Annual Report 2017

We are focused on continuing to support our customers' energy and communication needs into the future.

Contents

Chairman & Interim Managing Director's Report

The 2017 financial year saw a number of key decisions made, which the Board believes will set the company up for an improved long-term, sustainable performance.

Our Western Australia contracting business, West Coast Energy, has presented volatile returns for a number of years. With the outlook not showing any sign of improvement, the most appropriate decision was to close the business. Whilst some significant restructuring of the business was undertaken two years ago, and results improved significantly in the 2016 financial year, the 2017 performance has failed to achieve the requirements set by the Northpower Board. Due to the deteriorating general business environment in Western Australia, there was no opportunity to sell the business as a going concern, and full closure costs were incurred.

Conversely, as discussed in more detail below, the Board is very positive about the outlook for our networks and New Zealand contracting business units, and sees renewed management focus on those areas of the business as a deliberate and positive strategic decision.

By the time this report is released, we expect that West Coast Energy will have completed its contractual obligations and the more administrative tasks related to final closure will be well advanced. A business closure is a difficult process, particularly for the people impacted. The Northpower Board thank the West Coast Energy staff for the professional manner in which they have conducted themselves and for maintaining a strong focus on safety, contract delivery, and quality throughout the closure period.

In contrast to the West Coast Energy performance, the New Zealand business units performed well and showed improved performance over previous years. Notwithstanding that, the impact of the decision to close West Coast Energy has resulted in a loss at Group level. Whilst this is a disappointing financial outcome, the result does not impact the Board's view of the company's ability to maintain the level of dividend it intended to pay for the financial year.

The Board's strategic focus has been on reviewing the business activities of Northpower and this has resulted in a number of changes. The principal outcome is a renewed focus on our core assets of the electricity and fibre networks. Ensuring that our core assets are efficient, well maintained and positioned for the potentially significant impacts of new technology, is a key aim of the Group. We are focused on reviewing our approach to asset management to ensure Northpower continues to support our customers' energy and communication needs into the future. Several areas of activity that were considered non-core or unsustainable, with West Coast Energy being the most significant, were ceased. These included ceasing our major project work in the Pacific Islands, where no new commitments will be made, and ending several other smaller business development activities.

Throughout the reporting period the Board also made decisions on the sale of certain non-core property assets, choosing to sell and lease back a number of New Zealand Contracting division properties and provisioning for the sale of a farm property which was previously earmarked for a wind farm development.

The Board is very pleased to welcome our new Chief Executive, Andrew McLeod, who will join the group on July 31st. Andrew currently leads Powerco's Network division and has been with Powerco for eight years in the roles of General Manager Electricity and General Manager Gas. Before joining Powerco, he held senior asset management and construction roles with Vector, NGC and Scottish Power.

Andrew is a highly-experienced executive with an impressive record of delivering results across a range of sectors. We are confident that he will drive the more focused strategy and utilise his experience to improve commercial outcomes for Northpower's shareholders.

Despite the significant distraction that West Coast Energy presented last year, the Board is extremely pleased with the performance of the New Zealand business – both the strengthening of the NZ Contracting division and the performance and growth in the Northpower Network. With the recent addition of fibre and a fifth consecutive year of GDP growth above 2% in the Northland region, we are positive about the outlook for our core networks' and continue to invest both in growth and replacement of a number of end-of-life assets.

That continual need for replacement and growth assets is also being reflected in the demand for our specialised electricity contracting services which are predominantly provided throughout the North Island.

The contracting business has renewed and extended a number of our contracts with our core customers. Our partners value the benefits we derive from operating as a utility-owned contractor as we respond to the same types of risks and issues on our own network on a daily basis. Contracting for electricity network customers is a specialised skill, and the hard work that has been put in to build that capability should reap rewards in the foreseeable future. In addition to improved customer contracts, the benefits are beginning to flow from Northpower's investment in enterprise resource planning (ERP) and works management systems. Technological advancement in this service provision is, we believe, as necessary as the technology impact of the network business.

We are pleased that, at around 40%, our Whangarei UFB network consistently has the highest uptake, and best reliability statistics of any local fibre company in New Zealand. In addition, at just over 100Mb per second, we are achieving one of the highest average download speeds in the country. Northpower has also been successful in bidding to extend our fibre network to 12 Northland towns by 2021, beginning with stage one in Hikurangi. This will be completed in September 2017, followed closely by Waipu.

The Board has supported Management's drive to improve safety performance and has approved significant investment, with the objective of ensuring everybody who works for us, and with us, gets home safe and healthy at the end of each day. This remains a focus for the business, recognising that the discipline of continuous improvement is a core business activity rather than a one-off project.

The potential for regulatory change requires ongoing attention. In particular, Management has spent considerable time on the Electricity Authority's proposed Transmission Pricing Methodology, which has the potential to financially disadvantage Northland electricity users. We have been part of a group challenging the underlying philosophy, the calculations and the outcomes. Management has also contributed to legislation that enables more efficient fibre installation, which will benefit our Northpower fibre customers.

Over the past two years the Board has been grateful to the Northpower Trust for its efforts in undertaking a Board refresh. Most recently, in February 2017 we welcomed Phil Hutchings and Laurie Kubiak who, alongside the other Directors, have brought even more strength, diversity and commercial acumen to the governance of the Northpower Group. The Board also acknowledges the support of the Trust as we have worked our way through a period requiring significant decisions and change.

The Board is satisfied that the decisions taken over the reporting period will better position the business for the long term. The renewed focus on our network infrastructure assets and the strengthening of our NZ Contracting business will greatly assist in delivering on future investment and growth opportunities associated with our core business. Indications are during the first two months of the new financial year that we are on track for a significantly improved financial outcome.

The Board thanks the Executive Leadership Team, and all of Northpower's people, for the way in which they have responded to the period between outgoing and incoming Chief Executives, and for delivering the solid New Zealand business result this year.

Finally we must take the opportunity to farewell and thank Mark Gatland, who retired as Chief Executive in January 2017. Mark made a huge contribution to the Northpower business over his 28 year tenure with the company and the wider electricity industry during his 41 year career. His industry contribution, especially to safety, has been highly regarded and the Board of Directors wish Mark and his family well.

Nikki Davies-Colley
BBS, MBA, CFInstD
Chairman & Interim Managing Director

Financial Overview 2017

Northpower Group's performance for the year ended 31 March 2017 at a Net Profit After Tax level was a loss of $2.4m. Despite improved performance by the New Zealand businesses relative to FY16, a poor operating result and subsequent closure of our Australian subsidiary West Coast Energy (WCE) dominated the final outcome.

The FY17 dividend to the Northpower Electric Power Trust is $5.0m, reflecting confidence in Northpower's overall financial position and future operating performance (FY16 $3.0m).

EBITDAF

The New Zealand business's EBITDAF performance compared to the previous year has improved by $7.7m.

The waterfall diagram (Figure 1) highlights the impact of the WCE operating performance and closure costs, resulting in a Group EBITDAF of $29.0m.

NPAT

The Group EBITDAF operating surplus of $29.0m was reduced to an accounting net loss after taxation ("NPAT") of $2.4m. Net Profit After Tax (NPAT) is the accounting standard measure of an entity's profitability. It includes non-cash items (described below).

The reconciliation from EBITDAF to NPAT is reflected in the waterfall diagram (Figure 2). Besides the impact of depreciation and amortisation (which are non-cash expenses), the other significant movement is the impact of the impairment of WCE non-current assets. WCE has been reflected in the Group's comprehensive income statement as a discontinued activity and in the balance sheet WCE's fixed assets are shown within the category 'assets available for sale'.

Electricity Network

EBITDAF for the Electricity Network Division increased over the previous year. The increase in EBITDAF reflects higher distribution revenue (11%) with both number of connections and average consumption increasing. Connection growth was around 1.7% in FY17 (FY16 1.3 %) and consumption increased by 2.6%, driven by the large commercial and industrial sites. Capital contributions from developers towards the cost of their development also increased, and are classified as revenue.

New Zealand Contracting

New Zealand Contracting provides electrical contracting services to a limited number of electrical utilities in the North Island. The business increased both revenue and EBITDAF significantly on the previous year. This improvement returns the contracting business to a sustainable level of profitability following an unacceptable level in the previous reporting year as the business underwent significant restructuring.

Fibre Investment

The Ultra-Fast Broadband ("UFB") network is owned and operated by Northpower Fibre Limited ("NFL"), a joint venture between Northpower and the Crown. Northpower received its second dividend from its NFL investment. Northpower is required to repurchase NFL shares from the Crown as customers connect. As at 31 March 2017 our total investment in NFL stood at $27.1m (FY16: $18.8m) and our shareholding in NFL was 57% (FY16: 46%). Uptake on the fibre network is currently sitting at just over 39.3% of available connections and has grown from 28.8% over the last year.

West Coast Energy (WCE)

The closure of WCE in the Group Financial Statements is reflected as a loss from discontinued operations of $21.2m. The breakdown of this is shown in the table below. Further details on the discontinued operations are shown in the financial statements with supporting details in notes 7 and 20 to the accounts.

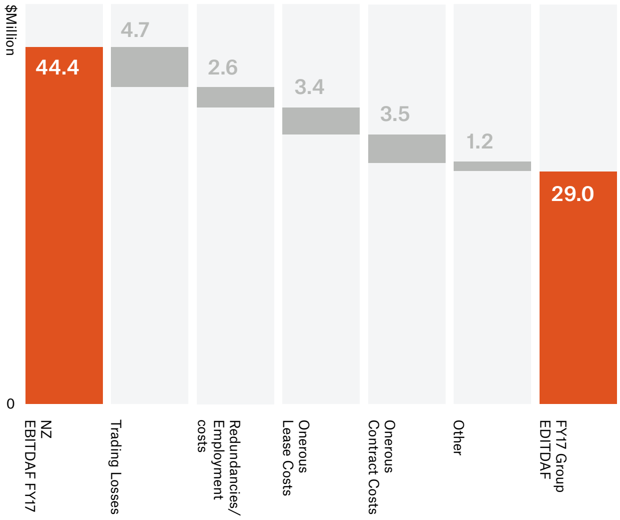
WCE Performance	$m
EDITDAF (Cash):	
Trading Losses	(4.7)
Closure Costs	(10.7)
Non-Cash items:	
Depreciation	(1.9)
Non-Current Asset Impairment	(5.0)
Intercompany Elimination	1.1
Total Discontinued Operations	**(21.2)**

Key Financial Metrics

The Northpower Group key financial metrics are presented in Figure 3. The capital expenditure variance reflects the purchase in FY16 of the Kensington substation from Transpower and a lower amount spent in FY17 on enterprise resource planning and scheduling systems (JDE and Click software).

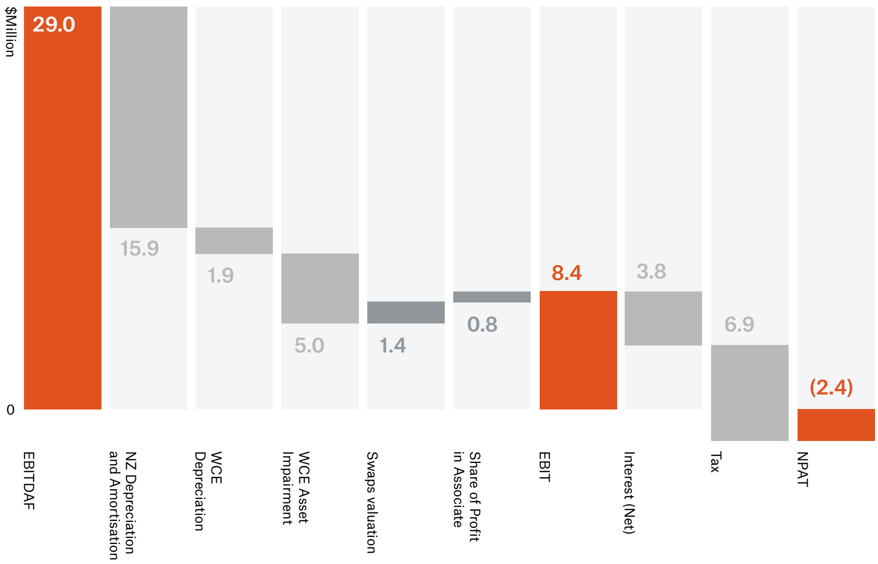
WCE EBITDAF Impacts

fig.1



Group EBITDAF to NPAT

fig.2

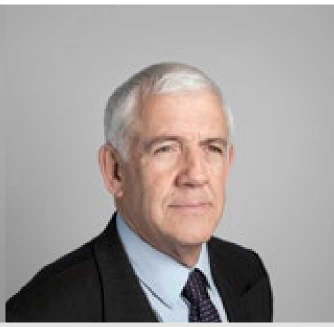


Key financial metrics

fig.3

($m)	FY2017	FY2016	% Change
Revenue	294.9	263.1	12.1%
EBITDAF	29.0	39.5	-26.5%
EBIT	8.4	17.4	-51.7%
NPAT	(2.4)	9.6	-124.6%
Dividend (Paid)	5.0	3.0	-66.7%
Equity	250.0	257.9	-3.1%
Assets	454.5	455.7	-0.3%
Net Debt	79.0	90.8	-13.0%
Capital Expenditure (Gross)	16.2	26.6	-39.1%
EBITDA/Revenue	9.8%	15.0%	
EBIT/Revenue	2.8%	6.6%	
Gearing (net debt/net debt + equity)	24.0%	26.0%	
EBIT Interest Cover	2.0x	3.95x	

Our



Nikki Davies-Colley

BBS, MBA, CFInstD

Chairman and Interim Managing Director

Nikki was elected Chairman in August 2014 and has been a Director of Northpower since 1995. She previously chaired the Audit Committee and served as a West Coast Energy Director and inaugural Northpower Fibre Director. She is currently a Director of Farmlands Co-operative Society Ltd, WorkSafe and Landcorp Farming Ltd. She is a Chartered Fellow of the NZ Institute of Directors and a Kellogg Scholar. Nikki and her husband Peter have been farming and involved in Northland's forestry industry for over 30 years.

