2018

Annual Report

Confident in our performance & the positive energy of our actions – we're taking Northpower from good to great.

Strengthening our roots, to connect our future.

Contents

Chair & Chief Executive report.

This financial year marks a sharp turnaround in the financial performance, driven by disciplined operational management across the Northpower Group.

During the year, we completed the process to return our focus to our Northland networks and to our New Zealand contracting operations. We began this process with a specific purpose in mind - to narrow the focus of our Board and Executive Team, exit from business activities that were not adequately performing, and lift our focus on operational outcomes.

The impact of this tighter focus has been striking: a strong lift in profitability, a significantly stronger balance sheet, and improved business positioning in the markets in which we operate.

In our Fibre division, our teams exceeded all of our build targets for deployment of new network and number of connections. Uptake exceeded expectations, with the percentage of customers connected to our core fibre networks lifting from 39% to 48%. Our investments in fibre continue to unlock world-class internet speeds for our customers and our connection teams continue to set industry leading benchmarks for customer satisfaction. The strength of this business is appropriate as we move to lift our ownership from 63% to achieve full ownership by 2020, positioning fibre as a key revenue stream for the group, and increasing the diversity of our business portfolio.

Our Electricity division teams delivered $25 million in maintenance and capital expenditure on our networks and connected 1,087 new homes in the region. Our Board committed to enhanced expenditure plans into the future, committing $194 million on renewing and modernising our electricity networks over the next decade, an increase of 17% above current levels. We made this commitment to ensure safe, secure and resilient networks capable of supporting new technologies such as electric vehicles, roof top solar, and energy storage technologies as they become increasingly mainstream over time. We see these investments as a critical contribution to supporting economic growth in our region.

In Contracting, we saw positive volume growth across all of our larger customers, and improved productivity from our new works scheduling processes and works management systems. These systems provide our teams with full digital integration of our works sales, estimating, scheduling, construction, and field data processes. The technology gives us a clear competitive advantage in the sectors in which we operate, and enhanced digital capabilities support much deeper integration with our clients. As well as unlocking efficiencies, these tools will be central to supporting new levels of client and customer outcomes into the future.

Our focus on tight operational discipline from all our businesses has been a key driver for improved financial performance.

We achieved a net profit after tax position of $23.4 million, a sharp turnaround from the prior year where we made a net loss of $2.4 million.

The strength of our financial position supported an increased dividend to the Northpower Electric Power Trust of $8.1 million, a debt reduction of $18.7 million and enhanced operational headroom to enable further key investments in our business. Pleasingly, the result reflects the strength of our business and associated markets, and illustrates the strength of our operational position into the future.

Looking forward, we anticipate the year ending 31 March 2019 to be another busy period as we continue to put a focus on our core business activities. As well as the targeted investment we have set out above, this year we will place particular focus on maximising our contribution to Whangarei and Kaipara, and on enhancing key processes that support our customers. The Government's review of the energy industry (the pricing review) will also be an area of focus and input for us, to help ensure the very best outcomes for customers in the longer term.

We thank all of the Northpower teams for their dedication and focus in achieving this year's result. It's been driven by a disciplined focus on operational performance, and been achieved in a way that has built pride, discipline, and positioned safety at the centre of what we do. We are a stronger team and a stronger business as a result.

Nikki Davies-Colley
BBS, MBA, CFInstD
Chairman

Andrew McLeod
BEng (Mech), PGDip FA
Chief Executive

Financial overview 2018.

Group Performance

This year represented a strong financial turnaround for Northpower, underpinned by tighter focus on our core businesses, strong operational discipline, and the impact of new works management systems.

Northpower Group's performance for the year ended 31 March 2018 at a Net Profit After Taxation (NPAT) level was a profit of $23.4 million, a significant improvement on the result delivered in the previous financial year where a loss of $2.4 million was recorded.

The improved financial result reflected reduced closure costs from West Coast Energy Limited, strong trading conditions for all businesses, and tight operational management of our core New Zealand operations.

The FY18 dividend to the Northpower Electric Power Trust arising from this result will be $8.1 million, up from $5.0 million in the prior period. This is a strong result, and one that will help position our net cost of electricity distribution as one of the lowest in the country. Net cost of electricity distribution service has been a key focus for us in the period, as we look to position the business to maximise the economic contribution our business activities make to the Kaipara and Whangarei regions; a key focus of our Statement of Corporate Intent.

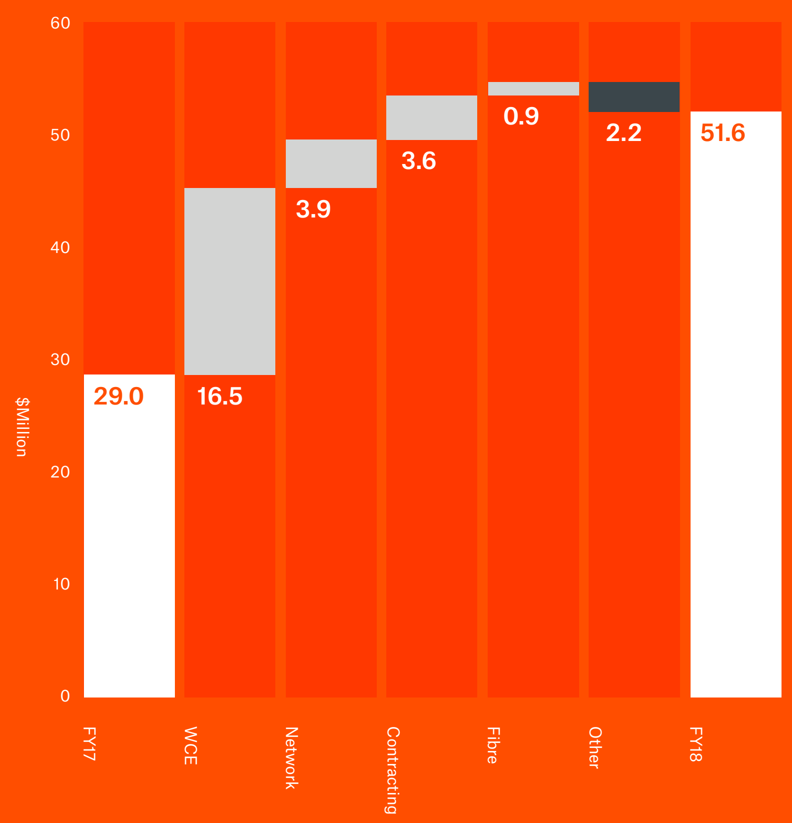
EBITDAF and NPAT

The Group EBITDAF (earnings before interest, tax, depreciation and fair value adjustments) operating surplus for the period was $51.6 million. This is the highest level achieved to date by Northpower and an increase from the prior period result of $29.0 million. The factors contributing to the increased EBITDA (earnings before interest, tax, depreciation and amortisation) performance are reflected in the waterfall diagram (Figure 1).

We saw an improved EBITDAF contribution from all of our core businesses, driven by strong trading conditions, enhanced focus on operational management, and the impact of new works management systems. The West Coast Energy closure impacted our results materially in the prior period, and current period results therefore more accurately reflect the strength of our New Zealand businesses.

