary and intermediate school tamariki
- Managed by Sport Northland
- Teaches tamariki how to swim, and water safety and survival skills

Key achievements for this season:

61	kura were supported by the Top Energy WaterSafe programme in the Mid North and Far North regions
40	kura received four free days of swim to survive instruction
2,866	students were involved in the programme
11,464	swimmer lessons were delivered, including dry land sessions
250	students received the Coastguard boating education certificate for safe boating
289	staff attended in-house workshops / professional development learning poolside

Youth Development

Each year we sponsor one of the youth voyages aboard the R Tucker Thompson. This is about more than learning to sail a tall ship. Twelve lucky teenagers participate in a trip of a lifetime in which tikanga Māori, the environment, education, new experiences and whakawhaanaungatanga (belonging) underpin everything they do.

They have the opportunity to really push the boat out, learning about themselves, what they are capable of and how to fulfil their potential. From traditional sailing skills, including celestial navigation, to climbing the mast, collecting seafood, and talks on finances, careers and post-school planning, it is an experience that they will remember forever.

Digital Wings

New to our sponsorship programme this year is Digital Wings. This charitable trust responsibly disposes of and repurposes electronic equipment through other charities. They have a clear focus on youth education and employment, but all charities are welcome to apply. Donors can nominate charities of their choice too.

The trust works with like-minded socially and environmentally responsible businesses and organisations, donating their quality IT equipment to help young New Zealanders flourish in a digital world.

We have agreed that any repurposed equipment from Top Energy will support organisations in the Far North.

DIGITAL WINGS
Aspiration & opportunity

Helping our Young People Build Their Best Future (continued)

Science Fair

We believe the annual Far North Science and Technology Fair is such an effective, hands-on way to promote science and technology to Far North secondary school students that we have sponsored it since 2002.

Open to students in Years 7 through 13, and covering any area of science or technology, students are encouraged to choose an exhibit topic that challenges their imagination and encourages the development of investigative and problem-solving life skills.

Congratulations to Nicolas Powell and Pippiana Voakes, both Year 13 at Kerikeri High School, who were the joint winners this year.

Nicolas discovered a way that his school could save more than $200,000 by tweaking their solar system, and Pippiana asked the question 'was Granny right?' by testing traditional remedies for sore throats.

Image: Nicolas Powell and Pippiana Voakes from Kerikeri Highschool, joint winners of the 2022 Top Energy Far North Science and Technology Fair

Young Enterprise Scheme (YES)

This is another of our long-standing sponsorships and a real celebration of our enterprising youth in the Far North!

YES fosters entrepreneurship in secondary students from Northland who form startup companies, become directors and follow their own business plans to develop products or services which they market and sell.

Sky's Surf School rode the wave of success yet again, winning Top Energy YES Northland Company of the Year for the second year in a row. The company also achieved third place nationally. This inspirational startup encourages girls to take up surfing.

Other great examples of businesses and winners from 2022 are Ball.drobe which is a social enterprise to help with the costs of attending high school balls; Māu Designz which celebrates te reo Māori with a range of wrapping paper, gift bags, cards and envelopes; and Iwa of Kaitaia College selling stylish handcrafted harakeke coasters and placements.

These students are likely to be our future business and community leaders.

Image: Sky Gundry of Sky's Surf School in Kerikeri came third overall at the Young Enterprise Scheme National Awards in December 2022


Young Ambassadors Okaihau

Top Energy is the main sponsor for the first-place prize at the Lions International Young Ambassador programme. It is an international competition run in the Far North by the Lions Club of Okaihau Charitable Trust. The winner is awarded $1,000.

It recognises young people between the ages of 15 and 19 for their outstanding community service, leadership and public-speaking ability. The programme encourages young people to see community service as an integral part of leadership skills.

This year's well-deserved winner was Ethan Williams from Springbank School.

Image: Top Energy Chief Executive Russell Shaw with winner Ethan Williams

Engineering Scholarship

Since 2018, Top Energy's annual Engineering Scholarship programme has set seven talented and smart students in the Far North on the path to becoming engineers.

It gives a helping hand to those with a genuine interest and passion in engineering. It provides $8,000 a year for a maximum of four years towards an engineering degree with honours, and offers the opportunity for work experience at Top Energy.

This year's recipient, Jessica Mooney, is back at The University of Auckland for the second year of her Bachelor of Engineering (Honours) degree.

She plans to specialise in engineering sciences, a discipline that uses a combination of mathematical modelling, electronics, mechanics, materials, operations research and computer programming to build computer models that solve complex problems and to predict and manage the behaviour of materials and natural systems.

Jessica is attracted to how engineering can help organisations create solutions and technology that are more environmentally friendly and sustainable.

Image: Scholarship winner Jessica Mooney in front of Lion Rock on Purerua Peninsula with her horse Amigo

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Top Energy Group

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Directors’ report

The Directors present the annual report of the Top Energy Limited Group, incorporating the financial statements and the auditor’s report, for the year ended 31 March 2023.

With the agreement of the shareholder, the Group has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993. The Board of Directors of the Company authorised the financial statements presented on pages 58 to 90 for issue on 13 June 2023.

For and on behalf of the Board.

D Sullivan *(Chair)*

J Nichols *(Chair ARC)*

13 June 2023

Consolidated statement of comprehensive income

For the year ended 31 March 2023

	Notes	2023 $'000	2022 $'000
Operating revenue	*4*	95,720	92,930
Operating expenses	*5*	(40,851)	(37,501)
Earnings before interest, tax, depreciation, amortisation and fair value movements of financial assets (EBITDAF)		**54,869**	**55,429**
Depreciation and amortisation	*5*	(27,896)	(27,765)
Finance costs		(18,285)	(18,142)
Earnings before tax and fair value movements of financial assets (EBTF)		**8,688**	**9,522**
Fair value gains (losses) on financial assets	*6*	31,554	34,297
Profit (Loss) before income tax		**40,242**	**43,819**
Income tax credit (expense) from continuing operations	*7*	(10,069)	(11,157)
Profit (Loss) from continuing operations		**30,173**	**32,662**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of generation plant	*24*	64,487	7,603
Income tax relating to revaluation of non current assets	*7*	(18,056)	(2,128)
Other comprehensive income for the year, net of tax		**46,431**	**5,475**
Total comprehensive income for the year		**76,604**	**38,137**
Profit (loss) is attributable to:			
Equity holders of Top Energy Limited		30,173	32,662
		30,173	**32,662**
Total comprehensive income for the year is attributable to:			
Equity holders of Top Energy Limited		76,604	38,137
		76,604	**38,137**