David Ballard

BE (Hons), MBA

Director

David has been a Director of Northpower since 1999 and Managing Director and founder of NZ Bloom Ltd since 1992. David has extensive experience in the exporting industry and has established offices in Auckland, Los Angeles and Osaka. Prior to this David was a Technologist with the NZ Dairy Board.

Russell Black

BE(Civil) (Hons), FREng, FIPENZ

Director

Russell has had a significant project management career in tunnelling and underground railway construction in New Zealand, Hong Kong, Singapore, London, China and Australia. Until 2010 he was Executive Projects Director for Hong Kong's MTR Corporation, responsible for railway projects in Hong Kong and China.
He is currently a member of the Sydney Metro Project Assurance Board.
He is a former member of the NZ Earthquake Commission Board and has farming and forestry interests in the Kaipara District.

Richard Booth

MBA, Dip Ag

Director

Richard is independent Chairman of the Kaipara District Council Audit and Risk Committee. He retired as Chairman of Delta Produce in Dargaville in August 2016 and was a ministerial appointment to the commission governing Kaipara District Council until October 2016. He has held previous directorships on the Board of the Northland Dairy Co-op, the New Zealand Dairy Board, Kiwi Co-op and Fonterra. He has private business interests in two dairy farms and an avocado orchard and retired as President of the Mangakahia Rugby Club in November 2016.

Board

Michael James

BCom, CA

Director

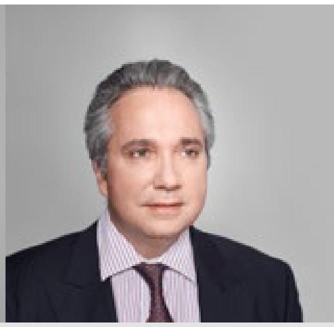
Michael is the Chief Financial Officer (CFO) for Plant & Food Research, a Crown owned science company assisting New Zealand's horticultural, arable and food sectors. He has had significant senior executive experience, particularly with innovative or high technology organisations with international scale. Previously he was CFO at Navman, a global supplier of GPS based navigation products and General Manager Europe for Dynamic Controls.

Mark Trigg

B Eng Chemicals and Materials

Director and Executive Director

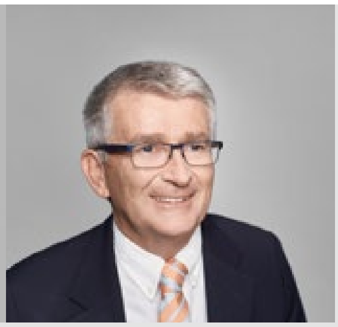
Mark joined the Northpower Board in 2015 bringing extensive industry experience, with 18 years in the electricity generation and retailing sector. During that time he had responsibility for business development, large-scale project management, operations, strategy and trading. Prior to his time in the electricity sector he had a decade in the financial markets industry. Mark has completed an advanced executive programme at Columbia University and also holds directorships on Liquigas, Century Drilling and Energy Services, and Ngati Tuwharetoa Holdings Limited and associated subsidiaries.



Laurie Kubiak

Director

Laurie's career has spanned the ICT, telco, aviation, infrastructure and energy sectors. He has held senior roles in strategy, economics, regulation, country management, operations, business development and general management – in public and private sectors. Before becoming NZIER's Chief Executive in 2014, Laurie spent 25 years in numerous commercial and strategic roles for FTSE-100 companies active in international markets.



Phil Hutchings

B.Eng. (Hons), Dip Bus Admin

Director

Phil is an experienced director of listed and unlisted companies, with international experience in renewable energy in Germany and Australia. His early career was in commercial management in the mining sector with BHP Billiton and Queensland Nickel. He then moved into corporate finance as a partner of Wilson HTM Ltd (stockbrokers) in Brisbane. Since 2000 Phil has consulted to technology and energy companies, including periods as CEO or General Manager.

For the year ended
31 March 2017

Financials

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Northpower Limited's group financial statements and performance information for the year ended 31 March 2017.

The Auditor-General is the auditor of Northpower Limited Group (the Group). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, 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 17 to 61, that comprise the balance sheet as at 31 March 2017, the comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on page 16.

In our opinion:

- the financial statements of the Group:
  - » present fairly, in all material respects:
    - its financial position as at 31 March 2017; and
    - its financial performance and cash flows for the year then ended; and
  - » comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.
- the statement of service performance of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2017.

Our audit was completed on 28 June 2017. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 7 and 12 to 15, 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 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit of the annual financial statements we have carried out other assurance assignments for the Group. This involved issuing an audit certificate pursuant to the Electricity Distribution (Information Disclosure) Requirements 2012. This assignment is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Group.

Clarence Susan
Audit New Zealand

On behalf of the Auditor-General

Tauranga, New Zealand

Board of Directors' report

The Board of Directors are appointed by the Northpower Electric Power Trust to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework, and monitors management performance.

Principal Activities

The group's principal activities are the transmission of electricity and electrical contracting.

Directors Holding Office During The Year

Northpower Limited

N P Davies-Colley (Chair)
D J Ballard
R J Black
R C Booth
M B D James
M D Trigg
P G Hutchings (from 1 February 2017)
L S Kubiak (from 1 February 2017)

West Coast Energy Pty Limited, and Northpower Western Australia Pty Limited

A R Beach
N P Davies-Colley (from 1 January 2017)
P W McElwee (from 16 April 2016)
D Wright (until 15 April 2016)
D J Ballard (until 15 April 2016)
M R Gatland (from 16 April 2016, until 31 December 2016)

Northpower Solutions Limited

P W McElwee
R P Pearce
M D Trigg (from 1 January 2017)
M Gatland (until 31 December 2016)

Northpower LFC2 Limited

N P Davies-Colley (from 1 January 2017)
J M Boyd
R P Pearce
M Gatland (until 31 December 2016)

Northpower Limited, in conjunction with Crown Fibre Holdings, has an investment in a jointly controlled entity, Northpower Fibre Company Limited (NFL).

R P Pearce and N P Davies-Colley (from 1 January 2017) are directors of NFL. M Gatland was a director until 31 December 2016).

Results

The group recorded an after tax loss of $2.35m for the period, as set out in the Comprehensive Income Statement.

Dividend

A dividend of $5.0 million has been declared for the year.

Donations

The group made donations of $14,000 to Whangarei Native Bird Recovery, $100,000 to Northland's Electricity Rescue Helicopter, $20,000 to Northland Youth Development and $20,000 to Te Taitokerau Education Trust during the year.

Insurance of Directors

The company has insured all its Directors against liabilities to other parties, that may arise from their positions as Directors.

Share Dealings

It is not possible for any Director to acquire or dispose of any interest in shares in the Company.

Use of Company Information

The Board received no notices during the year from Directors requesting use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

Directors' Interest

The following Directors have made general disclosures of interest pursuant to Section 140 of the Companies Act 1993, that the named Directors are to be regarded as having an interest in any contract that may be made with the entities listed below by virtue of their directorship of those organisations.

D J Ballard

Director/Shareholder – New Zealand Bloom (NZ) Limited
Director/Shareholder – New Zealand Bloom (California) Limited
Director – Canterbury Fields Limited
Director/Shareholder Horoeka Limited
Shareholder – Vector

R J Black

Director/Shareholder – Tin Hau Farm Limited
Director/Shareholder – Mark Six Company Limited
Director/Shareholder – R and G Orchard Limited
Director/Shareholder – Leafcutter Limited

N P Davies-Colley

Director – Farmlands Co-Operative Society Limited
Director – Landcorp Farming Limited
Director – Worksafe
Director – West Coast Energy Pty Limited
Director – Northpower Western Australia Pty Limited
Director – Northpower Fibre Limited

M B D James

Director – Plant & Food Research Australia Pty Limited
Director – Plant & Food Research USA Corporation
Director – CropSeed Limited

P G Hutchings

Director/Shareholder – Wycliffe Pty Limited
Director/Shareholder – Wycliffe Limited
Shareholder – Career Engagement Group Limited
Shareholder – RedFlow Limited
Shareholder – Austin Engineering Limited
Shareholder – Panoramic Resources Limited

L S Kubiak

Chair – The Graduate Choir of NZ
Trustee – The Holy Trinity Cathedral Music Trust
Director/Shareholder – Quilisma Limited

M D Trigg

Director – Century Drilling and Energy Services
Shareholder – Solpho Holdings Limited
Director – Ngati Tuwharetoa Holdings Limited
Director – Ngati Tuwharetoa Geothermal Assets Limited
Director – Ngati Tuwharetoa Electricity Limited
Director – Northpower Solutions Limited (from 1 January 2017)

Directors' Remuneration

Directors' remuneration paid during the period was:-

Northpower Limited:

R J Black	$59,250
D J Ballard	$59,250
N P Davies-Colley	$118,500
M B D James	$59,250
R C Booth	$59,250
M D Trigg	$59,250
P G Hutchings	$10,000
L S Kubiak	$ 10,000
	$434,750

West Coast Energy Pty Limited:

A R Beach	$64,159
D Wright	$3,297
	$67,456

Remuneration of Employees

Bands:	No. of Employees
Less than $100,000	860
$100,000 – $109,999	134
$110,000 – $119,999	106
$120,000 – $129,999	63
$130,000 – $139,999	45
$140,000 – $149,999	27
$150,000 – $159,999	22
$160,000 – $169,999	19
$170,000 – $179,999	20
$180,000 – $189,999	22
$190,000 – $199,999	22
$200,000 – $209,999	13
$210,000 – $219,999	13
$220,000 – $229,999	17
$230,000 – $239,999	5
$240,000 – $249,999	3
$250,000 – $259,999	3
$260,000 – $269,999	2
$270,000 – $279,999	2
$290,000 – $299,999	1
$300,000 – $309,999	1
$340,000 – $349,999	1
$350,000 – $359,999	1
$480,000 – $489,999	1
$920,000 – $929,999	1

Please note that the remuneration of employees as reflected in the above table contains severance payments made to some employees.

Changes in Directors

In accordance with the Company's Constitution, Michael James and Richard Booth will retire and offer themselves for re-election.

For and on behalf of the Board.

Nikki Davies-Colley
Chairman and Interim Managing Director

Directors' responsibility statement

The Directors are responsible for preparing the financial and service performance statements and ensuring that they comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Subsidiaries as at 31 March 2017 and the results of their operations and cash flows for the year ended on that date.

The Directors consider that the financial and service performance statements of the Company and the Subsidiaries have been prepared using appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company with the Subsidiaries, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial and service performance statements.

The Directors are pleased to present the financial and service performance statements of Northpower Limited and its Subsidiaries for the year ended 31 March 2017.

Approved for and on behalf of the Board of Directors on 28 June 2017.

Nikki Davies-Colley
Chairman and Interim Managing Director

Michael James
Director

Governance statement

The Board of Directors of the Company is appointed by the Northpower Electric Power Trust, as representatives of the shareholders. Its role is to supervise the management of the Company and its subsidiary companies. The Board establishes the Group's objectives, strategies and overall policy framework. The Board delegates day-to-day management of the Group to the Chief Executive and monitors management's performance.

Code of conduct

As part of the Board's commitment to the highest standards of behaviour and accountability, the Company adopts a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code covers matters such as:

- responsibilities to shareholders
- relations with customers and suppliers
- employment practices
- Board operations and membership.

The Board comprises eight Directors: a non-executive Chairman and seven non-executive Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities. For an interim period (commencing January 2017) two directors were appointed as executive directors to transition to commencement of a new chief executive.

The Board meets monthly and has additional meetings as required to address specific issues.

The primary responsibilities of the Board include:

- ensuring preparation of the annual and half-year financial statements
- the establishment of the long term goals of the Company and strategic plans to achieve those goals
- the review and adoption of annual budgets for the financial performance of the Company, monitoring results on a monthly basis
- managing risk by ensuring that the Company has implemented adequate systems of internal controls, together with appropriate compliance monitoring
- working with management to create shareholder value.