EBITDAF: FY17 – FY18

FIG.01



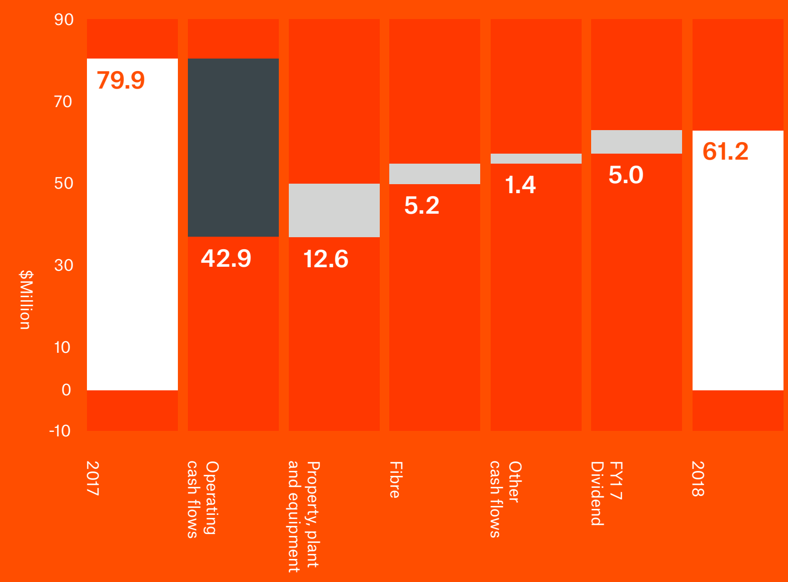
Balance Sheet

The strength of Northpower's profitability supported a targeted reduction in debt. External borrowing reduced by $18.7 million over the period resulting from strong free cash flows associated with strong revenues, tight operational focus on costs, and targeted work to reduce work in progress.

This debt reduction was achieved alongside key investments in property, plant and equipment, and into our fibre business as we move to position Northpower for the future.

BORROWINGS – MOVEMENT

FIG.02



23.4M
Net Profit After Tax (NPAT)

8.1M
FY18 Dividend

26.2%
Reduction in debt

6.3%
Increase in equity

Financial overview 2018 cont.

Electricity Network

EBITDAF for the Electricity Network Division increased over the previous year, reflecting higher revenue from distribution, generation and developers' capital contributions. The increase in distribution revenue was supported by increased connections and a lift in average consumption. The lift in capital contributions reflects the ongoing strength of the residential housing market in and around Whangarei and to the south of the city.

New Zealand Contracting

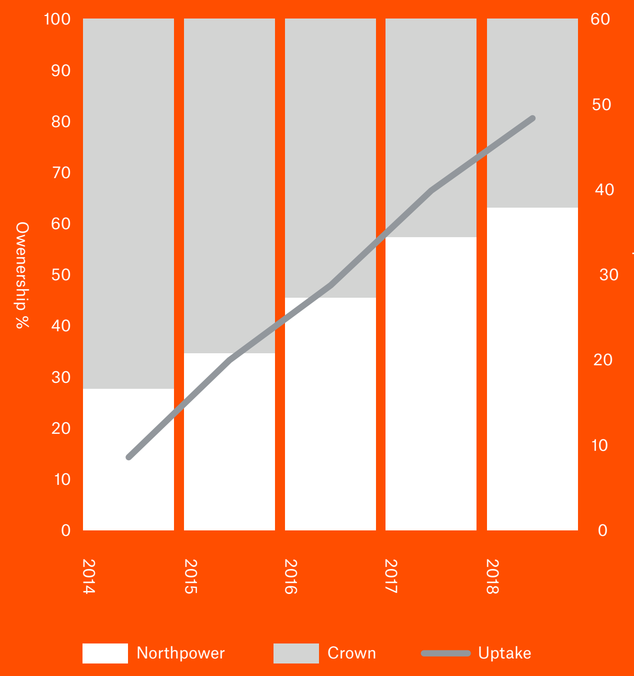
New Zealand Contracting provides electrical contracting services to a limited number of electrical utilities in the North Island. The business continued to increase both revenue and EBITDAF providing strong sustainable contributions to the Group in line with expected returns for a contracting business. Strong earnings reflected continued strength in new housing and developments, strong volumes from our core contracting clients, and improved efficiencies arising from our investments in new works management systems.

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. As at 31 March 2018 our total investment in NFL stood at 63% (FY17: 57%) and we received a net dividend from that investment of $3.2 million in the period.

In addition to Northpower's investment in NFL, Northpower is investing directly in the rollout of the ultra-fast broadband fibre network to smaller towns with debt funding support from the Crown. During FY18, Northpower completed the fibre build to the Hikurangi and Waipu communities and achieved initial uptake of 26.7%. Northpower continues to roll out fibre to other communities in Whangarei and Kaipara.

FIBRE UPTAKE AND SHAREHOLDING FIG.03



Our Board.

Nikki Davies-Colley

BBS, MBA, CFInstD
Chairman

Nikki was elected Chairman in August 2014 and has been a Director of Northpower since 1995. She previously chaired the Audit Committee and is currently a Director of Farmlands Co-operative Society Limited, WorkSafe New Zealand and has recently retired from Landcorp Farming Limited. 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 Limited 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.

Richard Booth

MBA, Dip Ag
Director

Richard is the former 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.

Michael James

BCom, CA
Director

Michael is currently 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.

Longstanding Board member David Ballard retires in June 2018. David has been a respected and valuable board member, was Chair of the Treasury Committee, and latterly a member of the Audit Committee. He has provided continuity and institutional knowledge as the board membership has been refreshed in recent years.

Mark Trigg

B Eng Chemicals & Materials
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 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

After training as an engineer in New Zealand, Phil moved into commercial management in the export oriented mining sector with BHP Billiton and Queensland Nickel. He had nine years in corporate finance as a partner of Wilson HTM Limited (stockbrokers) in Brisbane. Since 2000, he has consulted to a small group of technology and energy companies, including periods as CEO or General Manager. Phil has a background in renewable energy in Australia and Germany and is an experienced director of listed and unlisted companies.

Networks at the core. People at the heart.

This has been a year of consolidation, planning and a renewed focus on our contribution to Northland, our electricity and fibre networks, and the central role of our contracting operations in supporting our partners' networks.

To support this, we're bringing the company back to its roots by relocating many of our leadership team to Whangarei – returning to the heart of our operations as we look to prepare for a changing future.

The past year has been about strengthening our roots to connect to the future.

Investing today for a better tomorrow.

The Whangarei and Kaipara areas are enjoying growth, with an increasing number of people and businesses relocating here or expanding.

We're investing in our networks to ensure that we can cater for this growing demand. Our focus is on building an infrastructure that will support a changing market.

The ability to communicate globally is more important than ever. Our joint venture partnership with the Crown to bring a world-class ultra-fast broadband network to our region is progressing well and we're extending our reach into our communities. Uptake is now at just under 50% of available connections.

We're continuing to extend our ultra-fast broadband to another ten towns throughout Kaipara and Whangarei by 2022.

Better Business. Better Connections. Better Futures.