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

Consolidated statement of financial position

As at 31 March 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	*8*	2	129
Receivables	*9*	13,002	13,037
Inventories	*10*	3,516	2,481
Current tax benefit	*11*	1,420	1,290
Intangible assets	*13*	1,209	1,268
Derivative financial instruments	*12*	126	80
Total current assets		**19,275**	**18,285**
Non-current assets			
Property, plant and equipment	*14*	685,438	632,967
Intangible assets	*15*	33,726	31,714
Derivative financial instruments	*12*	10,074	660
Right-of-use lease assets	*16*	5,802	4,923
Total non-current assets		**735,040**	**670,264**
TOTAL ASSETS		**754,315**	**688,549**
LIABILITIES			
Current liabilities			
Trade and Other Payables	*17*	26,093	22,599
Interest bearing liabilities	*18*	1,583	7,594
Provisions	*19*	333	312
Derivative financial instruments	*12*	20,190	42,486
Right-of-use lease liabilities	*16*	975	449
Total current liabilities		**49,174**	**73,440**
Non-current liabilities			
Interest bearing liabilities	*20*	299,450	314,921
Derivative financial instruments	*12*	57,104	56,901
Deferred tax liabilities	*21*	68,411	40,153
Right-of-use lease liabilities	*16*	5,378	4,794
Total non-current-liabilities		**430,343**	**416,769**
TOTAL LIABILITIES		**479,517**	**490,209**
NET ASSETS		**274,798**	**198,340**
EQUITY			
Contributed equity	*23*	25,267	25,267
Reserves	*24*	109,428	66,046
Retained earnings	*24*	140,103	107,027
TOTAL EQUITY		**274,798**	**198,340**

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

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Notes	SHARE CAPITAL $'000	RESERVES $'000	RETAINED EARNINGS $'000	TOTAL EQUITY $'000
Balance as at 1 April 2022		**25,267**	**66,046**	**107,027**	**198,340**
Comprehensive income					
Profit (loss) for the year		–	–	30,173	30,173
Revaluation of generation plant	*14*	–	64,487	–	64,487
Income tax relating to components of other comprehensive income	*7*	–	(18,056)	–	(18,056)
Amortisation of revaluation reserve	*24*	–	(4,234)	4,234	–
Deferred tax released on amortisation of reserve	*24*	–	1,185	(1,185)	–
Total comprehensive income		**–**	**43,382**	**33,221**	**76,603**
Transactions with owners					
Dividends	*25*	–	–	(145)	(145)
Total transactions with owners		**–**	**–**	**(145)**	**(145)**
Balance as at 31 March 2023		**25,267**	**109,428**	**140,103**	**274,798**
Balance as at 1 April 2021		**25,267**	**64,145**	**70,886**	**160,298**
Comprehensive income					
Profit (loss) for the year		–	–	32,662	32,662
Revaluation of generation plant	*14*	–	7,603	–	7,603
Income tax relating to components of other comprehensive income	*7*	–	(2,128)	–	(2,128)
Amortisation of revaluation reserve	*24*	–	(4,963)	4,963	–
Deferred tax released on amortisation of reserve	*24*	–	1,389	(1,389)	–
Total comprehensive income		**–**	**1,901**	**36,236**	**38,137**
Transactions with owners					
Dividends	*25*	–	–	(95)	(95)
Total transactions with owners		**–**	**–**	**(95)**	**(95)**
Balance as at 31 March 2022		**25,267**	**66,046**	**107,027**	**198,340**

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

Consolidated cash flow statement

For the year ended 31 March 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts from customers (exclusive of goods and services tax)		95,744	93,186
Payments to suppliers and employees (exclusive of goods and services tax)		(36,601)	(38,729)
		59,143	**54,457**
Interest received		–	–
Interest paid		(18,645)	(18,189)
Income taxes paid		–	–
Net cash inflow from operating activities	*32*	**40,498**	**36,268**
Cash flows from investing activities			
Purchases of property, plant and equipment		(18,568)	(15,772)
Proceeds from sale of property, plant and equipment		282	88
Purchase of ETS units		–	(12,247)
Increase / (repayment) of loan from parent		23	(9)
Net cash inflow / (outflow) from investing activities		**(18,263)**	**(27,940)**
Cash flows from financing activities			
Proceeds from (repayment of) borrowings		(21,512)	(7,438)
Dividends paid to the Group's shareholders	*25*	(145)	(95)
Interest on Right-of-use leases		(342)	(302)
Payments on Right-of-use leases		(370)	(441)
Net cash inflow / (outflow) from financing activities		**(22,369)**	**(8,276)**
Net increase (decrease) in cash and cash equivalents		(134)	52
Cash at bank and on hand at the beginning of the financial year		129	77
Cash and cash equivalents at end of year	*8*	**(5)**	**129**

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

[1] General information

Top Energy Limited (the Company) provides electricity line function, electrical construction and other services. The Company and its subsidiaries (together, the Group) operate geothermal power stations, sell electricity on the wholesale market and to energy retailers in New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. Its registered office is at Level 2, John Butler Centre, 60 Kerikeri Road, Kerikeri. The Company is not listed on any stock exchange. These financial statements were approved for issue by the Board of Directors on 13 June 2023.

[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

(i) Statutory base

Top Energy Limited is registered under the Companies Act 1993.

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

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

(ii) Going Concern

The Group recorded a gain after tax of $30.2m, with an underlying operational profit (EBITDAF) of $54.9m.

The Group's ability to continue as a going concern has also been assessed by evaluating the results to 31 March 2023 and the following:

- The Group's operation consists of electricity generation and distribution which is considered an essential service;
- Cash flow from operating activities has increased 12% to $40.5m;
- Repayment of borrowing has increased by $14.1m (189%) when compared to the previous year.
- 10-year forecasts have been reviewed including relevant sensitivity analysis, and compliance against funding obligations;
- The statement of financial position for the period, which currently shows a net working capital deficit is largely driven by fair value loss on financial derivatives. The annual network line discount, and income received in advance are the other contributors;
- As described in note 14(a), the carrying value of the Generation assets have had an external valuation completed to ensure that the appropriate judgements can be made. A positive adjustment of $64.5m was made.
- The Group is forecast to operate within the conditions of its banking facilities as disclosed in note 20. The funding facilities have been successfully refinanced for terms ranging between 3 to 5 years, effective from October 2022.

As a result of the above considerations, these financial statements have been prepared on a going concern basis.

(iii) Entities reporting

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

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

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

(iv) 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), which are adjusted to fair value through profit or loss; and
- the revaluation of certain classes of property, plant and equipment and Fair Value through Other Comprehensive Income financial assets, which are adjusted to fair value through other comprehensive income.

(v) Comparative figures

To ensure consistency with the current period, comparative figures have been restated where appropriate in accordance with NZ IFRS requirements. There were no reclassifications or restatements in these financial statements in respect of the year ended 31 March 2022.

(vi) Functional and presentation currency

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

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

(b) Accounting estimates and assumptions

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

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

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Top Energy Limited (the 'Company' or 'parent entity') as at 31 March 2023 and the results of all subsidiaries for the year then ended. Top Energy Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

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

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

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

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

(d) 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.

(e) 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.

(f) Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date less recognised losses. 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 income has been received in respect of contract work and the work has not been completed by the reporting date, the total of such held on account is included in Trade and Other Payables as Revenue received in advance.

(g) Derivatives and hedging activities

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.

(h) Dividend distributions

Dividend distributions to the Parent Company's shareholder are recognised in the Group's financial statements in the accounting period in which the distribution is declared by the Directors.