Audit committee

The Audit Committee is responsible for overseeing the financial, accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies. The Committee met five times during the year.

Treasury committee

The Treasury Committee is responsible for the oversight and review of proposed treasury transactions including banking, cash and debt management, investment and treasury risk management. The Committee also monitors the effective implementation of the Group's financing strategy. The Committee met nine times during the year.

Statement of corporate intent

In accordance with Section 39 of the Energy Companies Act 1992, the Board submits to the Northpower Electric Power Trust a draft statement of corporate intent (SCI) for the coming financial year. The SCI sets out the Company's overall objectives, intentions and financial performance targets.

Risk management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control.

In addition, the Board reviews ways of enhancing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and the implementation, where considered necessary and effective, of recommendations made by the external auditors.

Statement of service performance

	FY17 Actual	FY17 Target	FY16 Actual
Underlying Net profit after tax as a percentage of Shareholder's Funds[1]	**0.08%**	6.00%	3.75%
Capital ratio	**55.8%**	>58%	56.8%
Network Reliability (SAIDI)[2]			
planned	**59.98**	<85	66.52
unplanned	**94.42**	<90	67.16
Number of faults per 100km of line	**8.41**	<10	6.6
Customer Satisfaction (residential)		>85%	89%
Customer Satisfaction (commercial)		>85%	86%
Lost Time injury	**12**	-	5
Total injury frequency rate per mil man hours[3]	**15.68**	<18	15.22

Northpower did not achieve its Group Financial SCI target for FY17 – the ratio of Underlying Group Net Profit after Tax to average Shareholder's Funds was 0.08% versus a target of 6%. This ratio reflects the adverse performance of West Coast Energy, including all costs related to this business being discontinued.

The target for planned interruptions of less than 85 minutes was achieved. However, the target for unplanned interruptions of less than 90 minutes was not achieved due to the impact of adverse weather events.

The customer satisfaction survey for FY17 is yet to be completed. The survey questions are being refined and will be completed before the end of July 2017.

The Lost Time Injury target was not achieved. The Lost Time Injury classification was changed during the reporting period to include incidents that were previously unrecorded. On a like for like basis the number of Lost Time Injuries were unchanged from the previous year. A Health and Safety programme that has commenced should assist to achieve this target in future years.

The Total Injury Frequency Rate target was met; however the outcome was largely unchanged from the prior year. Management is actively working towards reducing this rate.

1 Underlying net profit after tax is the net profit after tax less the impact of fair value adjustments – i.e. gain on derivatives (+$1.4m) and asset impairment (-$4.9m)

2 SAIDI is the system average interruption duration index – the average duration of interruptions to supply consumers on average in the year, and is calculated as:

$$\frac{\text{Sum of (number of interrupted consumers X interruption duration)}}{\text{Average number of connection customers}}$$

3 Total injury frequency rate per million man hours is calculated as:

$$\frac{\text{number of lost time injuries + medical treatment injuries + restricted treatment injuries}}{\text{hours worked x 1,000,000 hours}}$$

Comprehensive income statement

	Notes	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Continuing operations					
Revenue	5(a)	**290,425**	262,163	**288,778**	262,163
Other income	5(b)	**4,521**	917	**5,954**	1,699
Materials/supplies expenses		**121,087**	106,604	**118,527**	106,604
Employee benefits expenses	34	**102,275**	95,645	**101,691**	95,645
Transmission costs		**19,149**	18,424	**19,149**	18,424
Depreciation and amortisation expense		**15,904**	16,764	**15,904**	16,764
Impairment loss	15	**–**	–	**17,372**	–
Other expenses	6	**7,557**	9,133	**8,922**	9,133
Finance costs		**3,964**	4,316	**3,964**	4,316
Share of (profit)/ loss in associate		**(752)**	368	**–**	**–**
Profit before income tax		**25,762**	**11,826**	**9,203**	**12,976**
Income tax expense	9	**(6,895)**	(3,446)	**(6,895)**	(3,446)
Profit for the year from continuing operations attributable to the equity holders of the parent		**18,867**	**8,380**	**2,308**	**9,530**
(Loss)/profit for the year from discontinued operations	7	**(21,218)**	1,191	**–**	–
(Loss)/profit for the year attributable to the equity holders of the parent		**(2,351)**	**9,571**	**2,308**	**9,530**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations		**(880)**	1,172	**–**	–
Items that will not be reclassified to profit or loss					
Net fair value gains on investments measured at FVTOCI		**18**	48	**18**	48
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		**34**	–	**34**	–
Net fair revaluation gains on land and buildings		**–**	402	**–**	402
Income tax relating to these items	9	**–**	(311)	**–**	(311)
Other comprehensive (loss)/income for the period net of tax		**(828)**	**1,311**	**52**	**139**
Total comprehensive income for the year attributable to the equity holders of the parent		**(3,179)**	**10,882**	**2,360**	**9,669**

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

Balance sheet

	Notes	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Assets					
Current assets					
Cash and cash equivalents	11	**2,041**	1,547	**1,892**	849
Trade and other receivables	12	**38,022**	37,572	**32,687**	34,162
Work in progress – construction contracts	13	**26,578**	23,100	**20,662**	18,563
Inventory	32	**10,050**	10,044	**9,971**	9,802
		76,691	72,263	**65,212**	63,376
Assets classified as held for sale	8	**8,919**	–	**5,451**	–
Total current assets		**85,610**	72,263	**70,663**	63,376
Non-current assets					
Other financial assets	14	**883**	865	**883**	865
Investment in subsidiaries	15	**–**	–	**1**	14,638
Assets under construction		**9,844**	6,426	**9,844**	6,426
Goodwill and intangible assets	16	**12,217**	12,873	**12,217**	12,873
Investment in associates	28	**23,861**	16,634	**27,110**	18,809
Derivative financial instruments	24	**72**	–	**72**	–
Investment property	18	**735**	4,672	**735**	4,672
Property, plant and equipment	17	**321,001**	341,968	**320,993**	331,064
Total non-current assets		**368,613**	383,438	**371,855**	389,347
Total assets		**454,223**	**455,701**	**442,518**	**452,723**
Liabilities					
Current liabilities					
Borrowings	19	**–**	809	**–**	–
Trade and other payables	20	**31,730**	28,230	**25,815**	26,410
WCE closure provisions	20	**10,694**	–	**–**	–
Provision for dividend	21	**5,000**	5,000	**5,000**	5,000
Provision for tax		**5,736**	153	**5,736**	153
Derivative financial instruments	24	**–**	64	**–**	64
Employee entitlements	31	**9,355**	8,505	**8,256**	7,284
		62,515	42,761	**44,807**	38,911
Liabilities directly associated with assets classified as held for sale	19	**1,140**	–	**–**	–
Total current liabilities		**63,655**	42,761	**44,807**	38,911
Non-current liabilities					
Employee entitlements	31	**851**	932	**851**	932
Borrowings	19	**79,900**	91,532	**79,900**	90,800
Derivative financial instruments	24	**2,200**	3,514	**2,200**	3,514
Deferred taxation	10	**57,664**	59,031	**57,664**	59,031
Total non-current liabilities		**140,615**	155,009	**140,615**	154,277
Total liabilities		**204,270**	**197,770**	**185,422**	**193,188**
Net assets		**249,953**	**257,931**	**257,096**	**259,535**
Equity					
Share capital	22	**35,989**	35,989	**35,989**	35,989
Asset revaluation reserve		**37,885**	40,072	**37,885**	40,072
Other reserves		**100**	48	**100**	48
Foreign currency translation reserve		**(3,227)**	(2,347)	**–**	–
Retained earnings		**179,206**	184,169	**183,122**	183,426
Equity attributable to equity holders of the parent		**249,953**	**257,931**	**257,096**	**259,535**
Total equity		**249,953**	**257,931**	**257,096**	**259,535**

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

Statement of changes in equity

	Ordinary Shares $000s	Retained Earnings $000s	Other Reserves $000s	Asset Revaluation Reserve $000s	Foreign Currency Translation Reserve $000s	Total $000s
Group						
As at 1 April 2016	35,989	184,169	48	40,072	(2,347)	257,931
Loss for the period	–	(2,351)	–	–	–	(2,351)
Other comprehensive income for the period	–	–	52	–	(880)	(828)
Transfer from Asset Revaluation Reserve	–	2,388	–	(2,388)	–	–
Deferred Tax on above	–	–	–	201	–	201
Total comprehensive income for the period	–	37	52	(2,187)	(880)	(2,978)
Transactions with owners in their capacity as owners						
Dividends paid	–	(5,000)	–	–	–	(5,000)
As at 31 March 2017	**35,989**	**179,206**	**100**	**37,885**	**(3,227)**	**249,953**
As at 1 April 2015	35,989	179,909	–	39,670	(3,519)	252,049
Profit for the period	–	9,571	–	–	–	9,571
Other comprehensive income for the period	–	(311)	48	402	1,172	1,311
Total comprehensive income for the period	–	9,260	48	402	1,172	10,882
Transactions with owners in their capacity as owners						
Dividends paid	–	(5,000)	–	–	–	(5,000)
As at 31 March 2016	**35,989**	**184,169**	**48**	**40,072**	**(2,347)**	**257,931**
Parent						
As at 1 April 2016	35,989	183,426	48	40,072	–	259,535
Profit for the period	–	2,308	–	–	–	2,308
Other comprehensive income for the period	–	–	52	–	–	52
Transfer from Asset Revaluation Reserve	–	2,388	–	(2,388)	–	–
Deferred Tax on above	–	–	–	201	–	201
Total comprehensive income for the period	–	4,696	52	(2,187)	–	2,561
Transactions with owners in their capacity as owners						
Dividends paid	–	(5,000)	–	–	–	(5,000)
As at 31 March 2017	**35,989**	**183,122**	**100**	**37,885**	**-**	**257,096**
As at 1 April 2015	35,989	179,207	–	39,670	–	254,866
Profit for the period	–	9,530	–	–	–	9,530
Other comprehensive income for the period	–	(311)	48	402	–	139
Total comprehensive income for the period	–	9,219	48	402	–	9,669
Transactions with owners in their capacity as owners						
Dividends paid	–	(5,000)	–	–	–	(5,000)
As at 31 March 2016	35,989	183,426	48	40,072	–	259,535

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

Cash flow statement

	Notes	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Operating activities					
Receipts from customers		**331,985**	344,109	**284,350**	262,071
Interest received		**119**	43	**118**	43
Dividends received		**2,451**	–	**2,451**	–
Payments to suppliers		**(169,521)**	(176,735)	**(143,965)**	(133,965)
Payments to employees		**(128,805)**	(129,994)	**(100,803)**	(96,659)
Interest paid		**(4,164)**	(5,275)	**(4,075)**	(5,198)
Income tax paid		**(2,478)**	(100)	**(2,478)**	(100)
Net GST paid		**1,262**	(2,463)	**1,262**	(2,064)
Net cash flows from operating activities	23	**30,849**	29,585	**36,860**	24,128
Investing activities					
Proceeds from sale of property, plant and equipment		**12,637**	3,275	**12,544**	2,478
Purchase of investment property		**–**	(735)	**–**	(735)
Proceeds from subsidiary		**–**	–	**–**	5,855
Advances to subsidiary		**–**	–	**(6,672)**	–
Investment in associate		**(8,301)**	(6,957)	**(8,301)**	(6,957)
Purchase of intangible assets		**(1,280)**	(1,469)	**(1,280)**	(1,469)
Purchase of property, plant and equipment		**(16,232)**	(26,554)	**(16,208)**	(25,923)
Net cash flows used in investing activities		**(13,176)**	(32,440)	**(19,917)**	(26,751)
Financing activities					
Proceeds from borrowings		**–**	5,350	**–**	5,350
Repayment of borrowings		**(10,900)**	–	**(10,900)**	–
Payment of finance lease liabilities		**(401)**	(301)	**–**	–
Dividends paid to equity holders of the parent	21	**(5,000)**	(3,000)	**(5,000)**	(3,000)
Net cash flows (used in)/from financing activities		**(16,301)**	2,049	**(15,900)**	2,350
Net increase in cash and cash equivalents		**1,372**	(806)	**1,043**	(273)
Net foreign exchange differences		**(878)**	490	**–**	–
Cash and cash equivalents at the beginning of the year		**1,547**	1,863	**849**	1,122
	11	**2,041**	**1,547**	**1,892**	**849**

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

Notes to the financial statements

1 General information

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand.

The Company is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The financial statements presented are for Northpower Limited and the Group (or "the Group") as at, and for the year ended 31 March 2017. The Group consists of Northpower Limited and its subsidiaries Northpower Solutions Limited, Northpower LFC2 Limited, West Coast Energy Pty Limited and Northpower Western Australia Pty Limited along with an associate company Northpower Fibre Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

The principal activities of the Company are electricity distribution and contracting. The principal activities for the subsidiaries are as follows:

- West Coast Energy Pty Limited is based in Western Australia. It operates an electricity contracting business.
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding company.
- Northpower Solutions Limited operates an electricity contracting business.
- Northpower LFC2 Limited has not traded for the year ended 31 March 2017 but has been established to operate a telecommunications fibre business.