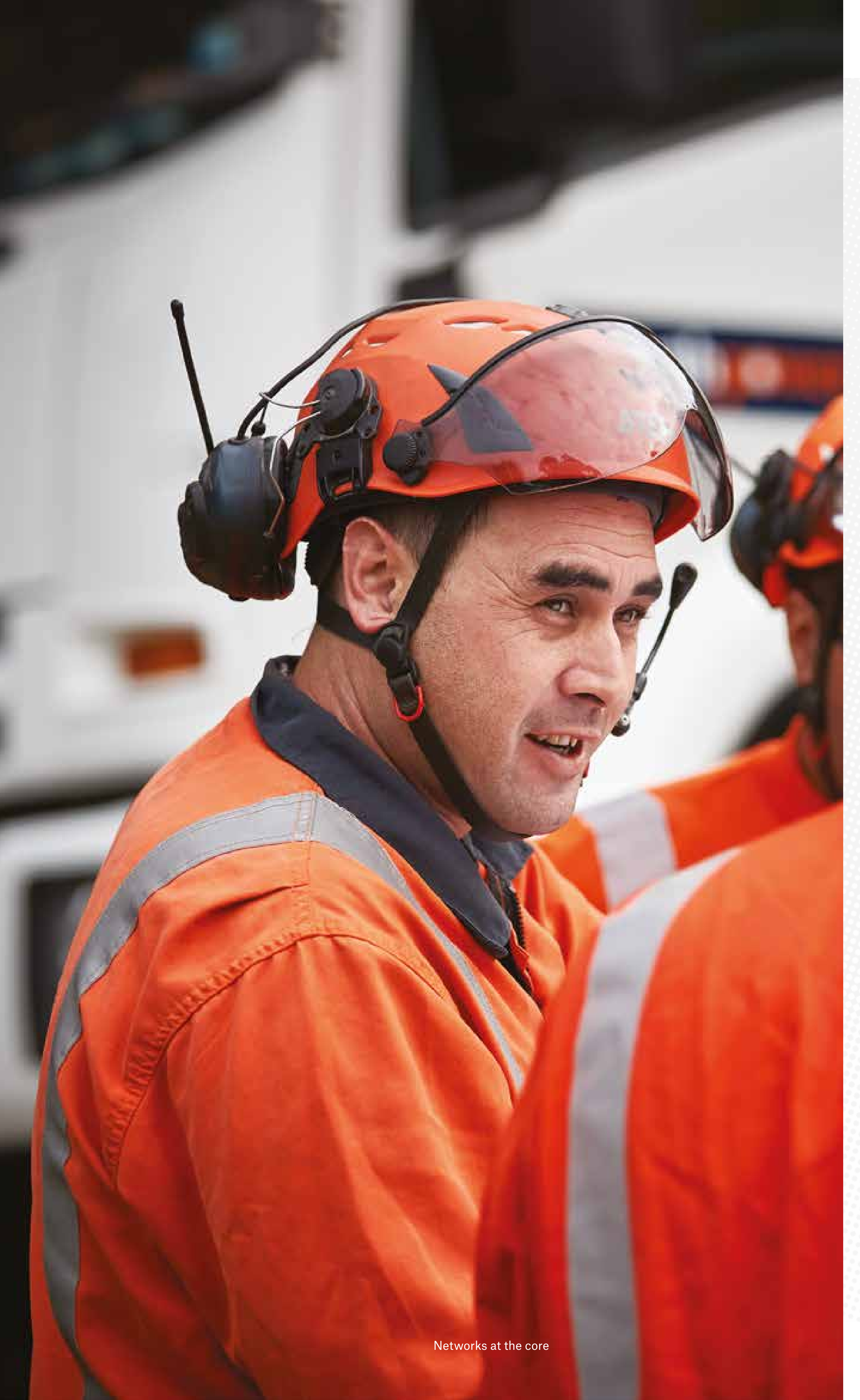
From the North, across the North Island.

It's not only Whangarei and Kaipara where our knowledge is valued.

Our Contracting business works with partner organisations and other network operators throughout the North Island. This business continues to build its role in the industry and deliver sustainable returns to the Northpower group.

Our partners value us for the way we work with them and alongside them in their business, inviting us in to share our expertise and knowledge to help them solve their biggest challenges.

Networks are about more than just infrastructure – they're about our people too.



1,087
New electricity connections

3.6%
Increase in electricity consumption

25M
On maintaining and upgrading the electricity network

16%
Increase in revenue from contracting services

Bringing our expertise home.

As part of refocusing our New Zealand core, we're working together to build resilience for the future and this includes our executive team.

Joining the Whangarei based executive, Andrea O'Brien, John van Brink and Darren Mason is our new Chief Executive Officer Andrew McLeod, incoming General Manager Business Performance Andrew Wilshire and General Network Manager Josie Boyd.

Andrew McLeod has relocated from Tauranga, while Andrew Wilshire and Josie Boyd are moving up from Auckland.

"It's great to know that we can have the best of both worlds – the ability to pursue an executive level career in a location that offers one of the best lifestyles in the world", says Josie.

For Whangarei-born Josie, it's also a personal homecoming. The previous Whangarei Girls' High School Head Girl has moved north from Auckland with her young family back to her home town.

"It's really exciting seeing the growth happening in the Northland region, and it's fabulous to see that we can attract some of New Zealand's top talent to the North", says Josie.

Connecting communities. Communities we're proud to be part of.

Since 1920 and driven by strong community values, we've been the energy enabler of our region. We're also one of the larger employers in our community, and our people are our greatest strength.

We proudly carry this history into the journey ahead of us, and will continue to help our communities grow and thrive.

Putting the customer at the heart.

We're working hard for our customers, improving systems and process to better understand our customer needs and our responsiveness.

In our annual customer survey 96% of residential customers and 94% of commercial customers said they were satisfied or highly satisfied with Northpower – but we're not stopping there. We'll carry on the journey to lift our performance from good to great.

Better supporting customers in a digital world.

Many of our services are available on our website, giving customers more choice about how they interact with us.

We're continuing to improve our processes, increasing opportunities for online, self-service interactions and real time information updates, while still providing the option of personal service.

We know we have more to do in this area, to modernise our approach, and this will be a key focus for us over the next few years.

Putting more control in the hands of customers.

Connecting Northland to the world.

The build of our ultra-fast fibre network is progressing ahead of schedule and uptake is sitting at just under 50% of available connections with 11,483 homes and businesses now connected. The builds at Whangarei, Waipu and Hikurangi are complete, Dargaville and One Tree Point are currently underway.

We're investing in our future by building a world-class fibre network that also delivers financial returns back into our communities.

Connecting Northland to the world, and the world to Northland. Connecting people to power, to new technologies, to each other, to a brighter tomorrow.

96%

Of residential customers surveyed rated their satisfaction with Northpower as satisfied or highly satisfied

94%

Of business customers surveyed rated their satisfaction with Northpower as satisfied or highly satisfied

99.99%

Fibre network availability in the past year

11,483

Homes and businesses connected with Northpower Fibre

Hikurangi UFB.

Providing game-changing ultra-fast fibre connections to the heart of our communities.

Slow internet speeds are a real issue for many businesses, particularly for those who are more remote from bigger towns and cities.

Northpower Fibre is bringing ultra-fast fibre connections to the Whangarei and Kaipara regions, enabling businesses to compete on a global stage and better serve their customers and communities.

Geographic location is no longer a barrier to accessing world-class internet.

Our fast and reliable fibre network can add real value to a business, as the team at Rouse Motorcycles in Hikurangi are discovering. They were one of the first to connect to the Northpower Fibre network when it was livened in 2017.

The workshop employs 13 staff who specialise in servicing All-Terrain Vehicles (ATVs) and motorcycles. Much of the diagnostics and servicing is carried out utilising the internet.

> “We have certainly noticed that it is faster to download workshop manuals, do webinars and diagnostics,” says Shayn Rouse, owner of the business.

There are now 195 Northpower Fibre connections in Hikurangi. In the past year we’ve connected almost 3,000 households and businesses to the Northpower Fibre network, and installed 249 kilometres of fibre network.

Healthy Homes Tai Tokerau.

Cold, damp homes are still all too prevalent in Northland, and poor housing conditions can also be a factor in the spread of chronic illness like rheumatic fever.

We're a founding sponsor of Healthy Homes Tai Tokerau, a local initiative that's been insulating homes in Northland for 10 years. During this time over 9,000 Northland family homes have been insulated, making them warmer and drier.

Over 80 local people have been employed through the Healthy Homes Tai Tokerau programme.

Making a real difference to Northland lives.

Shelley Ngawati has seen first-hand the difference that a warm, dry home can make.

In 2016 she gave birth to twin boys Tawhiri and Te Marino at only 27 weeks gestation. Weighing only two pounds each, the twins spent three months at Auckland and Whangarei Hospitals before being discharged.

"It was the worst time of my life, especially being in Auckland away from my family", says Shelley.

Over the next six months, the babies were hospitalised another five times.