(i) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Long service gratuity

The liability for retirement gratuity payments due to eligible long-serving employees is recognised in the provision for employee benefits and measured as the value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(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.

(j) 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 Fair Value through Other Comprehensive Income 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.

(k) Foreign currency translation

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other (losses)/gains – net'.

(l) 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.

(m) Impairment of 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).

(n) 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.

(o) Intangible assets

(i) Goodwill

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

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

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

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

The carrying value of the units, 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 less any obligation being settled using the fixed price option. 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.

(v) Resource Consents
Resource consents are capitalised on the basis of the costs incurred. The Group remeasures Resource Consents at fair value, along with its Generation Assets, as they are intrinsically linked. Resource Consents are amortised over their useful lives, considered to be the period of time until their expiry. Details of Generation Assets are provided within Note 2(t).

(p) 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.

(q) 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.

(r) Investments and other financial assets

(i) Classification
The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- **Fair value through profit or loss**: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of comprehensive income within other gains/(losses) in the period in which it arises.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(v) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in the fair value are recognised within Fair value gains (losses) on financial assets.

Details on how the fair value of financial instruments is determined are disclosed in note 2(j).

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(vi) Impairment

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. 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 considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, 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 profit or loss. 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 the statement of comprehensive income.

Impairment testing of trade receivables is described in note 2(x).

(vii) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(s) Leases

Lease liabilities are measured at the present value of remaining lease payments, discounted using a rate which represents our Incremental Borrowing Rate (IBR), as well as a deemed margin to reflect commercial borrowing risk where applicable. This rate is effective on the date of transition, and subsequently reassessed for new lease liabilities on the date they are recognised.

Right-of-use (ROU) assets are initially recognised at cost, being the amount of the lease liability. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

In considering the lease term, the Group applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised. The majority of the group’s leases are property leases. The Group has the right to renew the leases at the end of their lease terms.

The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(t) Property, plant and equipment

Property, plant and equipment, including the distribution network

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

Generation assets

Effective 31 March 2014, the Group has accounted for its generation assets at fair value. Valuations are undertaken at sufficiently regular intervals so that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The net revaluation results are presented within other comprehensive income and are accumulated to an asset revaluation reserve in equity.

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 revaluation of the generation assets was undertaken as at 31 March 2023 and the resulting values have been incorporated into these financial statements.

Other property, plant and equipment

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

Subsequent expenditure

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

Depreciation

Land is not depreciated.

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

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

Straight Line basis	*Years*
Distribution system	15-60
Generation plant	5-50
Plant and equipment	3-20
Freehold buildings	50
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.

(u) 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.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and Goods and Services Tax.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

(i) Electricity line revenue and Electricity sales 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. The right to payment corresponds directly with the pattern of distribution and electricity consumption. Electricity line revenue is based on actual and assessed meter readings and includes an allowance for unread meters at the reporting date, as this is the most faithful measure of consumption. Revenue is recognised over time as the customer receives and consumes the benefits on an ongoing basis.

Electricity sales income is recognised as electricity generated and sold by reference to the quantity delivered as measured in kilowatt hours. Revenue is recognised over time as the customer receives and consumes the benefits on an ongoing basis.

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, as this is the most faithful measure of consumption. Occasionally, historical electricity usage data is not consistent and subsequent adjustments are made. These adjustments are immaterial compared with total network revenue.

(ii) 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 which a part or all of the contribution may be refunded to the customer. Revenue is recognised at a point in time being the date of completion which is when the business has the right for payment of the work, and the time that the customer takes over control of the asset.

(iii) Contracting Services

When received in advance, are held as payments on account (as a liability in the statement of financial position) and released once the relevant job/contract has been completed. As the customer cannot consume any benefit until all components are completed, revenue is recognised at a point in time being the date of completion, which is when the business has the right for payment of the work, and the time that the customer takes over control of the asset.

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.

(iv) Other revenue

Revenue is recognised when the Group finalises a contract for sale with the purchaser over time as the customer receives and consumes the benefits of the task being completed as it is being performed. Other revenue also includes the rendering of services, where revenue recognised in the accounting period in which it arises. Typically, this will be on completion of the underlying transaction.

(w) Trade and other payables

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

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, or the cost of the fixed price option.

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

(x) Trade and other receivables

Trade receivables are amounts due from customers for services supplied or goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the consolidated income statement.

(y) Changes in accounting policies

All accounting policies have been applied on a basis consistent with those applied during the previous reporting period unless otherwise stated within these financial statements.

(z) 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 have had a material impact on these financial statements.

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

There are a number of Standards, Amendments and Interpretations which have been approved. The Group expects to adopt these when they become mandatory.

[3] Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts, interest rate swaps and electricity Contract For Differences (CFDs) to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

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

(a) Market risk

(i) Foreign exchange risk

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

At the current reporting date, the Group had not entered into any forward foreign currency contracts (2022: US$Nil) to manage exposure.

(ii) 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 periods presented in these financial statements, 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 5.74% (2022: 5.46%) 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 less than $500,000.

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 +$10,552,000/-$11,116,000 respectively (2022: +$13,128,000/-$14,179,000).

(iii) Energy market risk

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 2023, the notional amount of current contracts totalled $161,151,000 (31 March 2022: $175,763,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month.

(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.

Three customers comprised 82% of the Group's total trade accounts receivable as at 31 March 2023 (2022: 84%). 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. Unrealised gains are presented as derivative financial instrument assets within note 12.

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 cash flows (2023YE: discounted, 2022YE: undiscounted) and include interest to maturity.

	LESS THAN 1 YEAR $'000	BETWEEN 1 & 2 YEARS $'000	BETWEEN 2 & 5 YEARS $'000	OVER 5 YEARS $'000
At 31 March 2023				
Bank overdrafts and loans	18,576	16,896	278,732	–
Right-of-use lease liabilities	1,001	896	1,813	3,641
Other loans	1,653	–	–	–
Trade and other payables	26,093	–	–	–
At 31 March 2022				
Bank overdrafts and loans	11,614	326,769	–	–
Right-of-use lease liabilities	449	478	1,027	3,290
Other loans	1,619	–	–	–
Trade and other payables	22,599	–	–	–

The following table 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.

		LESS THAN 1 YEAR $'000	BETWEEN 1 & 2 YEARS $'000	BETWEEN 2 & 5 YEARS $'000	OVER 5 YEARS $'000
At 31 March 2023					
Forward foreign exchange contracts	– inflow	–	–	–	–
	– outflow	–	–	–	–
Interest rate swaps	– inflow	3,746	3,469	7,599	2,579
	– outflow	(1,909)	(1,908)	(5,724)	(2,725)
Electricity CFDs	– inflow	126	144	212	–
	– outflow	(20,190)	(25,878)	(31,226)	–
At 31 March 2022					
Forward foreign exchange contracts	– inflow	–	–	–	–
	– outflow	–	–	–	–
Interest rate swaps	– inflow	–	–	–	–
	– outflow	(7,876)	(7,530)	(18,093)	(11,718)
Electricity CFDs	– inflow	80	–	–	–
	– outflow	(42,281)	(30,051)	(23,852)	–

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

(d) Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses 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 NZ 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 Fair Value through Other Comprehensive Income.