2 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on various other factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the period if the change affects only that period, or into the future period if it also affects future periods.

Management has identified the following critical accounting policies for which significant judgements, estimates, and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Nature of investment in Northpower Fibre Limited

The nature of Northpower Limited's investment in Northpower Fibre Limited (NFL) is not readily apparent, and requires significant judgement. Management consider that NFL is an associate for the following reasons:

- each shareholder shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns
- during the concession period neither Northpower nor Crown Fibre Holdings (CFH), another shareholder of NFL have the unilateral right to make decisions regarding NFL activities
- Northpower and CFH both have the right to appoint two of the five Directors on the NFL Board and neither is able to control the majority of votes of the Board.

Assessment of impairment in the carrying value of Northpower Fibre Limited

In order to assess whether there is any impairment in the carrying value of the investment in NFL, recoverable value must be estimated using a value-in-use discounted cash flow methodology. A key assumption in the valuation is the forecast rate of uptake of customers connecting to the fibre broadband network. This forecast rate is highly subjective given the business is only in its sixth year of operation.

Discounted Cash flows

Management assesses whether the individual assets or grouping of related assets (which generate cash flows independently) are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting cash flow are required.

Construction contracts

The Group recognised revenue from construction contracts by applying percentage of completion method. Percentage of completion is determined using the cost incurred compared to the total cost estimated for the completion of the contract.

Impairment of goodwill

The Group determines whether goodwill and intangibles with infinite lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 16.

Allowance for impairment loss on trade receivables

Northpower maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of Northpower's debtors' portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties for plant and equipment (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Assessment of impairment in the carrying value of the investment in West Coast Energy Pty Limited (WCE)

Post year end the WCE business will close (see note 7), however the Northpower Western Australia Pty Limited group continues to be a going concern. Accordingly, Northpower Limited must perform an impairment assessment over the carrying value of its investment.

The recoverable value of the investment in WCE is determined on the basis of value-in-use discounted cash flow methodology. To assess impairment, management must estimate future cash flows. This entails making judgements around:

- the expected rate of revenue growth
- margins expected to be achieved
- capital expenditure required to support the outcomes
- appropriate discount rate to apply when discounting future cash flows.

The Directors have determined that Northpower's investment is fully impaired at 31 March 2017.

Long service leave and retirement leave provision

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on the likely future entitlements based on years of service, years to entitlement, attrition rates, and contractual entitlements' information and the present value of the estimated future cash flows. Changes to the assumptions made in the calculation of the long service leave will result in changes to the carrying value of the provision.

Revenue recognition

Part of the network charges is based on normalisation, where consumption is estimated to the end of the billing period based on historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refunds given. These adjustment amounts are not significant compared with total network revenue.

Revaluation of assets

Distribution system assets along with land and buildings which are held as property, plant and equipment and investment properties are valued by an independent valuer. The revaluation exercise is performed every three years, the last of which was performed in March 2016.

The fair value of the Group's land and buildings is based on market values, being the price that would be received to sell land and buildings in an orderly transaction between market participants at the measurement date. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of the revalued assets.

Network distribution system assets are determined by using a discounted cash flow methodology. The major inputs used in the valuation of network assets include the discount rate, projected operational and capital expenditure profiles, inflation and growth rate assumptions.

An analysis of the valuation model based on the most recent revaluation performed on 31 March 2016 (see note 17) indicates that the valuation of the distribution system assets is most sensitive to movements in distribution revenue and operating expenditure.

Assumption	Valuation assumption adopted	Low	High	Valuation Impact
Distribution revenue	Per forecast	Increase by 5%	Decrease by 5%	-$13.5m/+$13.5m
Operating expenditure	Per forecast	Increase by 5%	Decrease by 5%	-$10.6m/+$10.6m

Recognised fair value measurements

Fair value hierarchy of non-financial assets

The following table summarises the fair value measurement hierarchy of the non-financial assets that are recognised and measured at fair value in the financial statements.

	Level 2 $000s	Level 3 $000s	Total $000s
Group & Parent			
Investment Properties			
Land	390	–	390
Buildings	345	–	345
	735	**–**	**735**
Property, Plant & Equipment			
System distribution assets	–	273,771	273,771
Land	7,664	–	7,664
Buildings	3,034	4,199	7,233
Building infrastructure	1,609	661	2,270
	12,307	**278,631**	**290,938**
	13,042	**278,631**	**291,673**

Valuation techniques used to determine level 2 and level 3 fair values of non financial assets

The Group obtains independent valuations for its system distribution assets and land and buildings at least every three years.

Valuation techniques are based on the hierachy as follows:

Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed as at the measurement date.

Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs - unobservable inputs for the asset.

3 Summary of significant accounting policies

a Statement of compliance and reporting framework

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. They also comply with International Financial Reporting Standards.

b Basis of preparation

The financial statements have been prepared on an historical cost basis except for the revaluation of derivatives, other financial assets, distribution system assets, and land and buildings.

The present currency is New Zealand dollars ($). All financial information has been rounded to the nearest thousand unless otherwise stated.

The financial statements for the year ended 31 March 2017 were authorised for issue in accordance with a resolution of the Directors on 28 June 2017.

c New accounting standards and interpretations

i Changes in accounting policies and disclosures

The financial statements have been prepared using accounting policies that are consistent with those of the previous financial year.

ii Accounting standards issued but not yet effective

Standards and interpretations that have been recently issued or amended, but are not yet effective, up to the date of issuance of the Group's financial statements are summarised below. The Group intends to adopt these standards when they become effective.

iii Accounting standards issued but not yet effective

- NZ IFRS 15 Revenue from Contracts with Customers: NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and all other related interpretations. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NZ IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. Application date for the Group is 1 April 2017. The Group is currently assessing the impact of adopting this standard.
- NZ IFRS 16 Leases: NZ IFRS 16 is a new standard on the recognition, measurement, presentation and disclosure of leases. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. NZ IFRS 16 requires lessees to account for all the leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17. NZ IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. Application date for the Group is 1 April 2019. The Group is currently assessing the impact of adopting this standard.

d Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and other entities under its control (its Subsidiaries). Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are controlled directly or indirectly by the parent. Northpower Limited holds over 50% of the voting rights in all entities reported as Subsidiaries. There are currently no indicators that Northpower Limited does not have control consistent with voting rights.

The financial statements of Subsidiaries are reported in the financial statements using the acquisition method of consolidation.

Intra-group balances and transactions between Group companies are eliminated on consolidation.

Investments in Subsidiaries held by the Parent are accounted for at cost in the separate financial statements of the Parent entity, less any impairment charges.

e Foreign currency translation

i Functional and presentation currency

Both the functional and presentation currency of Northpower Limited is New Zealand dollars ($). The Australian Subsidiaries' functional currency is Australian dollars which is translated to the presentation currency (see below for consolidated reporting).

ii Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial translation. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when fair value was determined.

iii Translation of Group companies' functional currency to presentation currency

Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve in equity.

If the Australian subsidiary were sold, the proportionate share of exchange differences would be transferred out of reserves and reclassified to profit or loss in the statement of comprehensive income.

f Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense item as applicable.
- receivables and payables, which are stated with the amount of GST included.
- the net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a GST exclusive basis.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the entity becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognised at the fair value of the consideration received/transferred less, in the case of financial assets and liabilities not recorded at fair value through profit or loss, directly attributable transaction costs. Subsequently the Group applies the following accounting policies for financial instruments:

Financial assets at amortised cost

Financial assets at amortised cost consist of trade & other receivables, cash and equivalents.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured at the difference between the assets carrying amount and the present value of estimated future cash flows discounted using the effective interest rate. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days and without arrangement) are considered indicators that the receivable is impaired.

Cash and cash equivalents comprise cash on hand and demand deposit and other short-term highly liquid investments that are equity convertible to a known amount of cash and are subject to an insignificant risk of changes in book value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of derivative financial instruments.

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with the treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Derivatives are subsequently measured at their fair value at each balance date with the resulting gain or loss recognised in the profit or loss. The Group has elected not to apply hedge accounting.

The full fair value of a foreign exchange or interest rate derivative is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange derivatives are classified as non-current.

Other financial assets

Investments in equity instruments at FVTOCI (fair value through other comprehensive income) are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as FVTOCI on initial application of NZ IFRS 9.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, amounts due from customers under construction contracts, as well as loan commitments and financial guarantee contracts. No impairment loss is recognised for investment in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month's ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payables and borrowings.

Financial liabilities at amortised cost are subsequently measured using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL (fair value through profit and loss) when the financial liability is 1) contingent consideration of an acquirer in a business combination to which NZ IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

h Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale it must be available for immediate sale in its present condition and a sale must be highly probable.

j Impairment of non-financial assets other than goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the same time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is established to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the comprehensive income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the reversed estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the comprehensive income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase through other comprehensive income.

k Leases

Northpower entities lease certain items of property, plant and equipment. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessors effectively retain all the risks and benefits of ownership of the lease terms, are included in the determination of the net surplus in equal instalments over the period of the lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the comprehensive income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

l Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provision for onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

m Cash flow statement

Cash and cash equivalents comprise cash balances on hand, held in bank accounts, on-demand deposits and other highly liquid investments with maturities three months or less in which the Group invests as part of its day-to-day cash management.

Operating activities include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support Northpower's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

Investing activities are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

Financing activities are those activities relating to changes in equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital excluding interest.

4 Financial risk management objectives and policies

The Group's principal financial instruments comprise trade & other receivables, trade & other payables, borrowings, available for sale investments, interest rate swaps, forward exchange contracts and cash & cash equivalents. Financial risk management for currency and interest rate risk is carried out by the treasury function under policies approved by the Board. The Group risk management policy approved by the Board provides the basis for overall financial risk management.

The Group does not hold or issue derivative financial instruments for trading purposes. All contracts have been entered into with major creditworthy institutions. The risk associated with these transactions is the cost of replacing these agreements at the current market rates in the event of default by a counterparty.

Credit Risk

Credit risk is the risk that a third party will default on its contractual obligation resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to credit risk principally consist of cash and bank balances, short term deposits and accounts receivable. Northpower does not generally require collateral from customers.

The Group places its cash and short term deposits with high credit quality financial institutions (A1 or better), and limits the proportion of credit exposure to any one institution in accordance with Company policy.

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There is no significant concentration of credit risk. The maximum amount of credit risk for each class is the carrying amount in the balance sheet.

Liquidity Risk

Liquidity risk is the risk that the Parent and Group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Flexibility in funding is maintained by keeping committed credit lines available.

The Group has a maximum amount that can be drawn against its lending facilities of NZD$107,000,000 (2016: NZD$107,000,000). There are no restrictions on the use of the facilities.

The Parent also has in place a credit card facility with a combined credit limit over all cards issued of NZD$1,000,000 (2016: NZD$1,000,000).

The Group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the majority profiles of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	2017 <6 Months $000s	6-12 Months $000s	1-2 Years $000s	2-5 Years $000s	2016 <6 Months $000s	6-12 Months $000s	1-2 Years $000s	2-5 Years $000s
Group								
Trade & other payables	**22,751**	–	–	–	22,050	–	–	–
Finance leases payable	–	–	–	–	856	–	406	407
Interest bearing loans	–	–	**23,306**	**68,403**	–	–	47,000	43,800
	22,751	–	**23,306**	**68,403**	22,906	–	47,406	44,207
Parent								
Trade & other payables	**17,297**	–	–	–	16,278	–	–	–
Interest bearing loans	–	–	**23,306**	**68,403**	–	–	47,000	43,800
	17,297	–	**23,306**	**68,403**	16,278	–	47,000	43,800

Contractual maturity analysis of derivative financial assets (liabilities)

The table below analyses derivative financial instruments into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2017 <6 Months $000s	6-12 Months $000s	1-2 Years $000s	2-5 Years $000s	2016 <6 Months $000s	6-12 Months $000s	1-2 Years $000s	2-5 Years $000s
Group – net settled								
Derivatives	–	–	**(106)**	**(2,022)**	(5)	(58)	(53)	(3,462)
Parent – net settled								
Derivatives	–	–	**(106)**	**(2,022)**	(5)	(58)	(53)	(3,462)

Maturity analysis of financial liabilities based on management's expectation

The risk implied from the values shown in the table above, reflects management's expectation of cash outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations. To monitor the existing financial assets and liabilities as well as to enable an effective controlling of future risks, Northpower has established comprehensive risk reporting covering its business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Fair Values

The fair value of all financial instruments approximates the carrying value recorded in the balance sheet.