The whānau applied to Healthy Homes Tai Tokerau for an insulation grant, and the work was completed in September 2016, not long before their final hospital stay.

"I believe the insulation provided by Te Tai Tokerau Healthy Homes has been one of the major contributors to keeping my boys warm, healthy and out of hospital", says Shelley.

Northpower is proud to partner with Foundation North, Top Energy, Northland DHB, Te Tai Tokerau PHO and Manaia Health PHO to deliver this programme.

The future is now. We're ready for it.

Change is happening faster than at any time in history. A world where appliances are smart, cars run on electricity and the availability of choice in the type of technology we use to power our lives has arrived.

The way we manage electricity supply and demand is also rapidly changing. We're working hard to ensure our customers and communities are positioned to take maximum advantage of new energy opportunities as they arise.

Robust, reliable, scaleable.

Future-proofing our networks.

We continue to invest appropriately in our network, keeping it safe and secure, and getting it ready to ensure a secure and sustainable energy future for our communities, businesses and future generations. We're investing in upgrading and expanding our assets in areas of population growth and high demand.

There are now more options for monitoring and controlling network assets, with network automation resulting in less electricity faults and disruption to customer supply. We will continue to implement network automation over the coming ten years to ensure we have a reliable and resilient network to meet our customers' future requirements.

Understanding and implementing new technologies.

The biggest change coming is our customers' desire to have a choice around the type of technology that powers their homes. Modern 'smart' appliances and home automation systems mean more control over how and when people use electricity.

Our team is preparing our network for the impact of electric vehicles, solar panels, home battery storage and advanced energy management systems.

We've always been closely connected to our customers and communities, and we are planning to place even greater focus on active engagement and discussion to understand our customer needs around new technologies.

We're embracing this changing environment and look forward to providing a reliable and resilient network to meet our customers' future requirements – and ensuring we continue to play an enabling role in the economic growth of Northland.

We're proud of what we've done in the past. And we'll be proud of what we'll do in the future.

194M
To be invested in the network over the next 10 years

700
Solar connections now on our network

$3/100km
The running cost of an electric car based on electricity prices – 06.2018

8.3%
Of our power poles will be replaced over the next ten years

Driving Northland into the future.

"Electric vehicles are coming – we can wait to be disrupted or we can seize the opportunity and plan for the future. Not only are they cost efficient to run, but many users will charge them overnight, maximising the use of electricity networks during off-peak periods. As we convert our fleet to run on domestic, locally sourced electricity via the Northpower network, we're also returning profits back to our communities. Electric vehicles make perfect 'cents' for Northland", says Joe Camuso – Northland Regional Council and electric vehicle advocate.

Northland has a high uptake per capita of electric vehicles (EVs). Our collaboration with ChargeNet NZ has helped to create an EV charging station network across Northland.

Current estimates are that there will be 35,000 electric vehicles across the Whangarei and Kaipara regions by 2030.

We're proud to participate in the annual #LeadingTheCharge road trip, raising awareness of the benefits of EVs across New Zealand.

One of Northpower's Hyundai IONIQ EVs completed the Whangarei to Cape Reinga portion of the #LeadingTheCharge 2018 road trip, driven by our Engineering Student Andrew Camuso.

The trip had quite an impact on Andrew, who recognised that we're potentially on the cusp of a once-in-a-generation technology change.

"It's great to be part of a watershed moment in history and the transition to electric transport, something I can tell my grandchildren", says Andrew.

Our people are our business.

We've significantly invested in our people this year through a number of successful safety and engagement initiatives.

Safety underpins everything.

Four behaviours aligned to our company values were developed and launched to our people at 12 roadshows, in our locations across the North Island.

These behaviours define who we are when we're at our best and contain strong underlying safety themes. We were delighted to receive a special commendation award at the Safeguard Health and Safety Awards for this initiative.

We've worked on improving safety processes and procedures including streamlining and digitising our safety incident reporting system - NPSafe and formalising our Safety Forum, which is made up of a cross section of people across our business, who are champions of our health and safety culture.

We are putting particular focus on our top ten critical health and safety risks – those represent rare events which could lead to serious harm or death. We are working to ensure that the key controls for these risks are well understood and that they are in action every day.

Sharing our stories.

This year there has been an emphasis on sharing more of the great things happening every day with geographically dispersed teams.

We launched our internal storytelling app 'Hub' which now has over 250 published stories about news and happenings at Northpower, along with more personal stories of what our people are achieving both at work and play.

Embracing wellness.

There's so much more to safety than just physical safety – and we're acknowledging the role that mental health and wellbeing plays in keeping us all safe.

The ability to develop resilience – the learned ability to demonstrate bounce, courage, connection and creativity - is a skill we're developing across our teams through participation in resilience workshops.

Upskilling our people using latest technology.

We've been trialling a new approach to learning and training utilising digital technology called micro-learning, which provides short bursts of on-demand learning opportunities.

The trial was highly successful and a number of our industry partners have expressed interest in adopting this approach for their own businesses.

10
Critical risks defined

75%
Safety leadership training complete

750+
Users on Northpower's storytelling app 'Hub'

250+
Stories shared on Hub

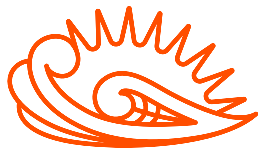
Unleashing creativity to bring our behaviours to life.

Our four behaviours are strong, powerful sentiments that describe what we're like when we're at our best.

Joel Freeman (Glove and Barrier Line Mechanic from Whangarei), Matt Iorangi (Maintenance Manager Transmission Lines from Rotorua) and Richard Ashby (Trade Specialist from Whangarei) worked together under the leadership and guidance of Vern Rosieur, our long-serving Safety and Human Resources Field Manager, better known as the Custodian of People.

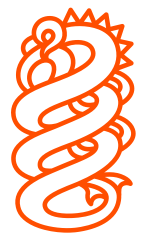
This team came together to design and create visual representations of our behaviours that evolved into four symbols.

From flat paper sketches, the symbols were transformed into 3D and recreated as whakairo (wood carvings), by master carver Puhi Thompson, creating Northpower's own taonga (treasures or artefacts).



Be mindful, be present, be safe – He ko tahi manaaki tatau katoa.

What is precious to one we must all take care of, protect and treasure. We protect ourselves and look out for those around us.

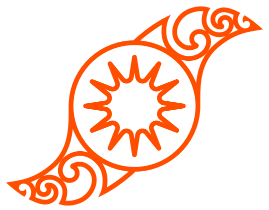


Act as one – Kotahitanga.

We stand together, we move together. We respect each other and work together to achieve our objectives. We strive to understand our customers' needs.

Earn the Trust – Kaitiakitanga.

We are guardians of our relationships and reputation. We build trust through our decision and actions.



Own the outcome – Kia mau te kaupapa.

We take ownership of our actions. We are proactive in our approach and demonstrate accountability for all aspects of our work.

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, electrical contracting and telecommunications fibre.

Directors holding office during the year

Northpower Limited

N P Davies-Colley (Chair)
D J Ballard
R C Booth
M B D James
M D Trigg
P G Hutchings
L S Kubiak
R J Black (resigned 31 July 2017)

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

N P Davies-Colley
P W McElwee
P G Hutchings (appointed 31 July 2017)
A R Beach (resigned 31 July 2017)

Northpower Solutions Limited

J M Boyd (appointed 31 March 2018)
A I McLeod (appointed 23 August 2017)
P W McElwee (resigned 30 April 2018)
R P Pearce (resigned 31 March 2018)
M D Trigg (resigned 23 August 2017)

Northpower LFC2 Limited

N P Davies-Colley (resigned 23 August 2017)
J M Boyd
A I McLeod (appointed 23 August 2017)
R P Pearce (resigned 31 March 2018)

Northpower Limited, in conjunction with Crown Fibre Holdings, has an investment in a jointly controlled entity:-

- Northpower Fibre Company Limited (NFL)

A I McLeod (appointed 23 August 2017) and J M Boyd (appointed 26 April 2017) are directors of NFL. R P Pearce and N P Davies-Colley were directors for part of the year, resigning 26 April 2017 and 23 August 2017 respectively.