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

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

Specific valuation techniques used to value financial instruments include:

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

The following table presents the Group's assets and liabilities that are measured at fair value. Refer to note 14 for disclosures of generation plant that is measured at fair value.

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL BALANCE $'000
At 31 March 2023				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	9,718	–	9,718
– Trading derivatives - electricity CFDs	–	482	–	482
– Trading derivatives - forward FX contracts	–	–	–	–
Total assets	**–**	**10,200**	**–**	**10,200**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	–	–	–
– Trading derivatives - electricity CFDs	–	(77,294)	–	(77,294)
– Trading derivatives - forward FX contracts	–	–	–	–
Total liabilities	**–**	**(77,294)**	**–**	**(77,294)**
At 31 March 2022				
Assets				
Financial assets at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	660	–	660
– Trading derivatives - electricity CFDs	–	80	–	80
– Trading derivatives - forward FX contracts	–	–	–	–
Total assets	**–**	**740**	**–**	**740**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Trading derivatives - interest rate swaps	–	(3,203)	–	(3,203)
– Trading derivatives - electricity CFDs	–	(96,184)	–	(96,184)
– Trading derivatives - forward FX contracts	–	–	–	–
Total liabilities	**–**	**(99,387)**	**–**	**(99,387)**

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

(e) Financial instruments by category

FINANCIAL ASSETS as per statement of financial position	FINANCIAL ASSETS AT AMORTISED COST $'000	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS $'000	OTHER $'000	TOTAL $'000
At 31 March 2023				
Derivative financial instruments - electricity CFDs	–	482	–	482
Derivative financial instruments - interest rate swaps	–	9,718	–	9,718
Derivative financial instruments - forward FX contracts	–	–	–	–
Trade and other receivables	11,180	–	–	11,180
Other financial assets	–	–	12,014	12,014
Cash and cash equivalents	2	–	–	2
	11,182	**10,200**	**12,014**	**33,396**
At 31 March 2022				
Derivative financial instruments - electricity CFDs	–	80	–	80
Derivative financial instruments - interest rate swaps	–	660	–	660
Derivative financial instruments - forward FX contracts	–	–	–	–
Trade and other receivables	11,204	–	–	11,204
Other financial assets	–	–	12,924	12,924
Cash and cash equivalents	129	–	–	129
	11,333	**740**	**12,924**	**24,997**

FINANCIAL LIABILITIES as per statement of financial position	FINANCIAL LIABILITIES AT AMORTISED COST $'000	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS $'000	TOTAL $'000
At 31 March 2023			
Borrowings	301,033	–	301,033
Derivative financial instruments - forward FX contracts	–	–	–
Derivative financial instruments - interest rate swaps	–	–	–
Derivative financial instruments - electricity CFDs	–	77,294	77,294
Right of use lease liabilities	6,353	–	6,353
Trade and other payables	13,553	–	13,553
	320,939	**77,294**	**398,233**
At 31 March 2022			
Borrowings	322,515	–	322,515
Derivative financial instruments - forward FX contracts	–	–	–
Derivative financial instruments - interest rate swaps	–	3,203	3,203
Derivative financial instruments - electricity CFDs	–	96,184	96,184
Right of use lease liabilities	5,243	–	5,243
Trade and other payables	10,614	–	10,614
	338,372	**99,387**	**437,759**

[4] Revenue

	2023 $'000	2022 $'000
From continuing operations		
Electricity line revenue	49,356	54,354
Network line charge discount	(7,069)	(7,058)
Capital contributions	4,280	4,006
Electricity sales	46,158	38,202
Contracting services	2,842	3,343
Other revenue	153	83
Total revenue from continuing operations	**95,720**	**92,930**

[5] Expenses

	2023 $'000	2022 $'000
Expenses, excluding depreciation, amortisation and finance costs, included in the Statement of Comprehensive Income classified by nature		
Raw materials and consumables used	5,237	3,268
Employee benefits expense	17,175	15,559
Other expenses	16,569	14,271
Transmission charges	1,870	4,403
	40,851	**37,501**
Profit before income tax includes the following specific expenses:		
Depreciation		
Distribution system	8,777	8,470
Generation plant	15,742	16,352
Plant and equipment	711	740
Vehicles	583	525
Buildings	210	212
Right-of-use leased assets	601	539
Total depreciation	**26,624**	**26,838**
Amortisation		
Software	985	676
Resource consents	287	251
Total amortisation	**1,272**	**927**
Total depreciation and amortisation	**27,896**	**27,765**
Net loss (gain) on disposal of property, plant and equipment	**143**	**332**
Rental expense relating to operating leases		
Minimum lease payments	81	95
Employee benefit expense		
Wages and salaries, including restructuring costs and termination benefits	16,091	14,749
ACC levies and employee medical insurance	589	355
Pension costs - defined contribution plans	495	455
	17,175	**15,559**

Auditors' fees

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

	2023 $'000	2022 $'000
Audit services		
Audit of the financial statements - Deloitte Limited	214	191
Total remuneration for audit services	**214**	191
Other assurance services		
Audit of regulatory statements - Deloitte Limited	69	61
Audit of Unique Emissions Factor - Deloitte Limited	18	–
Total remuneration for other assurance services	**87**	**61**
Total remuneration for assurance services	**301**	**252**

[6] Fair value gains / (losses) on financial assets

	2023 $'000	2022 $'000
Net (loss) / gain on interest rate swaps	12,262	30,082
Net (loss) / gain on electricity Contract For Differences	19,292	4,264
Net (loss) / gain on forward foreign currency contracts	–	(49)
	31,554	**34,297**

[7] Income tax expense

(a) Income tax expense

	2023 $'000	2022 $'000
Current tax		
Current tax expense / (benefit) on profits for the year	(251)	(849)
Adjustments in respect of prior years	117	(34)
Total current tax expense / (benefit)	**(134)**	**(883)**
Deferred tax		
Origination and reversal of temporary differences	28,380	14,128
Exclude: element arising on fixed asset revaluation- recognised in equity	(18,056)	(2,128)
Under / (over) provided in prior years	(121)	40
Total deferred tax	**10,203**	**12,040**
Income tax expense / (benefit)	**10,069**	**11,157**
Profit / (loss) from continuing operations	10,069	11,157
Deferred income tax expense (benefit) included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	6,021	9,413
Increase / (decrease) in deferred tax liabilities	4,182	2,627
	10,203	**12,040**

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

	2023 $'000	2022 $'000
Profit/(Loss) from continuing operations before income tax expense	40,242	43,819
	40,242	**43,819**
Tax at the New Zealand tax rate of 28%	11,268	12,270
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible expenditure	4	3
Income not subject to tax	(1,198)	(1,122)
Other reconciling items		
Adjustment in respect of prior years	(5)	6
Income tax expense	**10,069**	**11,157**

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

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

	BEFORE TAX $'000	TAX (EXPENSE) / BENEFIT $'000	AFTER TAX $'000
31 March 2023			
Fair value gains:			
Revaluation of generation plant	64,487	(18,056)	46,431
Other comprehensive income	64,487	(18,056)	46,431
31 March 2022			
Fair value gains:			
Revaluation of generation plant	7,603	(2,128)	5,475
Other comprehensive income	7,603	(2,128)	5,475