Fair value hierarchy disclosures

For most instruments recognised at fair value on the balance sheet, fair values are determined according to the following hierarchy:

1. Quoted market price – Financial instruments with quoted prices for identical instruments in active markets (Level 1).
2. Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable (Level 2).
3. Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable (Level 3). The following table summarises the fair value measurement hierarchy of the Group's financial assets and liabilities.

There have been no transfers between Level 1 and Level 2 during the periods.

	2017		2016	
	Level 1 $000s	**Level 2 $000s**	Level 1 $000s	Level 2 $000s
Group				
Financial assets				
Interest rate swaps	**–**	**72**	–	–
Other financial assets	**851**	**32**	833	32
	851	**104**	833	32
Financial liabilities				
Interest rate swaps	**–**	**(2,200)**	–	(3,578)
	–	**(2,200)**	–	(3,578)
Parent				
Financial assets				
Interest rate swaps	**–**	**72**	–	–
Other financial assets	**851**	**32**	833	32
	851	**104**	833	32
Financial liabilities				
Interest rate swaps	**–**	**(2,200)**	–	(3,578)
	–	**(2,200)**	–	(3,578)

Foreign Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of investment operations in Australia, the Group's balance sheet can be affected significantly by movements in the exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At 31 March 2017, the Group had the following exposure to $AUD:

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Financial Assets				
Cash & cash equivalents	**1,305**	629	**1,170**	–
Trade & other receivables	**5,126**	6,898	**-**	–
Financial Liabilities				
Trade & other payables	**7,257**	5,473	**-**	–
Interest bearing loans & borrowings	**1,042**	1,388	**-**	–
Net exposure	**(1,868)**	666	**1,170**	**-**

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date.

At 31 March 2017, had the New Zealand Dollar moved, as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Group				
NZD Strengthen +5%	**104**	(35)	**-**	–
NZD Weaken –5%	**(115)**	39	**-**	–
Parent				
NZD Strengthen +5%	**(61)**	–	**-**	–
NZD Weaken –5%	**67**	–	**-**	–

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates.

The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this.

	Group		Parent	
	2017 $000s	**2016 $000s**	**2017 $000s**	2016 $000s
Interest rate swaps	**88,000**	93,000	**88,000**	93,000

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 31 March 2017, if interest rates had moved as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Group				
+1% (100 basis points)	**1,443**	881	**-**	–
-0.5% (50 basis points)	**(779)**	(441)	**-**	–
Parent				
+1% (100 basis points)	**1,443**	881	**-**	–
-0.5% (50 basis points)	**(779)**	(441)	**-**	–

Based on the above table the movement in profit is due mainly to the higher/lower interest costs from variable rate debt along with the result of a fair value change in interest rate swaps which are not hedged. There would be no effect on other components of equity.

5 Revenue

Revenue is recognised and measured at fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Line charges
Line charges revenue represents income generated from the distribution of electricity to consumers. Revenue is measured at the fair value of the consideration received or receivable.

Line contributions
Line contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the comprehensive income statement to reflect the percentage of completion of the construction of the related items. Contributions received in excess of those recognised in the comprehensive income statement are recognised as deferred income in the balance sheet.

Interest income
Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Construction contracts
Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance date, as measured by the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are incurred to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Farming

Revenue is recognised at the fair value of the consideration received and receivable derived from the Group's share of milking income from the farm.

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
a) Revenue				
Gross line revenues	**69,370**	68,859	**69,370**	68,859
Discount	**–**	(4,204)	**–**	(4,204)
Net line revenues	**69,370**	64,655	**69,370**	64,655
Line contributions	**2,643**	1,977	**2,643**	1,977
Contracting work income	**217,994**	194,680	**214,522**	194,680
Dividend income	**–**	625	**1,826**	625
Interest income	**119**	43	**118**	43
Income from farming	**299**	183	**299**	183
	290,425	262,163	**288,778**	262,163
b) Other income				
Net gain on foreign exchange	**213**	176	**213**	176
Fair valuation gain on derivative instruments	**1,416**	–	**1,416**	–
Gain on sale of assets	**2,499**	191	**2,499**	191
Gain on revaluation of investment properties	**–**	13	**–**	13
Rent received	**85**	75	**85**	75
Sundry income	**308**	462	**1,741**	1,244
	4,521	917	**5,954**	1,699

Revenue associated with discontinued activities is disclosed in note 7.

6 Other expenses

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Auditor's remuneration				
– Audit of financial statements	**175**	150	**154**	150
– Audit of regulatory disclosures	**25**	25	**25**	25
Bad debts written off	**320**	43	**1,706**	43
Fair valuation loss on derivative instruments	**–**	2,905	**–**	2,905
Directors' fees	**430**	404	**430**	404
Rental and operating lease costs	**6,607**	5,561	**6,607**	5,561
Research and development	**–**	45	**–**	45
	7,557	9,133	**8,922**	9,133
Included in discontinued operations:				
Audit fees	**122**	75	**–**	–
Directors fees	**67**	158	**–**	–

7 Discontinued operations

West Coast Energy

The Group has a number of contracts with Western Power Pty Limited (a key customer of the subsidiary West Coast Energy Pty Limited), including the Network Services Contract and the Inspection Services Contract. The Network Services Contract has an end date of 30 June 2018 and the Inspection Services Contract has an end date of 30 June 2017. The nature of these contracts is that volumes and pricing are agreed with Western Power each year. During the current financial year it became apparent that the Group was unable to make a sustainable profit from the Network Services Contract and as a result the Group made a decision in December 2016 not to re-bid for volumes. Whilst the Group was able to generate profits from the Inspection Services Contract, the Group made a decision not to re-bid for volumes under this contract also. The Group will continue to fulfill all contractual commitments, which are contracted volumes up until 30 June 2017, however following this decision the West Coast Energy business will then close. Closure of the business has resulted in several restructuring provisions and these are outlined in note 20 in these financial statements. There are also 'assets classified as held for sale' as outlined in note 8. Trade receivables, construction work in progress and trade payables are expected to be realised in the normal course of business.

The Group did decide to continue with the acoustic testing work (Foresight). This work will continue under Northpower Western Australia Pty Limited with the company employing one person to manage this work.

The results of the discontinued operations included in the profit for the year are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

Loss for the year from discontinued operations

	Group 2017 $000s	Group 2016 $000s	Parent 2017 $000s	Parent 2016 $000s
Revenue	**47,143**	76,624	**–**	–
Expenses	**(68,361)**	(75,433)	**–**	–
(Loss)/profit before income tax	**(21,218)**	1,191	**–**	–
Income tax expense	**–**	–	**–**	–
(Loss)/profit for the year from discontinued operations (attributable to equity holders of the Parent)	**(21,218)**	1,191	**–**	–

Discontinued activities include an impairment of property, plant and equipment of $4,946k.

Cash flows from discontinued operations included in the Group cash flow statement are set out below

	Group 2017 $000s	Group 2016 $000s
Net cash flows from operating activities	**(6,310)**	5,215
Net cash flows from investing activities	**(281)**	285
Net cash flows from financing activities	**(401)**	(301)
Net cash flows	**(6,992)**	5,199

8 Assets classified as held for sale

	Group 2017 $000s	Group 2016 $000s	Parent 2017 $000s	Parent 2016 $000s
Property, plant and equipment	**4,982**	–	**1,514**	–
Investment properties	**3,937**	–	**3,937**	–
	8,919	**–**	**5,451**	**–**

9 Taxation

Income tax expense/(benefit) comprises current and deferred tax and is calculated using rates enacted or substantively enacted at balance dates. Current and deferred tax is recognised in profit or loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Deferred tax is recognised on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised for the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Taxation				
Accounting profit before income tax	**25,762**	11,826	**9,203**	12,967
At New Zealand's statutory tax rate of 28% (2016: 28%)	**7,213**	3,311	**2,577**	3,631
Plus/(less) tax effect of:				
– Non-deductible expense	**695**	177	**5,331**	(143)
– Prior period adjustment	**(641)**	(42)	**(641)**	(42)
Reclassification of assets being held for sale	**(372)**	–	**(372)**	–
	6,895	3,446	**6,895**	3,446
The Taxation Charge is Represented by:				
– Current taxation	**7,938**	3,004	**7,938**	3,004
– Deferred taxation	**(30)**	484	**(30)**	484
– Prior period adjustment relating to current tax	**123**	(1,010)	**123**	(1,010)
– Prior period adjustment relating to deferred tax	**(764)**	968	**(764)**	968
Reclassification of assets being held for sale	**(372)**	–	**(372)**	–
	6,895	3,446	**6,895**	3,446
Amounts charged or credited to other comprehensive income				
– Deferred tax on asset revaluation	**–**	(311)	**–**	(311)
	–	(311)	**–**	(311)
Imputation credits available for use in subsequent reporting periods	**33,791**	28,168	**33,791**	26,168

The Group has unrecorded tax losses relating to its Australian business of A$39.3m (2016: A$15.5m). These losses have not been booked as a deferred tax asset in the current year due to the uncertainty of future taxable profits.

10 Recognised deferred tax assets and liabilities

	Property, plant & equipment $000s	Financial instruments $000s	Employee entitlements $000s	Other $000s	Total $000s
Group					
Balance as at 1 April 2016	(55,526)	–	1,761	(5,266)	(59,031)
Charged to profit/(loss)	(6)	–	219	953	1,166
Charged to other comprehensive income	201	–	–	–	201
Balance as at 31 March 2017	**(55,331)**	**-**	**1,980**	**(4,313)**	**(57,664)**
Parent					
Balance as at 1 April 2016	(55,526)	–	1,761	(5,266)	(59,031)
Charged to profit/(loss)	(6)	–	219	953	1,166
Charged to other comprehensive income	201	–	–	–	201
Balance as at 31 March 2017	**(55,331)**	**-**	**1,980**	**(4,313)**	**(57,664)**
Group					
Balance as at 1 April 2015	(54,662)	–	2,245	(4,984)	(57,401)
Charged to profit/(loss)	(1,175)	–	(484)	(282)	(1,941)
Charged to other comprehensive income	311	–	–	–	311
Balance as at 31 March 2016	**(55,526)**	**-**	**1,761**	**(5,266)**	**(59,031)**
Parent					
Balance as at 1 April 2015	(54,662)	–	2,245	(4,984)	(57,401)
Charged to profit/(loss)	(1,175)	–	(484)	(282)	(1,941)
Charged to other comprehensive income	311	–	–	–	311
Balance as at 31 March 2016	**(55,526)**	**-**	**1,761**	**(5,266)**	**(59,031)**

11 Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates its fair value.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Bank	**2,037**	1,539	**1,888**	841
Cash on hand	**4**	8	**4**	8
	2,041	1,547	**1,892**	849

12 Trade and other receivables

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Trade and other receivables	**37,405**	36,693	**33,490**	33,278
Less provision for impairment	**(350)**	(91)	**(1,731)**	(86)
Prepayments	**967**	970	**928**	970
	38,022	37,572	**32,687**	34,162

Due to the short term nature of these receivables the carrying value of receivables approximates their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is the Group's policy to transfer (on-sell) receivables to special purpose entities.

As at 31 March 2017 the ageing analysis of trade receivables is as follows:

	2017 Gross $000s	Impairment $000s	Net $000s	2016 Gross $000s	Impairment $000s	Net $000s
Parent						
0-30 days	**30,712**	**(94)**	**30,618**	31,496	–	31,496
31 – 60 days	**442**	**–**	**442**	487	–	487
61 – 90 days	**629**	**(127)**	**502**	388	–	388
91 days plus	**1,707**	**(1,510)**	**197**	907	(86)	821
	33,490	**(1,731)**	**31,759**	33,278	(86)	33,192
Group						
0-30 days	**35,908**	**–**	**35,908**	34,906	–	34,906
31 – 60 days	**442**	**–**	**442**	488	–	488
61 – 90 days	**502**	**–**	**502**	388	–	388
91 days plus	**553**	**(350)**	**203**	911	(91)	820
	37,405	**(350)**	**37,055**	36,693	(91)	36,602

The provision for impairment has been calculated based on incurred losses for Northpower's pool of debtors. Incurred losses have been determined by review of specific debtors.

Other balances within trade and other receivables do not contain assets and are not past due. It is expected that these other balances will be received when due.

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is **$197k (2016: $821k).**

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

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Balance at 1 April	**91**	50	**86**	50
Additional provisions made during the year	**259**	41	**1,645**	36
Reversal of provision during the year	**–**	–	**–**	–
Balance at 31 March	**350**	91	**1,731**	86

13 Work in progress

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Customer progress billing made during the year	**(65,682)**	(109,996)	**(37,649)**	(70,595)
Aggregate of costs incurred	**74,638**	93,298	**47,955**	60,378
Recognised profits (less recognised losses) to date	**17,622**	39,807	**10,356**	28,780
	26,578	23,100	**20,662**	18,563

14 Other financial assets

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Fonterra Co-operative Group Limited	**851**	833	**851**	833
Ravensdown Fertiliser Co-operative Limited	**32**	32	**32**	32
	883	865	**883**	865

The available for sale financial assets consists of 140,439 shares (2016: 140,439 shares) in Fonterra Co-operative Group Limited and 31,612 shares (2016: 31,612) in Ravensdown Fertiliser Co-operative Limited.