Results

The group recorded an after tax profit of $23.4 million for the period, as set out in the Comprehensive Income Statement.

Dividend

A dividend of $8.1 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, $10,000 to Northland Youth Development, $20,000 Healthy Homes initiative, $40,000 to Te Taitokerau Education Trust and other sundry donations totalling $13,416 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:

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 Limited

N P Davies-Colley

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

M B D James

Director – Plant & Food Research Australia Pty Limited
Director – Plant & Food Research USA Corporation
Director – CropSeed Limited
Trustee – Ocean View Trust

P G Hutchings

Director/Shareholder – Wycliffe Pty Limited
Director/Shareholder – Wycliffe Limited
Shareholder – Career Engagement Group Limited
Director – West Coast Energy Pty Limited
Director – Northpower Western Australia Pty Limited

L S Kubiak

Chair – The Graduate Choir of NZ
Trustee – The Holy Trinity Cathedral Music Trust
Director/Shareholder – Quilisma Limited
Chief Executive – NZIER
Director – New Zealand Symphony Orchestra

M D Trigg

Director – Century Drilling and Energy Services
Director – Langman Lane Limited
Director – Ngāti Tuwharetoa Holdings Limited
Director – Ngāti Tuwharetoa Geothermal Assets Limited
Director – Ngāti Tuwharetoa Electricity Limited
Director – Liquigas Limited

Directors' fees

Directors' fees paid during the period was:-

Northpower Limited:

R J Black	$20,000
D J Ballard	$60,000
N P Davies-Colley	$120,000
M B D James	$60,000
R C Booth	$60,000
M D Trigg	$60,000
P G Hutchings	$60,000
L S Kubiak	$60,000
	$500,000

For the period January to July 2017 N P Davies-Colley and M D Trigg undertook executive responsibilities and received remuneration for these roles, as disclosed in note 27 of the financial statements, in addition to the fees disclosed above.

West Coast Energy Pty Limited:

A R Beach	$23,450
P G Hutchings	$14,845
	$38,295

Remuneration of employees

Bands:	No. of employees
Less than $100,000	957
$100,000 – $109,999	140
$110,000 – $119,999	91
$120,000 – $129,999	67
$130,000 – $139,999	49
$140,000 – $149,999	40
$150,000 – $159,999	29
$160,000 – $169,999	17
$170,000 – $179,999	15
$180,000 – $189,999	7
$190,000 – $199,999	8
$200,000 – $209,999	6
$210,000 – $219,000	2
$230,000 – $239,999	2
$250,000 – $259,999	1
$260,000 – $269,999	1
$280,000 – $289,999	1
$290,000 – $299,999	1
$320,000 – $329,999	1
$370,000 – $379,999	1
$470,000 – $479,999	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, David Ballard and Mark Trigg will retire. Mark Trigg has offered himself for re-election.

For and on behalf of the Board.

Nikki Davies-Colley
Chairman

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 comprised eight Directors until July 2017 (a non-executive Chairman and six non-executive Directors), at which time the Directors reduced to seven. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities. For an interim period (January to July 2017) two directors were appointed as executive directors to transition the commencement of a new chief executive.

The Board meets regularly 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 six times during the year.

Board Committee Structure

Post year end the Board has reviewed the Board Committees in place to ensure that they best met the needs of the Company. The Audit Committee has been renamed the Audit and Risk Committee, and responsibilities extended to include oversight of risk management and the treasury function. The Treasury Committee has disestablished. A People and Capability committee has also been established, with responsibilities to assist the Board in relation to oversight of the people strategy, performance and remuneration of the Chief Executive, succession planning for the Chief Executive and diversity, inclusion and equal employment opportunities in the Company.

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.

Financial statements

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 2018 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 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 2018.

Approved for and on behalf of the Board of Directors on 27 June 2018.

Nikki Davies-Colley
Chairman

Michael James
Director

Statement of service performance

	FY18 Actual	FY18 Target	FY17 Actual
Underlying net profit after tax as a percentage of shareholder's funds[1]	**9.33%**	**7.80%**	0.08%
Capital ratio	**58.7%**	**>58%**	55.8%
Network reliability (SAIDI)[2]			
planned	**74.8**	**<85**	59.98
unplanned	**107.97**	**<90**	94.42
Number of faults per 100km of line	**14.60**	**<10**	8.41
Customer satisfaction (residential)	**96%**	**>85%**	–
Customer satisfaction (commercial)	**94%**	**>85%**	–
Lost time injury	**8**	**–**	12
Total injury frequency rate per mil man hours[3]	**16.63**	**<15**	15.68

Northpower exceeded its Group Financial SCI target for FY18 on the back of strong financial performance from both the Contracting and Network businesses.

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 the January 2018 storm, which was 25 SAIDI minutes.

Faults per 100km exceeded the target largely due to the higher number of defective equipment faults and the impact of the January 2018 storm.

The customer satisfaction survey for FY18 showed high levels of satisfaction for both residential and commercial customers. The network team is working on a program to ensure customer satisfaction remains at these high levels.

The Lost Time Injury target was not achieved but continues to track downwards. The business continues to have a strong focus on achieving a zero target as the health & safety road map is implemented.

The Total Injury Frequency Rate target was not met. Northpower has a continued focus on critical risks and key controls; the incidents impacting this target are generally outside of these critical risks and do not involve life altering injuries or events. Northpower will continue to focus primarily on critical risks.

1 Underlying net profit after tax is the net profit after tax less the impact of fair value adjustments - i.e. loss on derivatives ($0.9m).

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:

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

Comprehensive income statement

	Notes	2018 $000s	2017 $000s
Continuing operations			
Revenue	5(a)	**325,046**	290,425
Other income	5(b)	**1,218**	4,521
Materials/supplies expenses		**129,326**	121,087
Employee benefits expenses	34	**115,779**	102,275
Transmission costs		**21,284**	19,149
Depreciation and amortisation expense		**15,802**	15,904
Other expenses	6	**11,536**	7,557
Finance costs		**3,408**	3,964
Share of (profit) in joint venture		**(592)**	(752)
Profit before income tax		**29,721**	25,762
Income tax expense	9	**(8,799)**	(6,895)
Profit for the year from continuing operations attributable to the equity holders of the parent		**20,922**	18,867
Profit/(loss) for the year from discontinued operations	7	**2,475**	(21,218)
Profit/(loss) for the year attributable to the equity holders of the parent		**23,397**	(2,351)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**190**	(880)
Items that will not be reclassified to profit or loss			
Net fair value gains on investments measured at FVTOCI		**–**	18
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		**84**	34
Other comprehensive income/(loss) for the period net of tax		**274**	(828)
Total comprehensive income for the year attributable to the equity holders of the parent		**23,671**	(3,179)