[8] Current assets – Cash and cash equivalents

	2023 $'000	2022 $'000
Cash on hand	1	1
Bank balances	1	128
	2	**129**

(a) Reconciliation to cash at the reporting date

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

	2023 $'000	2022 $'000
Balances as above	2	129
Bank overdrafts (note 18)	(7)	–
Cash and cash equivalents	**(5)**	**129**

[9] Current assets – Trade and other receivables

	2023 $'000	2022 $'000
Net trade receivables		
Trade debtors	11,180	11,204
Provision for doubtful receivables	(393)	(374)
Net trade receivables	**10,787**	**10,830**
Sundry prepayments	2,215	2,207
Total current receivables	**13,002**	**13,037**

(a) Impaired receivables

	2023 $'000	2022 $'000
Movements in the provision for impairment of trade receivables are as follows:		
At 1 April	(374)	(424)
Provision for impairment arising during the year	(28)	–
Provision for impairment released in the year	–	44
Charge (credit) to profit and loss during the period	9	6
At 31 March	(393)	(374)

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

	2023 $'000	2022 $'000
Raw materials		
Raw materials at cost	3,062	1,860
Contract costs incurred less recognised losses	454	621
	3,516	**2,481**

[11] Current assets – Current tax benefit

	2023 $'000	2022 $'000
Tax benefit of losses	1,420	1,290
	1,420	**1,290**

[12] Derivative financial instruments

	2023 $'000	2022 $'000
Current assets		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	–
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	–	–
Electricity Contract for Differences - see below ((a)(iii))	126	80
Total current derivative financial instrument assets	**126**	**80**
Non current assets		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	–
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	9,718	660
Electricity Contract For Difference - see below ((a)(iii))	356	–-
Total non current derivative financial instrument assets	**10,074**	**660**
Total derivative financial instrument assets	**10,200**	**740**
Current liabilities		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	–
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	–	(205)
Electricity Contract For Differences - see below ((a)(iii))	(20,190)	(42,281)
Total current derivative financial instrument liabilities	**(20,190)**	**(42,486)**
Non current liabilities		
Forward foreign exchange contracts - at fair value through profit or loss - see below ((a)(i))	–	–
Interest rate swaps - at fair value through profit or loss - see below ((a)(ii))	–	(2,998)
Electricity Contract For Differences - see below ((a)(iii))	(57,104)	(53,903)
Total non current derivative financial instrument liabilities	**(57,104)**	**(56,901)**
Total derivative financial instrument liabilities	**(77,294)**	**(99,387)**
Net assets (liabilities) in relation to derivative financial instruments	**(67,094)**	**(98,647)**

For further information refer to note 2(g).

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

The Group had previously entered into forward foreign exchange contracts relating to the expansion of the Ngawha generation plant. These contracts matured during the period 31 March 2022.

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 consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

(ii) Interest rate swaps

The Group 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 2023 the notional principal amount of current contracts totalled $297,000,000 (31 March 2022: $312,000,000). At 31 March 2023 there was 2 remaining forward starting contracts (31 March 2022: 2), with a total notional principal value of $50,000,000 (2022: $50,000,000), to replace maturing contracts.

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

(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 2023, the notional amount of current contracts totalled $161,151,000 (31 March 2022: $175,763,000). The settlement dates coincide with the dates on which spot prices are receivable on the underlying electricity generation, being 20th of the following month.

(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).

[13] Current assets – Intangible assets

	2023 $'000	2022 $'000
Emission Trading Scheme Units	1,209	1,268
	1,209	**1,268**

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.

During the reporting period ended 31 March 2019, the Company entered into two forward contracts for the purchase of 115,000 NZUs with a value of $3,542,400.

Settlement of these contracts are due in April 2023 and April 2024 for $1,140,000 (38,000 NZUs) and $2,402,400 (77,000 NZUs) respectively.

During the reporting period ended 31 March 2022, the Company entered into a forward contracts for the purchase of 100,000 NZUs with a value of $9,095,000. Settlement of this contract is due in April 2025.

[14] Non-current assets – Property, plant and equipment

	DISTRIBUTION SYSTEM $'000	CAPITAL WORK IN PROGRESS $'000	GENERATION PLANT $'000	PLANT AND EQUIPMENT $'000	MOTOR VEHICLES $'000	FREEHOLD LAND $'000	BUILDINGS $'000	TOTAL $'000
Year ended 31 March 2023								
Opening net book amount	254,448	7,012	356,030	1,883	2,798	7,939	2,857	632,967
Additions	9,289	7,362	297	584	244	258	11	18,045
Disposals	(769)	–	–	(133)	(1,424)	–	–	(2,326)
Transfers and reclassifications	3,245	(4,423)	–	92	2	–	–	(1,084)
Depreciation charge	(8,777)	–	(15,741)	(711)	(583)	–	(211)	(26,023)
Depreciation released on disposals	437	–	–	128	1,339	–	–	1,904
Revaluation of generation plant	–	–	61,955	–	–	–	–	61,955
Closing net book amount	**257,873**	**9,951**	**402,541**	**1,843**	**2,376**	**8,197**	**2,657**	**685,438**
At 31 March 2023								
Cost	464,603	9,951	3,230	11,642	9,016	8,197	3,961	510,600
Valuation	–	–	399,501	–	–	–	–	399,501
Accumulated depreciation	(206,730)	–	(190)	(9,799)	(6,640)	–	(1,304)	(224,663)
Net book amount	**257,873**	**9,951**	**402,541**	**1,843**	**2,376**	**8,197**	**2,657**	**685,438**
Year ended 31 March 2022								
Opening net book amount	250,708	6,332	365,007	2,105	2,405	7,800	3,047	637,404
Additions	9,351	4,027	385	528	978	139	22	15,430
Disposals	(513)	–	(2)	(1,967)	(469)	–	–	(2,951)
Transfers and reclassifications	3,205	(3,347)	–	–	–	–	–	(142)
Depreciation charge	(8,470)	–	(16,352)	(740)	(524)	–	(212)	(26,298)
Depreciation released on disposals	167	–	(1)	1,957	408	–	–	2,531
Revaluation of generation plant	–	–	6,993	–	–	–	–	6,993
Closing net book amount	**254,448**	**7,012**	**356,030**	**1,883**	**2,798**	**7,939**	**2,857**	**632,967**
At 31 March 2022								
Cost	452,837	7,012	3,180	11,128	10,165	7,939	3,950	496,211
Valuation	–	–	352,975	–	–	–	–	352,975
Accumulated depreciation	(198,389)	–	(125)	(9,245)	(7,367)	–	(1,093)	(216,219)
Net book amount	**254,448**	**7,012**	**356,030**	**1,883**	**2,798**	**7,939**	**2,857**	**632,967**

(a) Critical accounting estimates and assumptions

The Group considers annually whether the carrying values of its property, plant and equipment are supportable, based on their expected value in use as detailed below. This also takes into consideration note 2(a)(ii) - Going Concern. The carrying value of the distribution network at 31 March 2023 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 2023 using an approach based principally on discounted predicted future cash flows over a 15 year period to 31 March 2038 using a post tax WACC of 7.71% as a discount rate. The forecasts included estimates of future revenues, operating costs, capital expenditure, tax depreciation charges, working capital movements and tax payments. For the 2023 valuation, the Mid Point valuation was used (2022: Mid Point).