Shares held in Ravensdown Fertiliser Co-operative Limited are unlisted. The fair value of these shares is provided by Ravensdown Fertiliser Co-operative Limited. Fonterra shares are listed – the fair value of these shares was the closing price reported on the NZX for the last trading day in March.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the above investments.

All the above investments are denominated in New Zealand dollars. As a result there is no exposure to foreign currency risk.

15 Investment in subsidiaries

	Parent 2017 $000s	2016 $000s
Debentures	**30,372**	30,372
Advances to subsidiaries	**2,734**	–
Shares in subsidiaries (unlisted) – at cost	**3,782**	3,781
Allowance for impairment	**(36,887)**	(19,515)
	1	14,638

In previous years an allowance for impairment was made in relation to Northpower Limited's investment in Northpower Western Australia Pty Limited, after an independent review by KordaMentha.

As outlined above in note 7, the Directors have resolved to close the West Coast Energy business. A forecast of the realisable value of net assets associated with the business, combined with the anticipated closure costs, indicate that the Company's investment in Northpower Western Australia Pty Limited is fully impaired. Furthermore, the Company does not expect recovery of the advances outstanding at year so has also fully provided for these balances. As a result an impairment of $17,371k (2016: nil) was recognised in the Statement of Comprehensive Income.

The separate financial statements of Northpower Western Australia Pty Limited (NPWA) have been prepared on a going concern basis. The Company will continue to provide acoustic testing however, the ability of NPWA to continue operating viably is conditional on the continued support of its ultimate New Zealand parent, Northpower Limited.

Accordingly, no adjustments have been made on the separate financial statements of NPWA in relation to the measurement and classification of its assets and liabilities that may have been necessary if NPWA was determined to be unable to continue as a going concern.

Subsidiary	Principal Activity	Country of Incorporation	Balance sheet date	Interest held at 31 March 2017	Interest held at 31 March 2016
West Coast Energy Pty Limited	Electricity contracting	Australia	31 March	100%	100%
Northpower Western Australia Pty Limited	Intermediate holding company	Australia	31 March	100%	100%
Northpower Solutions Limited	Electricity Contracting	New Zealand	31 March	100%	N/A
Northpower LFC2 Limited	Fibre Telecommunications	New Zealand	31 March	100%	N/A

16 Goodwill and intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which it is incurred.

Intangible assets are assessed to be have either finite or indefinite useful lives. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense of intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

Software costs have a finite useful life and are amortised over a period of expected future benefit of 5 – 10 years on a straight line basis.

Easements are deemed to have an indefinite life because there is no expiry date to the easement agreements and Northpower is expected to use the easements indefinitely, based on past experience.

Group

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
At 1 April 2016	4,122	16,950	453	21,525
Addition	–	1,280	–	1,280
At 31 March 2017	**4,122**	**18,230**	**453**	**22,805**
Accumulated Amortisation and Impairment				
At 1 April 2016	1,745	6,907	–	8,652
Amortisation for the year	–	1,936	–	1,936
At 31 March 2017	1,745	8,843	–	10,588
Net carrying amount at 31 March 2017	**2,377**	**9,387**	**453**	**12,217**
Cost				
At 1 April 2015	4,122	8,111	453	12,686
Addition	–	8,839	–	8,839
Disposal	–	–	–	–
At 31 March 2016	4,122	16,950	453	21,525
Accumulated Amortisation and Impairment				
At 1 April 2015	1,745	5,241	–	6,986
Amortisation for the year	–	1,666	–	1,666
Impairment	–	–	–	–
Disposal	–	–	–	–
At 31 March 2016	1,745	6,907	–	8,652
Net carrying amount at 31 March 2016	**2,377**	**10,043**	**453**	**12,873**

Parent

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
At 1 April 2016	2,377	16,950	453	19,780
Addition	–	1,280	–	1,280
At 31 March 2017	**2,377**	**18,230**	**453**	**21,060**
Accumulated Amortisation and Impairment				
At 1 April 2016	–	6,907	–	6,907
Amortisation for the year	–	1,936	–	1,936
At 31 March 2017	–	8,843	–	8,843
Net carrying amount at 31 March 2017	**2,377**	**9,387**	**453**	**12,217**
Cost				
At 1 April 2015	2,377	8,111	453	10,941
Addition	–	8,839	–	8,839
Disposal	–	–	–	–
At 31 March 2016	2,377	16,950	453	19,780
Accumulated Amortisation and Impairment				
At 1 April 2015	–	5,241	–	5,241
Amortisation for the year	–	1,666	–	1,666
Disposal	–	–	–	–
At 31 March 2016	–	6,907	–	6,907
Net carrying amount at 31 March 2016	**2,377**	**10,043**	**453**	**12,873**

There is no intangible asset whose title is restricted.

a Allocation of goodwill to cash generating units

Goodwill is allocated to the Group's cash generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indicator of impairment.

Goodwill acquired through business combinations has been allocated to three cash generating units ('CGUs') for impairment testing as follows:

- Australian Contracting – The recoverable amount has been determined based on a value in use calculation using cash flow projections based on five year cash flow projections and strategic business plans approved by the Board of Directors. Cash flows beyond the five year period are extrapolated using terminal value growth rate that assumes zero real growth with nominal growth rate at the rate of inflation. In performing the value in use calculation, the Group has applied a post-tax discount rate of 11.2% (2016: 11.2%) to discount the forecast future attributable post-tax cash flows.
- Regional Contracting – Is Northpower's North Island contracting area excluding Central and Auckland. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a five year period. For modelling purposes, a growth rate of 2% (2016: 2%) is used. The pre-tax discount rate applied to cash flow projections is 11.3% (2016: 11.3%).
- Central Contracting – Is Northpower's Central North Island contracting area. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a five year period. For modelling purposes, a growth rate of 2% (2016: 2%) is used. The pre-tax discount rate applied to cash flow projections is 11.3% (2016: 11.3%).

b Impairment

As outlined in note 7 the Board has approved a significant restructure of the Australian operation. As such, the Group has written down the value of these assets to their estimated recoverable amount (see note 7).

c Carrying value of goodwill allocated to each group of cash generating units

Australian Contracting	**–**	–	**–**	–
Regional Contracting	**877**	877	**877**	877
Central Contracting	**1,500**	1,500	**1,500**	1,500
	2,377	2,377	**2,377**	2,377

d The calculation of value in use in calculations for cash generating units

The calculation of value in use in calculations for all CGUs is most sensitive to the following assumptions:

- Gross Margin
- Discount Rates
- Growth Rates.

Gross margins are based on the expected results as per next year's budget and future years' forecasts.

Discount rates are based on Northpower's internal return on investment hurdle rate.

e Sensitivity

The Directors have considered the variability of the key assumptions underlying the carrying amounts for the intangible assets set out above. The Directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

17 Property, plant and equipment

Distribution system assets

Distribution system assets are stated in the balance sheet at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance sheet date. Additions between revaluations are recorded at cost.

Depreciation on revalued network assets is charged to profit or loss in the comprehensive income statement.

Land, buildings and building infrastructure

Land and buildings held for use in the production of supply of goods and services, or for administrative purposes, are stated in the balance sheet at their revalued amount, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at balance sheet date. Additions between revaluations are recorded at cost.

Depreciation on revalued buildings is charged to profit or loss in the comprehensive income statement.

No depreciation is charged on land.

Other classifications of property, plant and equipment

Other classifications of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of production overheads. Costs cease to be capitalised as soon as the asset is ready for productive use. Repairs and maintenance are recognised in the profit or loss as incurred.

Revaluation increment and decrement

Any revaluation increment is recorded in other comprehensive income and credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in the profit or loss, in which case the increment is recognised in the profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Depreciation

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:

Distribution system	5 – 70 years
Generation	5 – 50 years
Meters	4 years
Fibre Assets	10 – 50 years
Buildings – free hold	10 – 50 years
Buildings – infrastructure	10 – 20 years
Leasehold Improvements	2 – 20 years
Motor vehicles	5 – 15 years
Plant & equipment	3 – 20 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised. Upon disposal or derecognition any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Fixed Assets

	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Leasehold improvements $000s	Distribution Systems $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Group											
Cost or fair value											
At 1 April 2016	13,429	11,224	5,603	–	306,491	5,113	2,337	15,141	40,343	52,914	452,595
Addition	–	74	193	84	11,064	296	37	289	3,265	525	15,827
Transfers	–	(421)	(2,204)	2,625	–	–	–	–	–	–	–
Transfer to available for sale	(495)	(674)	(316)	(1,033)	–	–	–	–	(3,299)	(17,827)	(23,644)
Disposal	(5,270)	(2,771)	(912)	–	(41)	(5)	–	–	(898)	(6,714)	(16,611)
Foreign exchange differences	–	–	–	(45)	–	–	–	–	(1,231)	(1,624)	(2,900)
At 31 March 2017	**7,664**	**7,432**	**2,364**	**1,631**	**317,514**	**5,404**	**2,374**	**15,430**	**38,180**	**27,274**	**425,267**
Accumulated Depreciation & Impairment											
At 1 April 2016	–	92	507	–	36,711	4,113	811	8,258	28,163	31,973	110,628
Depreciation charge for the year	–	273	274	128	7,036	586	209	531	2,792	4,117	15,946
Impairment	–	–	–	765	–	–	–	–	887	3,294	4,946
Transfers	–	(92)	(555)	647	–	–	–	–	–	–	–
Transfer to available for sale	–	(16)	(21)	(1,033)	–	–	–	–	(3,098)	(14,494)	(18,662)
Disposal	–	(58)	(111)	–	(4)	(1)	–	–	(860)	(5,006)	(6,040)
Foreign exchange differences	–	–	–	(57)	–	–	–	–	(1,246)	(1,249)	(2,552)
At 31 March 2017	**–**	**199**	**94**	**450**	**43,743**	**4,698**	**1,020**	**8,789**	**26,638**	**18,635**	**104,266**
Net carrying amount at 31 March 2017	**7,664**	**7,233**	**2,270**	**1,181**	**273,771**	**706**	**1,354**	**6,641**	**11,542**	**8,639**	**321,001**
Cost or fair value											
At 1 April 2015	11,996	12,470	6,817	–	286,094	4,902	2,307	14,209	38,208	60,573	437,576
Addition	230	897	856	–	20,409	211	100	932	2,635	918	27,188
Acquisitions through trade purchases	–	–	–	–	–	–	–	–	–	–	–
Transfers	–	–	71	–	–	–	(70)	–	–	–	1
Revaluation adjustment	1,203	(2,143)	(2,196)	–	–	–	–	–	–	–	(3,136)
Disposal	–	–	(26)	–	(12)	–	–	–	(746)	(10,107)	(10,891)
Foreign exchange differences	–	–	81	–	–	–	–	–	246	1,530	1,857
At 31 March 2016	**13,429**	**11,224**	**5,603**	**-**	**306,491**	**5,113**	**2,337**	**15,141**	**40,343**	**52,914**	**452,595**
Accumulated Depreciation & Impairment											
At 1 April 2015	–	1,636	1,514	–	30,116	2,919	603	7,756	25,246	33,595	103,385
Depreciation charge for the year	–	240	412	–	6,595	1,194	208	502	3,036	5,046	17,233
Transfers	–	–	–	–	–	–	–	–	(1)	–	(1)
Impairment	–	–	10	–	–	–	–	–	20	131	161
Revaluation adjustment	–	(1,784)	(1,443)	–	–	–	–	–	–	–	(3,227)
Disposal	–	–	–	–	–	–	–	–	(281)	(7,295)	(7,576)
Foreign exchange differences	–	–	13	–	–	–	–	–	143	496	652
At 31 March 2016	**-**	**92**	**506**	**-**	**36,711**	**4,113**	**811**	**8,258**	**28,163**	**31,973**	**110,627**
Net carrying amount at 31 March 2016	**13,429**	**11,132**	**5,097**	**-**	**269,780**	**1,000**	**1,526**	**6,883**	**12,180**	**20,941**	**341,968**