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

Balance sheet

	Notes	2018 $000s	2017 $000s
Assets			
Current assets			
Cash and cash equivalents	11	**3,739**	2,041
Trade and other receivables	12	**38,230**	38,022
Work in progress - construction contracts	13	**18,365**	26,578
Inventory	32	**9,524**	10,050
		69,858	76,691
Assets classified as held for sale	8	**–**	8,919
Total current assets		**69,858**	85,610
Non-current assets			
Other financial assets	14	**32**	883
Assets under construction		**16,699**	9,844
Goodwill and intangible assets	15	**11,551**	12,217
Investments accounted for using the equity method	28	**26,534**	23,861
Derivative financial instruments	24	**–**	72
Investment property	17	**–**	735
Property, plant and equipment	16	**328,035**	321,001
Total non-current assets		**382,851**	368,613
Total assets		**452,709**	454,223
Liabilities			
Current liabilities			
Trade and other payables	20	**35,282**	31,730
WCE closure provisions	20	**319**	10,694
Provision for dividend	21	**8,000**	5,000
Provision for tax		**6,140**	5,736
Derivative financial instruments	24	**45**	–
Employee entitlements	31	**14,782**	9,355
		64,568	62,515
Liabilities directly associated with assets classified as held for sale	18	**–**	1,140
Total current liabilities		**64,568**	63,655
Non-current liabilities			
Employee entitlements	31	**905**	851
Borrowings	18	**61,188**	79,900
Deferred revenue	19	**2,250**	–
Derivative financial instruments	24	**2,913**	2,200
Deferred taxation	10	**55,261**	57,664
Total non-current liabilities		**122,517**	140,615
Total liabilities		**187,085**	204,270
Net assets		**265,624**	249,953
Equity			
Share capital	22	**35,989**	35,989
Asset revaluation reserve		**37,467**	37,885
Other reserves		**184**	100
Foreign currency translation reserve		**(3,037)**	(3,227)
Retained earnings		**195,021**	179,206
Equity attributable to equity holders of the parent		**265,624**	249,953
Total equity		**265,624**	249,953

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
As at 1 April 2017	35,989	179,206	100	37,885	(3,227)	249,953
Profit for the period	–	23,397	–	–	–	23,397
Other comprehensive income for the period	–	–	84	–	190	274
Transfer from Asset Revaluation Reserve	–	814	–	(814)	–	–
Deferred Tax on above	–	(396)	–	396	–	–
Total comprehensive income for the period	–	23,815	84	(418)	190	23,671
Transactions with owners in their capacity as owners						
Dividends paid	–	(8,000)	–	–	–	(8,000)
As at 31 March 2018	**35,989**	**195,021**	**184**	**37,467**	**(3,037)**	**265,624**
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**

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

Cash flow statement

	Notes	2018 $000s	2017 $000s
Operating activities			
Receipts from customers		**344,446**	331,985
Interest received		**208**	119
Dividends received		**3,157**	2,451
Payments to suppliers		**(174,325)**	(169,521)
Payments to employees		**(116,120)**	(128,805)
Interest paid		**(3,685)**	(4,164)
Income tax paid		**(10,798)**	(2,478)
Net GST paid		**(3)**	1,262
Net cash flows from operating activities	23	**42,880**	30,849
Investing activities			
Proceeds from sale of property, plant and equipment		**11,168**	12,637
Proceeds from sale of other financial assets		**897**	–
Investment in joint venture		**(5,238)**	(8,301)
Purchase of intangible assets		**(1,767)**	(1,280)
Purchase of property, plant and equipment		**(23,734)**	(16,232)
Net cash flows used in investing activities		**(18,674)**	(13,176)
Financing activities			
Repayment of borrowings		**(16,558)**	(10,900)
Payment of finance lease liabilities		**(1,140)**	(401)
Dividends paid to equity holders of the parent	21	**(5,000)**	(5,000)
Net cash flows used in financing activities		**(22,698)**	(16,301)
Net increase in cash and cash equivalents		**1,508**	1,372
Net foreign exchange differences		**190**	(878)
Cash and cash equivalents at the beginning of the year		**2,041**	1,547
	11	**3,739**	2,041

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

Notes to 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 Group (or "the Group") as at, and for the year ended 31 March 2018. 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 a joint venture 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 operated an electricity contracting business that was closed during the year (see note 7).
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding company and operates an acoustic testing business.
- Northpower Solutions Limited operates a contracting business.
- Northpower LFC2 Limited operates 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.

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 Northpower Fibre Limited (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.

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.

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.

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 16) 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
Investment Properties			
Land	–	–	–
Buildings	–	–	–
Property, Plant & Equipment	–	–	–
System distribution assets	–	280,747	280,747
Land	8,027	–	8,027
Buildings	2,937	4,518	7,455
Building infrastructure	1,711	609	2,320
	12,675	**285,874**	**298,549**
	12,675	**285,874**	**298,549**

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 hierarchy 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 a historical cost basis except for the revaluation of derivatives, other financial assets, distribution system assets, and land and buildings.

The presentation 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 2018 were authorised for issue in accordance with a resolution of the Directors on 27 June 2018.

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.

- 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 2018, with early adoption permitted. Application date for the Group is 1 April 2018. The Group is currently assessing the impact of adopting this standard.
- NZIFRS 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 has entered into operating leases for significant portion of the vehicle fleet and has a number of leases for land and buildings. It is anticipated that these will be reflected in the balance sheet when the revised accounting standard is adopted.

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. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

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.

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, or the Company wound up, 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:

i 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.

ii 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.

iii 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.

iv 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.

v 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.

vi Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL (fair value through profit and loss) when the financial liability is:

- contingent consideration of an acquirer in a business combination to which NZ IFRS 3 applies,
- held for trading, or
- 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.

i 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.

j 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.

k 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.

i 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.

l 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.

i 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.

ii 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$120,000,000 (2017: 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 (2017: 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.

iii 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.

	2018					2017				
	<6 Mths $000s	6-12 Mths $000s	1-2 Yrs $000s	2-5 Yrs $000s	Beyond 5 Yrs $000s	<6 Mths $000s	6-12 Mths $000s	1-2 Yrs $000s	2-5 Yrs $000s	Beyond 5 Yrs $000s
Trade & other payables	**20,184**	–	–	–	–	22,751	–	–	–	–
Finance leases payable	–	–	–	–	–	–	–	–	–	–
Interest bearing loans	–	–	**40,718**	**21,307**	–	–	–	23,306	68,403	–
Non interest bearing loans	–	–	–	–	**3,842**	–	–	–	–	–
	20,184	–	**40,718**	**21,307**	**3,842**	22,751	–	23,306	68,403	–

iv 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.

	2018 <6 Mths $000s	6-12 Mths $000s	1-2 Yrs $000s	2-5 Yrs $000s	Beyond 5 Yrs $000s	2017 <6 Mth $000s	6-12 Mths $000s	1-2 Yrs $000s	2-5 Yrs $000s	Beyond 5 Yrs $000s
Net settled (Interest rate instruments)	(15)	(25)	(202)	(1,920)	(790)	–	–	(106)	(2,022)	–
Gross settled (forward foreign exchange contracts - cash flow hedges)										
– inflow	382	572	–	–	–	–	–	–	–	–
– (outflow)	(382)	(573)	–	–	–	–	–	–	–	–
	(15)	(26)	(202)	(1,920)	(790)	–	–	(106)	(2,022)	–

v 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.

vi Fair Values

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

vii 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.

	2018 Level 1 $000s	Level 2 $000s	2017 Level 1 $000s	Level 2 $000s
Financial assets				
Interest rate swaps	–	–	–	72
Other financial assets	–	32	851	32
	–	32	851	104
Financial liabilities				
Interest rate swaps	–	(2,953)	–	(2,200)
Forward foreign exchange contracts	–	(5)	–	–
	–	(2,958)	–	(2,200)

viii 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 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 2018, the Group had the following exposure to $AUD:

	2018 $000s	2017$ 000s
Financial Assets		
Cash & cash equivalents	9	1,305
Trade & other receivables	289	5,126
Financial Liabilities		
Trade & other payables	610	7,257
Interest bearing loans & borrowings	–	1,042
Net exposure	(312)	(1,868)

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

At 31 March 2018, 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) 2018 $000s	2017 $000s	Equity Higher/(Lower) 2018 $000s	2017 $000s
NZD Strengthen +5%	43	104	–	–
NZD Weaken -5%	(48)	(115)	–	–

ix 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.