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 the resource consent and a subsequent variation issued in June 2017, the consent was granted for 35 years from the date of the variation, expiring in June 2052.

(b) 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 2023. The revaluation adjustment net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'reserves' in shareholders equity (note 24).

The carrying amount of the generation plant that would have been recognised at 31 March 2023 had those assets been carried under the cost model is $270,599,000 (31 March 2022: $281,525,000).

(c) Valuation processes of the Group

The Group has engaged external, independent and qualified valuers to determine the fair value of the Group's generation plant assets. As at 31 March 2023, the fair values of the generation plant assets were determined by a specialist team within PricewaterhouseCoopers, Auckland.

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

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

DESCRIPTION	FAIR VALUE AT 31 MARCH 2023 ($'000)	VALUATION TECHNIQUE(S)	SIGNIFICANT UNOBSERVABLE INPUTS	RELATIONSHIP OF UNOBSERVABLE INPUTS TO FAIR VALUE
Generation plant	420,500	Discounted cash flow	Projected Wholesale Price Path (revenue) taking into consideration ASX futures prices and a combination of short to medium term factors including an assessment of the Long Run Marginal Cost (LRMC) of electricity generation in New Zealand.	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 post tax WACC of 7.71%.	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 post tax WACC. A 5% movement in revenue and post tax WACC changes the mid point valuation by approximately +/- 19.7% and +6.9% /-5.9% respectively. The average impact on the mid point valuation of a movement of 5% in operating costs is +/- 10.7%. The valuation is relatively insensitive to movements in terminal growth rate and capital expenditure.

(e) 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 2023 was $58,000 (2022: $107,000). Interest capitalised was at the average rate of 5.74% for the year ended 31 March 2023 (2022: 5.46%).

[15] Non-current assets – Intangible assets

	GOODWILL $'000	RESOURCE CONSENTS $'000	COMPUTER SOFTWARE $'000	EASEMENTS $'000	EMISSION TRADING SCHEME UNITS $'000	TOTAL $'000
Year ended 31 March 2023						
Opening net book amount	811	7,920	851	10,476	11,656	31,714
Additions	–	485	36	1	–	522
Transfers and reclassifications	–	–	1,081	–	–	1,081
Reclassification between current and non-current ETS units	–	–	–	–	(851)	(851)
Amortisation charge (note 5)	–	(286)	(985)	–	–	(1,271)
Revaluation of generation plant	–	2,531	–	–	–	2,531
Closing net book amount	**811**	**10,650**	**983**	**10,477**	**10,805**	**33,726**
At 31 March 2023						
Cost	811	–	6,490	10,477	10,805	28,583
Valuation	–	10,650	–	–	–	10,650
Accumulated amortisation	–	–	(5,507)	–	–	(5,507)
Net book amount	**811**	**10,650**	**983**	**10,477**	**10,805**	**33,726**
Year ended 31 March 2022						
Opening net book amount	811	7,501	1,337	10,243	2,696	22,588
Additions	–	60	190	92	10,004	10,346
Transfers and reclassifications	–	–	–	141	–	141
Disposals	–	–	(320)	–	–	(320)
Amortisation releases on disposals	–	–	320	–	–	320
Reclassification between current and non-current ETS units	–	–	–	–	(1,044)	(1,044)
Amortisation charge (note 5)	–	(251)	(676)	–	–	(927)
Revaluation of generation plant	–	610	–	–	–	610
Closing net book amount	**811**	**7,920**	**851**	**10,476**	**11,656**	**31,714**
At 31 March 2022						
Cost	811	–	5,373	10,476	11,656	28,316
Valuation	–	7,920	–	–	–	7,920
Accumulated amortisation	–	–	(4,522)	–	–	(4,522)
Net book amount	**811**	**7,920**	**851**	**10,476**	**11,656**	**31,714**

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

(a) Allocation of goodwill between cash-generating units

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

	NGĀWHĀ GENERATION LTD $'000	TOTAL $'000
At 31 March 2023		
Cost at 1 April 2022	811	811
At 31 March 2023	**811**	**811**
At 31 March 2022		
Cost at 1 April 2021	811	811
At 31 March 2022	**811**	**811**

(b) Impairment testing of goodwill

As described in note 2(o) 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 2033, and a post tax discount rate of 7.71% (2022: 6.53%). At 31 March 2023 and 2022 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.

[16] Leases

(a) Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to Right-of-use leases:

	2023 $'000	2022 $'000
Right-of-use lease assets net book value		
Properties	3,189	3,641
Vehicles	1,329	–
Equipment	15	32
Well sites	1,269	1,250
	5,802	**4,923**
Right-of-use lease liabilities		
Current	975	449
Non current	5,378	4,794
	6,353	**5,243**

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to Right-of-use leases:

	2023 $'000	2022 $'000
Depreciation charge of Right-of-use assets		
Properties	510	481
Equipment	16	16
Vehicles	33	–
Well sites	42	42
	601	**539**
Interest on Right-of-use leases		
Interest expense (included in finance cost)	342	302
	342	**302**

The total cash outflow for Right of use leases in the year ended 31 March 2023 was $864,000 (2022: $742,000)

(c) The Company leasing activity and how these are accounted for

The Group leases various offices, warehouses, depot sites, well sites, vehicles and equipment. Rental contracts are typically made for fixed periods, but may have extension options. These are used to maximise operational; flexibility in terms of managing the assets used in the Group's operations. The majority of extensions and termination options held are exercisable only by the Group and not by the respective lessor.

[17] Current liabilities – Trade and other payables

	2023 $'000	2022 $'000
Trade payables	4,926	4,205
GST payable	30	120
ACC levies, PAYE and other payroll taxes	94	174
Payroll creditors	2,610	1,935
Accruals	12,510	11,865
Revenue received in advance	5,923	4,300
	26,093	**22,599**

[18] Current liabilities – Interest-bearing liabilities

	2023 $'000	2022 $'000
Bank overdrafts	7	–
Bank loans	–	6,041
Total interest bearing bank borrowings	**7**	**6,041**
Loan from parent entity	1,576	1,553
Total other interest bearing borrowings	**1,576**	**1,553**
Total current interest bearing borrowings	**1,583**	**7,594**

The Group's borrowings are subject to covenants agreed with its lenders. Details are provided at note 20.

[19] Current liabilities – Provisions

	2023 $'000	2022 $'000
Employee benefits	333	312
	333	**312**

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 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, all of which now qualify for the entitlement.

[20] Non-current liabilities – Interest-bearing liabilities

	2023 $'000	2022 $'000
Bank loans	299,450	314,921
Total non current interest bearing liabilities	**299,450**	**314,921**

* Further information relating to loans from related parties is set out in note 29.