Fixed Assets

Parent

	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Leasehold improvements $000s	Distribution Systems $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Cost or fair value											
At 1 April 2016	13,429	11,224	4,537	–	306,491	5,113	2,337	15,141	36,027	32,132	426,431
Addition	–	74	193	72	11,064	296	37	289	3,234	196	15,455
Transfers	–	(421)	(1,138)	1,559	–	–	–	–	–	–	–
Transfer to available for sale	(495)	(674)	(316)	–	–	–	–	–	(187)	–	(1,672)
Disposal	(5,270)	(2,771)	(912)	–	(41)	(5)	–	–	(895)	(5,060)	(14,954)
At 31 March 2017	**7,664**	**7,432**	**2,364**	**1,631**	**317,514**	**5,404**	**2,374**	**15,430**	**38,179**	**27,268**	**425,260**
Accumulated Depreciation & Impairment											
At 1 April 2016	–	92	258	–	36,711	4,113	811	8,258	25,093	20,031	95,367
Depreciation charge for the year	–	273	274	52	7,036	586	209	531	2,525	2,482	13,968
Transfers	–	(92)	(306)	398	–	–	–	–	–	–	–
Transfer to available for sale	–	(16)	(21)	–	–	–	–	–	(121)	–	(158)
Disposal	–	(58)	(111)	–	(4)	(1)	–	–	(858)	(3,878)	(4,910)
At 31 March 2017	**–**	**199**	**94**	**450**	**43,743**	**4,698**	**1,020**	**8,789**	**26,639**	**18,635**	**104,267**
Net carrying amount at 31 March 2017	**7,664**	**7,233**	**2,270**	**1,181**	**273,771**	**706**	**1,354**	**6,641**	**11,540**	**8,633**	**320,993**
Cost or fair value											
At 1 April 2015	11,996	12,470	5,850	–	286,094	4,902	2,307	14,209	33,860	41,197	412,885
Addition	230	897	812	–	20,409	211	100	932	2,531	422	26,544
Transfers	–	–	71	–	–	–	(70)	–	–	–	1
Revaluation adjustment	1,203	(2,143)	(2,196)	–	–	–	–	–	–	–	(3,136)
Disposal	–	–	–	–	(12)	–	–	–	(364)	(9,487)	(9,863)
At 31 March 2016	**13,429**	**11,224**	**4,537**	**–**	**306,491**	**5,113**	**2,337**	**15,141**	**36,027**	**32,132**	**426,431**
Accumulated Depreciation & Impairment											
At 1 April 2015	–	1,636	1,369	–	30,116	2,919	603	7,756	22,649	24,025	91,073
Depreciation charge for the year	–	240	332	–	6,595	1,194	208	502	2,726	3,301	15,098
Transfers	–	–	–	–	–	–	–	–	(1)	–	(1)
Revaluation adjustment	–	(1,784)	(1,443)	–	–	–	–	–	–	–	(3,227)
Disposal	–	–	–	–	–	–	–	–	(281)	(7,295)	(7,576)
At 31 March 2016	**–**	**92**	**258**	**–**	**36,711**	**4,113**	**811**	**8,258**	**25,093**	**20,031**	**95,367**
Net carrying amount at 31 March 2016	**13,429**	**11,132**	**4,279**	**–**	**269,780**	**1,000**	**1,526**	**6,883**	**10,934**	**12,101**	**331,064**

There are no items of property, plant and equipment whose title is restricted.

Revaluation of distribution system

The Group engaged PriceWaterhouseCoopers, an independent registered valuer, to determine the fair value of its distribution system assets as at 31 March 2016. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow methodology.

The key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. A sensitivity analysis of the major inputs used in the valuation is discussed in detail in note 4.

The valuers estimated a range of values attributable to the Group's distribution system assets was between $256.5 million and $275.9 million as at 31 March 2016. The carrying value of the distribution system is within the range of estimated fair values as a result of the valuation exercise. Accordingly, no revaluation adjustments were recognised as the carrying value of the distribution system did not differ materially from its fair value.

Revaluation of land and buildings

The Group engaged AON Risk Solutions, a registered independent valuer, to determine the fair value of its land and buildings as at 31 March 2016. Fair value is determined by direct reference to recent market transactions on arm's length terms. Fair value is assessed with reference to the "highest & best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". As at 31 March 2016, the fair value of the land and buildings amounted to $13.42 million and $16.1 million, respectively.

The valuation of land and buildings was carried out in accordance with International Valuation Standards. To establish the valuation of properties, the valuers used a combination of income capitalisation, market comparison and depreciated replacement cost approaches.

The carrying value that would have been recognised had the following revalued assets been carried under the cost model would be as follows:

2017	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s
Group				
Cost	**6,661**	**10,458**	**3,156**	**294,896**
Accumulated depreciation & impairment	**–**	**3,793**	**1,465**	**70,179**
Net carrying amount	**6,661**	**6,665**	**1,691**	**224,717**
Parent				
Cost	**6,661**	**10,458**	**3,156**	**294,896**
Accumulated depreciation & impairment	**–**	**3,793**	**1,465**	**70,179**
Net carrying amount	**6,661**	**6,665**	**1,691**	**224,717**

2016	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s
Group				
Cost	10,829	14,269	2,954	283,944
Accumulated depreciation & impairment	–	3,980	732	63,305
Net carrying amount	**10,829**	**10,289**	**2,222**	**220,639**
Parent				
Cost	10,829	14,269	2,954	283,944
Accumulated depreciation & impairment	–	3,980	732	63,305
Net carrying amount	**10,829**	**10,289**	**2,222**	**220,639**

18 Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Property held to meet service delivery objectives is classified as property, plant and equipment.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on market prices. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the comprehensive income statement in the year in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to a third party.

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Opening balance as at 1 April	**4,672**	3,924	**4,672**	3,924
Additions	**–**	735	**–**	735
Transfer to available for sale	**(3,937)**	–	**(3,937)**	–
Net gain/(loss) from fair value adjustments	**–**	13	**–**	13
	735	4,672	**735**	4,672

During the period investment properties generated revenue of $380k (2016: 202k) and had operating expenses of $177k (2016: $115k).

The investment properties are carried at fair value, which has been determined by an independent valuer, AON Risk Solutions, during the year.

The fair value of the investment property reflects market conditions at the end of the reporting period.

There are no contractual capital obligations.

19 Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Capitalised Borrowing Costs

Capitalised borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation . Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

	Maturity	Group 2017 $000s	Group 2016 $000s	Parent 2017 $000s	Parent 2016 $000s
Current					
Finance lease liability		–	809	–	–
Total current portion		–	809	–	–
Non Current					
Finance lease liability		–	732	–	–
Unsecured loans	Within 2 years	**59,900**	47,000	**59,900**	47,000
	Within 2 & 3 years	**20,000**	43,800	**20,000**	43,800
Total non current portion		**79,900**	91,532	**79,900**	90,800
		79,900	92,341	**79,900**	90,800

a. *Fair Values*

The carrying amount of borrowings repayable within one year approximates their fair value.

b. *Terms and Conditions*

Bank overdrafts and loans

The Group operates non current lending facilities expiring between August 2018 and August 2020

Interest rates paid on $NZD borrowings averaged 2.7% (2016: 3.7%). Interest rates paid on $AUD borrowings averaged 7.3% (2016: 4.62%)

c. *Financing Facilities Available*

The Group operates a $107 million lending facility.

There is also an additional $1 million credit card facility.

d. *Assets Pledged as Security*

Finance lease liabilities are secured by the underlying assets.

Security held by the bank is in the form of a negative pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained.

e. *Set-off Assets and Liabilities*

The Group has established a legal right of set-off with a bank enabling it to set off certain deposits with that bank against an overdraft.

f. *Interest Rate Risk*

Refer to the Financial Risk Management Objectives and Policies.

g. *Debt to Equity Ratio*

The Group's debt to equity ratio is 0.82 (2016: 0.77)

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Minimum lease payments payable				
Not later than one year	**508**	856	**–**	–
Later than one year & not later than five years	**690**	813	**–**	–
Later than five years	**–**	–	**–**	–
Total minimum lease payments	**1,198**	1,669	**–**	–
Future finance charges	**(58)**	(130)	**–**	–
Present value of minimum lease payments	**1,140**	1,539	**–**	–

The finance leases are disclosed as liabilities directly associated with assets held for sale at 31 March 2017.

The Group has entered into finance leases for motor vehicles and the net carrying amount of these assets at balance date are $4.642 million (2016: $5.831 million). The leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Group has the option to purchase the asset at the end of the lease term. There are no restrictions placed on the Group by any of the finance leasing arrangements. These assets are disclosed as held for sale at 31 March 2017.

20 Trade and other payables, and WCE closure provisions

Trade and other payables

Trade and other payables are recognised when the Group become obligated to make future payments resulting from purchases of goods and services. Trade payables are not discounted given their short term nature.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Trade payables (GST Inclusive)	**17,847**	19,042	**14,793**	13,962
Accrued payables (GST Exclusive)	**7,111**	3,803	**4,564**	3,110
Income in advance	**6,772**	5,385	**6,442**	5,385
Advances from subsidiaries	**–**	–	**16**	3,953
	31,730	28,230	**25,815**	26,410

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

WCE closure provisions

Following the Board's decision to not rebid for volumes under the contracts held with Western Power Pty Limited, a provision has been made at 31 March 2017 for all expected restructuring costs. These costs are included in discontinued operations in the comprehensive income statement and a breakdown of the provision is provided below.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Redundancies and other employment costs	**2,580**	–	**–**	–
Onerous lease costs	**3,381**	–	**–**	–
Onerous contract costs	**3,490**	–	**–**	–
Operating lease costs	**210**	–	**–**	–
Claims and defects	**328**	–	**–**	–
Other closure costs	**705**	–	**–**	–
	10,694	**–**	**–**	**–**

21 Dividends paid and proposed

During the year fully imputed dividends of $5 million were paid ($6.944 million inclusive of imputation credits).

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Dividends on ordinary shares declared during the year				
Final imputed dividend for 2017: 13.89 cents (2016: 13.89 cents)	**5,000**	5,000	**5,000**	5,000

22 Share capital

Share Capital
Share capital consists of ordinary shares which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Asset Revaluation Reserve
The asset revaluation reserve is used to record the increments and decrements in the fair value of property, plant and equipment identified as being carried at valuation.

Foreign Currency Translation Reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Other Reserves
The other reserve is used to record movements in the fair value of other financial assets and derivative movements recognised in other comprehensive income.

a. Ordinary Shares

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
As at 31 March 2017	**35,989**	35,989	**35,989**	35,989
Represented by 35,981,848 ordinary shares				
Total issued & paid up capital	**35,989**	35,989	**35,989**	35,989

Ordinary shares have no par value. Fully paid shares carry one vote per share and carry the right to dividends. All ordinary shares are ranked equally.

b. Capital management

The Company considers the following as part of its capital shares, reserves and retained earnings. When managing capital, the Board's objective is to ensure the entity continues as a going concern maintaining adequate working capital, ensuring obligations can be met on time, as well as maintaining returns to shareholders as set out in the statement of corporate intent.

For the year ended 31 March 2017 the Group declared dividends of $5 million (2016: $5 million). As outlined in the statement of corporate intent, the Group's dividend policy is to pay a minimum of $5million or 35% of net profit after tax (whichever is greater) as a dividend.

The Group's statement of corporate intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 50%.

23 Cashflow statement reconciliation

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Reconciliation of net profit after tax to net cash flows from operations				
Net profit after income tax	**(2,351)**	9,571	**2,308**	9,530
Adjustments for:				
- Depreciation & amortisation	**22,828**	18,839	**15,904**	16,764
- (Gain) on sale of property, plant & equipment	**(2,066)**	(73)	**(2,499)**	(191)
- Impairment of investment in subsidiary	**–**	–	**17,372**	–
- Non cash line contribution revenue	**(2,643)**	(1,977)	**(2,643)**	(1,977)
- Fair valuation (gain)/ loss on derivative financial instruments	**(1,416)**	2,905	**(1,416)**	2,905
- Capitalised interest expense	**(22)**	(264)	**(22)**	(264)
- Unrealised foreign currency gain	**–**	(176)	**–**	(176)
- Revaluation of investment properties	**–**	(13)	**–**	(13)
- Equity accounted earnings of associate net of dividends received	**1,074**	368	**–**	–
Changes in assets & liabilities				
- Increase (decrease) in trade & other payables	**3,499**	(3,486)	**3,341**	(2,056)
- Increase in WCE closure provisions	**10,694**	–	**–**	–
- (Increase)/decrease in work in progress	**(3,478)**	621	**(2,099)**	1,600
- Decrease in tax refund	**–**	1,565	**–**	1,565
- (Increase)/decrease in trade & other receivables	**(450)**	2,959	**1,475**	(2,989)
- (Increase)/decrease in inventory	**(6)**	(1,279)	**(169)**	(1,339)
- (Decrease)/increase in deferred tax liabilities	**(1,166)**	1,630	**(1,166)**	1,630
- Increase/(decrease) in employee entitlements	**769**	(1,758)	**891**	(1,014)
- Increase in provision for tax	**5,583**	153	**5,583**	153
Net cash from operating activities	**30,849**	29,585	**36,860**	24,128

24 Derivative financial instruments

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Non-current asset portion				
Interest rate swap contracts	**72**	–	**72**	–
Current liability portion				
Interest rate swap contracts	**–**	64	**–**	64
Non-current liability portion				
Interest rate swap contracts	**2,200**	3,514	**2,200**	3,514
Net financial derivative liability position	**2,128**	3,578	**2,128**	3,578

Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional value of the outstanding interest rate swap contracts amounted to $88,000,000 (2016: $93,000,000). The fixed interest rates of interest rate swaps vary from 2.67% to 4.65%.