	2018 $000s	2017 $000s
Interest rate swaps	92,000	88,000

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

At 31 March 2018, 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:

	Tax Profit Higher/(Lower) 2018 $000s	2017 $000s	Equity Higher/(Lower) 2018 $000s	2017 $000s
+1% (100 basis points)	1,836	1,443	–	–
-0.5% (50 basis points)	(970)	(779)	–	–

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.

	2018 $000s	2017 $000s
i) Revenue		
Lines revenue	**76,595**	69,370
Line contributions	**4,179**	2,643
Contracting work income	**243,887**	217,994
Interest income	**208**	119
Income from farming	**177**	299
	325,046	290,425
ii) Other income		
Net gain on foreign exchange	**–**	213
Fair valuation gain on derivative instruments	**–**	1,416
Gain on sale of assets	**633**	2,499
Rent received	**85**	85
Sundry income	**500**	308
	1,218	4,521

Revenue associated with discontinued activities is disclosed in note 7.

6 Other expenses

	2018 $000s	2017 $000s
Auditor's remuneration		
– Audit of financial statements	**219**	175
– Audit of regulatory disclosures	**25**	25
– Fees paid to auditors for other services	**248**	–
Bad debts written off	**65**	320
Fair valuation loss on derivative instruments	**913**	–
Net loss on foreign exchange	**131**	–
Directors' fees	**500**	430
Rental and operating lease costs	**9,435**	6,607
Research and development	**–**	–
	11,536	7,557
Included in discontinued operations:		
Audit fees	**–**	122
Directors fees	**38**	67
Rental and operating lease costs	**1,207**	–

7 Discontinued operations

West Coast Energy
During the year ended 31 March 2017 it became apparent that the Group was unable to make a sustainable profit from key contracts held by West Coast Energy Pty Limited and as a result in December 2016 a decision was made to close the business. The decision to close the business resulted in several restructuring provisions being recognised at 31 March 2017 (see note 20). The majority of closure activities are now complete and a provision remains at 31 March 2018 for any final defects that may be identified during the remainder of the defect liability period, which expires in July 2018 and other minor costs - see note 20.

The Group did decide to continue with the acoustic testing work (Foresight). This work has continued under Northpower Western Australia Pty Limited with the company employing one person to manage this work. The results associated with these activities are included in continuing operations.

The results of the discontinued operations included in the profit for the year are set out below, and includes the West Coast Energy's business trading up until closure (30 June 2017) and the wash up of closure provisions.

Profit/(loss) for the year from discontinued operations

	2018 $000s	2017 $000s
Revenue	**8,827**	47,143
Expenses	**(6,352)**	(68,361)
(Loss)/profit before income tax	**2,475**	(21,218)
Income tax expense	**–**	–
Profit/(loss) for the year from discontinued operations (attributable to equity holders of the Parent)	**2,475**	(21,218)

Discontinued activities include an impairment of Property, Plant and Equipment of nil (2017:$4,946k).

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

	2018	2017
Net cash flows from operating activities	**(3,124)**	(6,310)
Net cash flows from investing activities	**3,430**	(281)
Net cash flows from financing activities	**(7,689)**	(401)
Net cash flows	**(7,383)**	(6,992)

8 Assets classified as held for sale

	2018 $000s	2017 $000s
Property, plant and equipment	–	4,982
Investment properties	–	3,937
	–	8,919

9 Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available to utilise those temporary differences and losses.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

	2018 $000s	2017 $000s
Taxation		
Accounting profit before income tax	**29,721**	25,762
At New Zealand's statutory tax rate of 28% (2016: 28%)	**8,322**	7,213
Plus/(less) tax effect of:		
– Non-deductible expense	**123**	695
– Non-taxable income	**(333)**	-
– Prior period adjustment	**(31)**	(641)
Adjustment for joint venture	**(166)**	–
Tax on income not included in accounting profit	**884**	(372)
	8,799	6,895
The Taxation Charge is Represented by:		
– Current taxation	**11,802**	7,938
– Deferred taxation	**(2,984)**	(30)
– Prior period adjustment relating to current tax	**(600)**	123
– Prior period adjustment relating to deferred tax	**581**	(764)
Reclassification of assets being held for sale	**-**	(372)
	8,799	6,895
Imputation credits available for use in subsequent reporting periods	**45,468**	33,791

The Group has unrecorded tax losses relating to its Australian business of A$35.2m (2017: A$39.3m). 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	Employee entitlements $000s	Other $000s	Total $000s
Balance as at 1 April 2017	(55,331)	1,980	(4,313)	(57,664)
Charged to profit/(loss)	(844)	1,460	1,787	2,403
Balance as at 31 March 2018	**(56,175)**	**3,440**	**(2,526)**	**(55,261)**
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)**

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.

	2018 $000s	2017 $000s
Bank	**3,738**	2,037
Cash on hand	**1**	4
	3,739	2,041

12 Trade and other receivables

	2018 $000s	2017 $000s
Trade and other receivables	**37,373**	37,405
Less provision for impairment	**(138)**	(350)
Prepayments	**995**	967
	38,230	38,022

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 2018 the ageing analysis of trade receivables is as follows:

	2018 Gross $000s	Impairment $000s	Net $000s	2017 Gross $000s	Impairment $000s	Net $000s
0-30 days	**36,840**	**-**	**36,840**	35,908	-	35,908
31 - 60 days	**96**	**-**	**96**	442	-	442
61 - 90 days	**370**	**(71)**	**299**	502	-	502
91 days plus	**67**	**(67)**	**-**	553	(350)	203
	37,373	**(138)**	**37,235**	37,405	(350)	37,055

The provision for impairment has been based on the Group's assessment on whether there is objective evidence that an impairment has been incurred but not yet identified. Factors taken into account during this assessment are whether a debtor has financial difficulties, or has defaulted in payment.

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 $299k (2017: $197k).

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

	2018 $000s	2017 $000s
Balance at 1 April	**350**	91
Additional provisions made during the year	**–**	259
Reversal of provision during the year	**(212)**	–
Balance at 31 March	**138**	350

13 Work in progress

	2018 $000s	2017 $000s
Customer progress billing made during the year	**(28,704)**	(65,682)
Aggregate of costs incurred	**38,332**	74,638
Recognised profits (less recognised losses) to date	**8,737**	17,622
	18,365	26,578

14 Other financial assets

	2018 $000s	2017 $000s
Fonterra Co-operative Group Limited	**–**	851
Ravensdown Fertiliser Co-operative Limited	**32**	32
	32	883

Other financial assets consists of 31,612 shares (2017: 31,612 shares) in Ravensdown Fertiliser Co-operative Limited. At 31 March 2017 140,439 shares in Fonterra Co-operative Group Limited were held however these were sold during the year following sale of the farm.

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 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.

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
Cost				
At 1 April 2017	4,122	18,230	453	22,805
Transfers	–	28	–	28
Addition	–	1,739	–	1,739
At 31 March 2018	**4,122**	**19,997**	**453**	**24,572**
Accumulated amortisation and impairment				
At 1 April 2017	1,745	8,843	–	10,588
Amortisation for the year	–	2,433	–	2,433
At 31 March 2018	**1,745**	**11,276**	**–**	**13,021**
Net carrying amount at 31 March 2018	**2,377**	**8,721**	**453**	**11,551**
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

There is no intangible asset whose title is restricted.

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.

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

	2018 $000s	2017 $000s
Regional Contracting	**877**	877
Central Contracting	**1,500**	1,500
	2,377	2,377

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.

Sensitivity

The Directors have considered the variability of the key assumptions underlining 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.