(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 the Group's bankers by the Guaranteeing Group of companies are as follows:

	2023 $'000	2022 $'000
Bank overdrafts and bank loans	299,457	320,962
Total liabilities covered by the negative pledges	**299,457**	**320,962**

(b) Banking covenants

The bank loans and overdraft are subject to identical negative pledges given to all of the Group's banks. The pledges impose certain covenants on a "Guaranteeing Group". The Guaranteeing Group (per note 27) comprises Top Energy Limited, and Ngawha Generation Limited only as at 31 March 2023. Each negative pledge states that the Guaranteeing Group will ensure that the following financial ratios are met:

(i) Consolidated EBITDA (earnings before borrowing costs, taxation, depreciation and amortisation, extraordinary items, profits and losses derived on the sale of fixed assets or investment, and non-cash unrealised gains or losses from foreign exchange, interest rate swaps, futures and options measured over the preceding 12 month period) to Net Interest Costs for that 12 month period will not be less than 2.00:1.00,

(ii) Consolidated net debt to consolidated EBITDA will be no greater than 6.50:1.00,

(iii) Consolidated tangible assets will not be less than 90% of the consolidated tangible assets of the Group,

(iv) Consolidated EBITDA will not be less than 90% of the total EBITDA of the Group.

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

[21] Non-current liabilities – Deferred tax liabilities

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Property, plant and equipment	86,994	67,932
Intangible assets	1,099	451
Financial assets at fair value through profit or loss	(18,786)	(27,622)
Other temporary differences	(896)	(608)
Net deferred tax liabilities	**68,411**	**40,153**
Movements		
Balance at 1 April	40,153	25,984
Charged / (credited) to profit or loss	10,202	12,041
Tax charged/(credited) directly to equity (note 7)	18,056	2,128
Closing balance at 31 March	**68,411**	**40,153**
Expected maturity of deferred tax liabilities		
Within 12 months	(6,514)	(12,482)
In excess of 12 months	74,925	52,635
	68,411	**40,153**

The tax rate applied in calculating the deferred tax provision was 28% at each of the reporting dates in these financial statements.

[22] Imputation credits

	2023 $'000	2022 $'000
Imputation credits available for subsequent reporting periods based on a tax rate of 28% (2022: 28%)	17,273	16,681
	17,273	**16,681**

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

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

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

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

[23] Contributed equity

(a) Share capital

	2023 Shares 000s	2022 Shares 000s	2023 $'000	2022 $'000
Ordinary shares				
Authorised, issued and fully paid	25,000	25,000	25,267	25,267
Total contributed equity			**25,267**	**25,267**

(b) Ordinary shares

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

(c) Capital risk management

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

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

[24] Reserves and retained earnings

(a) Reserves

	2023 $'000	2022 $'000
Property, plant and equipment revaluation reserve	109,428	66,046
Movements		
Property, plant and equipment revaluation reserve		
Balance at 1 April	66,046	64,145
Revaluation- before tax	64,487	7,603
Deferred tax on the revaluation	(18,056)	(2,128)
Amortisation of revaluation reserve	(4,234)	(4,963)
Deferred tax released on amortisation of reserve	1,185	1,389
Balance at 31 March	**109,428**	**66,046**

(b) Retained earnings

Movements in retained earnings were as follows:

	2023 $'000	2022 $'000
Balance at 1 April	107,027	70,886
Net profit for the year	30,173	32,662
Dividends	(145)	(95)
Net transfer between reserves	3,048	3,574
Balance at 31 March	**140,103**	**107,027**

[25] Dividends

(a) Ordinary shares

	2023 $'000	2022 $'000
Dividend of 0.58 cents per ordinary share paid on 31 March 2023	145	–
Dividend of 0.38 cents per ordinary share paid on 31 March 2022	–	95
	145	**95**

(b) Dividend imputation

The dividends paid by Top Energy Ltd on 31 March 2023 and 31 March 2022 were not imputed.

[26] Director disclosures

The following persons were directors of Top Energy Limited during the financial year ended 31 March 2023:

(i) Chairman - non-executive

- Mr David Sullivan (appointed as Chair on 1 June 2022)
- Mr Richard Krogh (resigned as Chair on 1 June 2022, and as non-executive director on 28 June 2022)

(ii) Other non-executive directors

- Ms Nicole Anderson
- Mr Jon Nichols
- Mr Steven Sanderson
- Mr Simon Young

(iii) Directors of other Group companies

- Mr D Sullivan, Mr J Nichols, and Mr S Young are also directors of Ngawha Generation Limited.
- Mr D Sullivan and Mr S Young are also directors of Top Energy Ngawha Spa Limited.

(a) Details of remuneration

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

	CASH SALARY AND FEES ($)	TOTAL ($)
Year to 31 March 2023		
Directors of Top Energy Ltd		
– D Sullivan	119,908	119,908
– R Krogh (to 28 June 2022)	30,825	30,825
– N Anderson	53,900	53,900
– J Nichols	73,817	73,817
– S Sanderson	53,900	53,900
– S Young	66,850	66,850
Directors of other Group companies		
– R Kirkpatrick	53,900	53,900
– R Shaw*	–	–
– K Tempest	53,900	53,900
Total	**507,000**	**507,000**
Year to 31 March 2022		
Directors of Top Energy Ltd		
– D Sullivan	75,175	75,175
– R Krogh	119,525	119,525
– N Anderson (from 1 April 2021)	51,950	51,950
– J McDonald (to 14 December 2021)	38,775	38,775
– J Nichols (from 1 March 2022)	5,408	5,408
– S Sanderson (from 1 March 2022)	4,392	4,392
– P White (to 29 June 2021)	12,425	12,425
– S Young	63,425	63,425
Directors of other Group companies		
– R Kirkpatrick	51,950	51,950
– R Shaw*	–	–
– K Tempest	51,950	51,950
Total	**474,975**	**474,975**

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

(b) Directors’ interests in other entities

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

DIRECTOR	ENTITY	
Mr D Sullivan	Matakana Olive Oil Co operative Limited	Director
	Mahurangi Olives Limited	Director
	Cognition Education Limited	Director
Ms N Anderson	Northland Inc Limited	Director
	Fluid Chemicals Limited	Director
	Anderson Trading Co Limited	Director
	Ngapuhi Asset Holding Co Limited	Director
	Far North Holdings Limited	Director
	International Accreditation Council	Deputy Chair
	Kainga Ora	Director
Dr D Kirkpatrick	RKP Limited	Director
Mr J Nichols	Eastland Group Limited	Director
	Eastland Generation Limited	Director
	Gisborne Airport Limited	Director
	Eastland Network Limited (resigned 31 March)	Director
	Eastland Port Limited	Director
	Hawkes Bay Airport Limited	Director
	Hawkes Bay Airport Construction Limited	Director
	Nichols Consulting Limited	Director
	Tregaskis Brown Limited	Director
Mr S Sanderson	Mitchell Daysh Limited	Director
	Ports of Taranaki Limited	Director
Mr K Tempest	GAP Business Solutions Limited	Director
Mr S Young	The Karo Group Limited	Director
	Jimmi Interests Limited	Director
	Smith & Young Nominees Limited	Director
	Carbon One Limited	Director
	Utilise Limited	Director
	Jimmi Limited	Director
	Jimmi Holdings Limited	Director
	On Farm Energy Limited	Director
	Electricity Invercargill Limited	Director
	Roaring Forties Energy GP Limited	Director
	Southern Generation Partnership Limited	Director

[27] Contingencies

As at 31 March 2023 a "Guaranteeing Group" had executed a Common Terms Deed in favour of ANZ Bank New Zealand Limited, Bank of China Limited - Auckland Branch, Bank of New Zealand Limited, China Construction Bank (New Zealand) Limited, Industrial and Commercial Bank of China Limited - Auckland Branch, and Westpac New Zealand Limited. The Guaranteeing Group comprises Top Energy Limited and Ngawha Generation Limited.