25 Guarantees and Contingencies

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Performance bonds in relation to contract work	**20,463**	18,902	**20,463**	14,898
Letters of credit in relation to contract work	**150**	152	**150**	152
Guarantee for leased premises	**1,052**	1,054	**1,052**	–
	21,665	20,108	**21,665**	15,050

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and Australia. Northpower has entered into an FRA with ANZ. This is a commitment to make one interest rate payment and receive another at a future date. Letters of Credit relate to guarantees given to off-shore customers for work completed. No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower is a participant in the DBP Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers ceased to participate in the scheme, Northpower could be responsible for the entire deficit of the scheme (see note 30). Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

The Parent Company has committed to provide any necessary financial support to enable the subsidiary, Northpower Western Australia Pty Limited, to continue as a going concern. As part of this ongoing support, guarantees under the name of the subsidiary have been included in the Parent Company disclosure above.

26 Commitment

As lessee in operating leases

The parent and Group leases property, plant & equipment in the normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Within one year	**8,160**	5,688	**7,372**	4,889
After one year but not more than five years	**25,126**	17,040	**21,976**	13,846
More than five years	**10,745**	6,502	**8,902**	3,835
Total non-cancellable operating leases	**44,031**	29,230	**38,250**	22,570

As lessor in operating leases

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Within one year	**23**	23	**23**	23
After one year but not more than five years	**76**	81	**76**	81
More than five years	**–**	14	**–**	14
Total non-cancellable operating leases	**99**	118	**99**	118

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	**–**	–	**–**	–

Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Fibre Holdings. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

27 Related parties

a. Subsidiaries

i Terms and Conditions

Sale to and purchases from related parties are made in arms length transactions both at normal market prices and on normal commercial terms.

ii Outstanding Balances

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

	Parent 2017 $000s	2016 $000s
Transactions during the year		
Sales to subsidiaries	**356**	637
Management fees charged to subsidiaries	**1,432**	539
Royalty fee charged to subsidiary	**–**	243
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	**–**	–
Accounts receivable from subsidiaries	**1,485**	288
Debenture to subsidiary	**30,372**	30,372
Loan to subsidiary	**2,734**	–
Loan from subsidiary	**16**	3,953

b. Associates

	Parent 2017 $000s	2016 $000s
Transactions during the year		
Sales to associate	**2,873**	4,348
Purchases from associate	**50**	87
Dividend received from associate	**1,826**	625
Purchase of shares in associate	**8,301**	6,957
Other transactions	**–**	221
Outstanding balances as at 31 March		
Payable to associate	**–**	–
Receivable from associate	**614**	897

c. Directors

Certain Directors and key management of Northpower are also directors of West Coast Energy Pty Limited, Northpower Western Australia Pty Limited, Northpower Solutions Limited and Northpower LFC2 Limited.

d. Key Management

The compensation of the Directors and Executives, being the key management personnel of the entity, is set out as below:

Compensation of key management personnel

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Short-term employee benefits	**4,403**	4,219	**2,691**	2,653
Termination benefits	**490**	–	**266**	–
	4,893	4,219	**2,957**	2,653

There are close family members of key management personnel employed by the Group. The terms and conditions of these arrangements are no more favourable than the Group would otherwise have adopted if there were no relationships to key management personnel.

During 2016 Northpower charged Northpower Electric Power Trust $18,526 for distribution costs associated with the distribution to consumer beneficiaries. During the year Northpower paid the Northpower Electric Power Trust a dividend totalling $5 million, declared March 2016 (2016: $3 million declared March 2015). A dividend of $5 million was also declared in March 2017 and is payable after year end (refer note 21).

Transactions between the company and key management personnel

Mr Paul Yovich is a Trustee of Northpower Electric Power Trust. He is also a Trustee of a Shareholder of Busck Prestressed Concrete Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of $3,243,589 and had a balance outstanding at 31 March 2017 of $29,260.

Mrs Nicole Davies-Colley is the Chairman of the Northpower Board and a Director of Farmlands Trading Society Limited and Landcorp Farming Limited. During the year Northpower made purchases from Farmlands Trading to the value of $21,012 (2016: $27,523) and sales to Landcorp Farming of $6,152 (2016: 176), with a balance remaining at 31 March 2017 of $6,133.

For the period from 1 January until 31 March, two directors, Nikki Davies-Colley and Mark Trigg undertook executive responsibilities and became Managing Director and Executive Director respectively. The purpose was to bolster the executive team through the transition period between the retirement of both the incumbent Chief Executive and the General Manager Networks and the commencement of a replacement CEO. That arrangement will continue until 31 July 2017, the starting date of the new Chief Executive. The total remuneration received as executives during that period was: Ms Davies-Colley $69,526 and Mr Trigg $80,937.

Messrs Lloyd Richards and Richard Pearce are Board members of the Electricity Engineers Association and during the year Northpower made purchases from this organisation totalling $36,494 (2016: $76,406) and made sales of nil (2016: $2,874).

Mr Richard Booth was the commissioner of the Kaipara District Council for part of the year and Chairman of the Delta Produce Co-op Limited. During the year Kaipara District Council made purchases of $22,933 (2016: $45,640). Northpower made sales to Kaipara District Council of $50,564 (2016: $102,895) and had a balance outstanding at 31 March 2017 of $10,642.

David Wright is a Director of WEL Networks Limited and David Wright Limited. During the year Northpower transacted purchases of $1,185 (2016: $10,583) with WEL Networks Limited and $nil (2016: $77,596) with David Wright Limited. Sales to WEL Networks of $3,006,004 (2016: $1,520,863) took place during the year with $875,524 remaining outstanding as at 31 March 2017 (2016: $1,947).

Mark Gatland was a Board member of the Energy Networks' Association until his retirement in January 2017. During the year Northpower made payments to this organisation of $77,450 (2016: $77,450).

28 Investments in associates

The Group's investment in its associates is accounted for using the equity method. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates, measured as the difference between the recoverable amount of the net investment in the associate and its carrying value. Any impairment loss is recognised in the "share of profit of an associate" in the statement of comprehensive income.

The Group's share of associates' profits or losses is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When there are differences in the reporting dates and accounting policies, appropriate adjustments are made in the financial statements of the associate prior to the application of the equity method of accounting. If the difference in the reporting dates between the Group and the associate is longer than three months, financial statements for the associates are prepared as at the reporting date of the Group prior to the application of the equity method of accounting.

Northpower Fibre Limited (NFL) has been established to construct and operate an ultra-fast broadband (UFB) network in the Whangarei area, as part of the Government's objective to roll out UFB to 75% of the New Zealand population over ten years. Northpower has partnered with Crown Fibre Holdings Limited (CFH) to establish, manage and fund the operations of NFL. Under a shareholders' agreement between Northpower and CFH, Northpower's obligation during the initial ten year period includes:

a. provide working capital to NFL in return for shares
b. purchase shares in NFL from CFH, as and when end users are connected to the UFB network
c. participate in the governance and management of NFL, including the appointment of two Directors to the Board of NFL and the provision of management services to NFL.

a. Movements in the carrying amount of the Group's investment in associates

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Beginning balance	**16,634**	10,045	**18,809**	11,852
Additional investment made	**8,301**	6,957	**8,301**	6,957
Share of profit/ (loss) after income tax	**212**	(272)	**–**	–
Unrealised profit adjustment	**596**	(110)	**–**	–
Realised profit adjustment	**(56)**	14	**–**	–
Dividend	**(1,826)**			
	23,861	16,634	**27,110**	18,809

b. Summarised financial information

Extracts from the associate statement of financial position:

	2017 $000s	2016 $000s
Current assets	**1,617**	1,239
Non-current assets	**41,401**	36,819
Current liabilities	**1,145**	581
Non-current liabilities	**1,187**	803
Net assets	**40,686**	36,674
Share of associates' net assets	**23,476**	16,870

Extract from the associates' statement of comprehensive income:

Revenue	**5,458**	3,859
Net profit/(loss)	**367**	(590)

29 Categories of other financial assets and liabilities

The carrying amount of financial assets and liabilities in each of the NZ IFRS 9 categories is as follows:

	Group		Parent	
	2017 $000s	2016 $000s	**2017 $000s**	2016 $000s
Financial assets at fair value through profit and loss	**72**	–	**72**	–
Financial assets at amortised cost				
Cash & cash equivalents	**2,041**	1,547	**1,892**	849
Trade & other receivables	**38,022**	37,572	**32,687**	34,162
Total financial assets at amortised cost	**40,063**	39,119	**34,579**	35,011
Other financial assets at FVTOCI				
Unlisted shares	**883**	865	**883**	865
Financial liabilities at fair value through profit and loss	**2,200**	3,578	**2,200**	3,578
Financial liabilities measured at amortised cost				
Short term borrowings	**–**	809	**–**	–
Long term borrowings	**79,900**	91,532	**79,900**	90,800
Trade & other payables	**22,751**	22,050	**17,297**	16,278
Total financial liabilities measured at amortised cost	**102,651**	114,391	**97,197**	107,078

30 Defined benefit superannuation scheme

Northpower contributes to a multi-employer defined superannuation scheme operated by National Provident Fund. The scheme is not open to new members and currently only two employees are members of the scheme.

Insufficient information is available to use defined benefit accounting as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

The actuarial examination as at 31 March 2016 indicated that the scheme had a past service surplus of $11.7 million (7.4% of the total liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

31 Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits including accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at their nominal values using the remuneration rate expected at the time of settlement. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to balance sheet date. Contributions to defined contribution superannuation plans are expensed when incurred.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Current employee entitlements are represented by:				
Accrued salaries & wages	**2,505**	1,120	**1,991**	1,120
Annual leave	**6,825**	7,359	**6,240**	6,139
Sick leave	**25**	25	**25**	25
Total current portion	**9,355**	8,505	**8,256**	7,284
Non-current employee entitlements are represented by:				
Retirement & long service leave	**851**	932	**851**	932
Total non-current portion	**851**	932	**851**	932
Total employee entitlements	**10,206**	9,437	**9,107**	8,216

32 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of direct materials and other charges, such as freight cost, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs incurred in marketing, selling and distribution.

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Inventory held for use in the provision of goods & services	**10,050**	10,044	**9,971**	9,802
Cost of inventories recognised as expense	**56,103**	87,155	**56,103**	56,553

The carrying amount of inventories held for distribution is measured on a weighted average cost basis. Inventory written down during the period amounted to $198,851 (2016: $nil). No inventories were pledged as securities for liabilities, however some inventories are subject to retention of title clauses.

33 Capitalised borrowing cost

The assets under construction account includes capitalised borrowing costs amounting to $22,866 (2016: $89,538). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation is 2.9% (2016: 3.7%).

34 Employee benefit expenses

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
Salaries & wages	**98,948**	92,391	**98,242**	94,271
Defined contribution plan employer contributions	**2,558**	4,096	**2,558**	2,388
Movement in employee entitlements	**769**	(842)	**891**	(1,014)
	102,275	95,645	**101,691**	95,645

35 Auditor's remuneration

	Group 2017 $000s	2016 $000s	Parent 2017 $000s	2016 $000s
The auditor of Northpower Limited is Audit New Zealand				
Fees to Audit New Zealand for:				
– Audit of financial statements	**175**	150	**154**	150
– Special audits required by regulators	**25**	25	**25**	25
	200	175	**179**	175
Fees to non Audit New Zealand firms for:				
– Audit of financial statements of Subsidiary (included in discontinued operations)	**122**	75	**–**	–
– Advisory services	**186**	84	**186**	84
	308	159	**186**	84

36 Events after balance date

There were no significant events after reporting date.

Northpower Limited

Board

Chairman and Interim Managing Director:
N P Davies-Colley

Director and Executive Director
M D Trigg

Directors:
D J Ballard
R J Black
R C Booth
P G Hutchings (appointed February 2017)
M B D James
L S Kubiak (appointed February 2017)

Executive Officers

General Manager Network
J M Boyd

Northpower Fibre Chief Executive
D J Mason

Chief Financial Officer
P McElwee

Group Manager, Human Resources and Safety
A M O'Brien

General Manager, Strategic Development and Regulatory
R P Pearce

General Manager, Contracting
L B Richards

General Manager,Northpower Solutions
D J van Brink

West Coast Energy

Board

A R Beach
N P Davies-Colley
P McElwee

Executive Officers

Managing Director
A R Beach

Northpower Electric Power Trust

Chairman
E A Angelo
Deputy Chairman
R J Drake

Trustees
I M Durham
S K McKenzie
K R Provan
W E Rossiter
P M W Yovich

Bankers

Westpac Banking Corporation
ANZ Banking Corporation

Head Office

Mount Pleasant Road, Raumanga, Whangarei

Auditors

Audit New Zealand, Whangarei,
on behalf of the Auditor General

Registered Office

28 Mount Pleasant Road, Whangarei