The security arrangement imposes a liability on each subsidiary company within the Group, where each subsidiary is liable to repay all or any part of the guaranteed indebtedness should any of the guaranteeing group fail to meet its obligations under the Deed. The Common Terms Deed and respective Facility Agreements were executed on 5 October 2022.

The Group has provided guarantees to unrelated third parties in respect of the costs of existing and potential future obligations arising from its business activities. At 31 March 2023 the total value entered into by the Group was $6,175,000 (2022: $6,175,000).

For the year 31 March 2023, Top Energy Limited breached the unplanned SAIDI interruption cap and the unplanned SAIFI limit as set in the Electricity Distribution Services Default Price-Quality Path Determination 2020. The Commerce Commission was informed of the provisional results on 3 April 2023 including an overview of the significant weather events during the year, the detailed analysis completed and actions that are being taken. The Commission has acknowledged our disclosure and actions taken and will review the annual compliance statement that will be published by 31 August 2023.

[28] Commitments

(a) Capital commitments

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

	2023 $'000	2022 $'000
Property, plant and equipment	**4,492**	**876**

Of the capital commitments, $1,228,000 relate to the Ngawha Generation subsidiary (2022: $83,000).

(b) Purchases of Carbon Credits

	2023 $'000	2022 $'000
Forward contracts for NZU's	**12,637**	**12,637**

Further information relating to the purchase of carbon credits are set out in note 13.

[29] Related party transactions

(a) Parent entity

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

The Company paid a dividend of $145,000 to the Trust during the year ended 31 March 2023 (2022: $95,000). These dividends were to assist with the Trust's running costs. The Company continued to pay interest to the Trust on the balance of funds loaned, totalling $73,000 in the year ended 31 March 2023 (2022: $69,000).

As at 31 March 2023, a balance of $1,576,000 was owed by the Company to the Trust (31 March 2022: $1,553,000) and this has been included in current liabilities in the statement of financial position. All transactions between the Company and the Trust are made on normal business terms.

(b) Directors

The names of persons who were directors of the company at any time during the financial year are given at note 26.

(c) Key management personnel remuneration

	SHORT-TERM BENEFITS $'000	POST-EMPLOYMENT BENEFITS $'000	OTHER LONG-TERM BENEFITS $'000	TOTAL $'000
Year ended 31 March 2023	**5,390**	**141**	**97**	**5,628**
Year ended 31 March 2022	5,264	137	95	5,496

There were no contracts for share-based payments during the periods presented within these financial statements.

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

There were no other transactions with key management personnel or entities related to them, other than the payment of remuneration, during the periods presented within these financial statements.

(e) Subsidiaries

The Group's interests in its subsidiaries are set out in note 30. All transactions between the Parent and its subsidiaries are made on normal business terms and have been eliminated on consolidation.

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

Movements in the loan were as follows:

	2023 $'000	2022 $'000
Balance due to the Trust at 1 April	1,553	1,562
Loan advanced from (repaid to) the Trust	(50)	(78)
Interest charged by the Trust	73	69
Balance due to the Trust at 31 March	**1,576**	**1,553**

(g) Guarantees

Details of security made by the Group to its lenders are given at note 20.

(h) Terms and conditions

Outstanding balances between Group entities are unsecured and are repayable on demand, or in accordance with loan agreements.

[30] Investments in subsidiaries

The Group had the following subsidiaries at 31 March 2023

NAME	COUNTRY OF INCORPORATION AND PLACE OF BUSINESS	NATURE OF BUSINESS	PROPORTION OF ORDINARY SHARES DIRECTLY HELD BY THE PARENT (%)
Ngāwhā Generation Ltd	New Zealand	Electricity generation	100
Top Energy Ngāwhā Spa Ltd	New Zealand	Liquid asset holding	100

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

[31] Events occurring after the reporting period

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

[32] Reconciliation of profit after income tax to net cash inflow from operating activities

	2023 $'000	2022 $'000
Profit for the year	**30,173**	**32,662**
Adjustments made for:		
Depreciation and amortisation	27,896	27,765
Net (loss) gain on sale of non-current assets	143	332
Movement in provision for doubtful debts	19	(50)
Fair value (gains) losses on other financial assets at fair value through profit or loss	(31,553)	(34,300)
Interest on Right-of-use leases	342	302
Changes in working capital:		
Decrease (increase) in trade debtors	24	256
Decrease (increase) in inventories	(1,035)	(456)
Decrease (increase) in other operating assets	902	1,141
Increase (decrease) in trade creditors	2,254	134
Increase (decrease) in other operating liabilities	1,261	(2,676)
Increase (decrease) in provision for deferred income tax	10,072	11,158
Net cash inflow from operating activities	**40,498**	**36,268**

Deloitte.

Independent Auditor's Report

To the Readers of Top Energy Limited Group's Financial Statements and Performance Information for the Year Ended 31 March 2023

The Auditor-General is the auditor of Top Energy Limited Group (the Group). The Auditor-General has appointed me, Jason Stachurski, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 58 to 90, that comprise the statement of financial position as at 31 March 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on page 25.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards.
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2023.

Our audit was completed on 13 June 2023. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 9 to 57, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

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

Jason Stachurski
Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

DIRECTORY

Principal business

Electricity generation and lines distribution business

Directors

- Mr David Sullivan — *BCom CA - Chair*
- Ms Nicole Anderson — *PGDPH DipAcc DipBus DipMgt CMInstD*
- Mr Jon Nichols — *FCA*
- Mr Steven Sanderson — *MBA*
- Mr Simon Young — *BBS MSc Dip Hort Sc M Phil (Econ)*

Officers

- Mr Russell Shaw — *B Eng (Hons) MSc CEng FIET FEngNZ MInstD - Chief Executive*
- Mr Paul Doherty — *BBS CA - General Manager - Finance*

Registered office

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

Auditor

Jason Stachurski of Deloitte Limited on behalf of the Auditor General

Bankers

- Australia and New Zealand Banking Group Limited., Auckland
- Bank of China Limited, Auckland Branch
- Bank of New Zealand Limited, Kaikohe
- China Construction Bank (New Zealand) Limited, Auckland
- Industrial and Commercial Bank of China Limited, Auckland Branch
- Westpac New Zealand Limited, Auckland

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