16 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	2 – 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
Cost or fair value											
At 1 April 2017	7,664	7,432	2,364	1,631	317,514	5,404	2,374	15,430	38,180	27,274	425,267
Addition	–	53	187	502	14,385	165	1,959	316	3,742	43	21,352
Transfers	363	380	(31)	27	–	–	–	–	(29)	3	713
Disposal	–	–	–	(42)	(65)	–	–	–	(621)	(5,843)	(6,571)
At 31 March 2018	**8,027**	**7,865**	**2,520**	**2,118**	**331,834**	**5,569**	**4,333**	**15,746**	**41,272**	**21,477**	**440,761**
Accumulated Depreciation & Impairment											
At 1 April 2017	–	199	94	450	43,743	4,698	1,020	8,789	26,638	18,635	104,266
Depreciation charge for the year	–	211	106	116	7,352	618	214	516	2,672	1,564	13,369
Disposal	–	–	–	(10)	(8)	–	–	–	(578)	(4,313)	(4,909)
At 31 March 2018	**-**	**410**	**200**	**556**	**51,087**	**5,316**	**1,234**	**9,305**	**28,732**	**15,886**	**112,726**
Net carrying amount at 31 March 2018	**8,027**	**7,455**	**2,320**	**1,562**	**280,747**	**253**	**3,099**	**6,441**	**12,540**	**5,591**	**328,035**
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 to available for sale	-	(421)	(2,204)	2,625	–	–	–	–	–	–	–
Transfers	(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	–	–	–	–	–	–	–
Transfers 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**

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 2.

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:

2018	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s
Cost	**6,223**	**10,410**	**3,124**	**309,196**
Accumulated depreciation & impairment	**-**	**2,440**	**661**	**77,016**
Net carrying amount	**6,223**	**7,970**	**2,463**	**232,180**

2017	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s
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

17 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.

	2018 $000s	2017 $000s
Opening balance as at 1 April	**735**	4,672
Transfer to available for sale	**–**	(3,937)
Transfer to property, plant and equipment	**(735)**	–
	–	735

During the prior period investment properties generated revenue of $380k and had operating expenses of $177k.

The investment properties are carried at fair value, which was determined by an independent valuer, AON Risk Solutions, for the comparative.

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

There are no contractual capital obligations.

18 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.

The Group has received an interest free loan from the Government for construction of fibre network assets and the loan is recognised at its fair value when received. The difference between the amount received and the fair value is recognised as government grant in accordance with NZ IAS 20. As the grant relates to the construction of property, plant and equipment it has been included in non-current liabilities as deferred revenue and is recognised in the comprehensive income statement over the periods necessary to match the related depreciation charges, or other expenses of the asset as they are incurred. No income was recognised during the year ended 31 March 2018.

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	2018 $000s	2017 $000s
Non current			
Unsecured loans	Within 2 yrs	**39,500**	59,900
Unsecured loans	Within 2 & 3 yrs	**20,000**	20,000
Interest free loan	Beyond 5 years	**1,688**	–
Total non current portion		**61,188**	79,900

a. Fair value

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 2019 and May 2022.

Interest rates paid on $NZD borrowings averaged 2.6% (2017: 2.7%). Interest rates paid on 31 March 2017 $AUD borrowings averaged 7.3%.

c. Financing facilities available

The Group operates a $120 million lending facility.

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

d. Assets pledged as security

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 0.70 (2017: 0.82)

	2018 $000s	2017 $000s
Minimum lease payments payable		
Not later than one year		508
Later than one year & not later than five years	–	690
Later than five years	–	–
Total minimum lease payments	–	1,198
Future finance charges	–	(58)
Present value of minimum lease payments	–	1,140

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

At 31 March 2017 the Group had entered into finance leases for motor vehicles and the net carrying amount of these assets at balance date are $4.642 million. The leases could 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 had the option to purchase the asset at the end of the lease term and there were no restrictions placed on the Group by any of the finance leasing arrangements. These assets were disclosed as held for sale at 31 March 2017. These agreements were settled during the year ended 31 March 2018, following the decision to close the West Coast Energy business.

19 Deferred revenue

Deferred revenue relates to an interest free loan received from the Crown (see further detail in note 18).

	2018 $000s	2017 $000s
Balance at 1 April	–	–
Received during the year	**2,250**	–
Income recognised	–	–
Balance at 31 March	**2,250**	–

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.

	2018 $000s	2017 $000s
Trade payables (GST Inclusive)	**15,752**	17,847
Accrued payables (GST Exclusive)	**6,628**	7,111
Income in advance	**12,902**	6,772
	35,282	31,730

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 (see note 7), a provision was 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. The majority of these provisions were realised during the year ended 31 March 2018. The provision remaining at 31 March 2018 relates to any potential claims and defects for the remainder of the defect period and other minor activities.

	2018 $000s	2017 $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	**213**	328
Other closure costs	**106**	705
	319	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).

	2018 $000s	2017 $000s
Dividends on ordinary shares declared during the year		
Final imputed dividend for 2018: 22.23 cents (2017: 13.89 cents)	**8,000**	5,000

On 23 May 2018 the Directors declared a further dividend of $0.103 million ($0.143 million inclusive of imputation credits).

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*

	2018 $000s	2017 $000s
As at 31 March 2018	**35,989**	35,989
Represented by 35,981,848 ordinary shares		
Total issued & paid up capital	**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 2018 the Group declared dividends of $8.1 million (2017: $5.0 million). As outlined in the statement of corporate intent, the Group's dividend policy is to pay a minimum of $8m or 35% of net profit after tax (whichever the 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 Cash flow statement reconciliation

	2018 $000s	2017 $000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net profit/(loss) after income tax	**23,397**	(2,351)
Adjustments for:		
– Depreciation & amortisation	**15,802**	22,828
– (Gain) on sale of property, plant & equipment	**(633)**	(2,066)
– Non cash line contribution revenue	**(4,179)**	(2,643)
– Fair valuation loss/(gain) on derivative financial instruments	**913**	(1,416)
– Capitalised interest expense	**(272)**	(22)
– Non cash interest	**96**	-
– Equity accounted earnings of joint venture net of dividends received	**2,565**	1,074
Changes in assets & liabilities		
– Increase in trade & other payables	**3,553**	3,499
– (Decrease)/increase in WCE closure provisions	**(10,375)**	10,694
– Decrease/(increase) in work in progress	**8,213**	(3,478)
– (Increase) in trade & other receivables	**(208)**	(450)
– Decrease/(increase) in inventory	**526**	(6)
– (Decrease) in deferred tax liabilities	**(2,403)**	(1,166)
– Increase in employee entitlements	**5,481**	769
– Increase in provision for tax	**404**	5,583
Net cash from operating activities	**42,880**	30,849

The table below sets out an analysis of the Group's liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows.

2018	Cash $000	Finance leases $000	Borrowings $000	Total $000
Net debt 1 April	**(2,041)**	**1,140**	**79,900**	**78,999**
Cash flows	**(1,698)**	**–**	**(16,558)**	**(18,256)**
Finance leases	**–**	**(1,140)**	**–**	**(1,140)**
Non cash movements	**–**	**–**	**96**	**96**
Net debt 31 March	**(3,739)**	**–**	**63,438**	**59,699**

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 and foreign exchange on purchases of property, plant and equipment.

	2018 $000s	2017 $000s
Non-current asset portion		
Interest rate swap contracts	**–**	72
Current liability portion		
Interest rate swap contracts	**40**	–
Forward foreign exchange contracts	**5**	–
Non-current liability portion		
Interest rate swap contracts	**2,913**	2,200
Net financial derivative liability position	**2,958**	2,128

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 $92,000,000 (2017: $88,000,000). The fixed interest rates of interest rate swaps vary from 2.67% to 4.65%.

At 31 March 2018 forward foreign exchange contracts were outstanding for NZD955,904 (2017: nil).

25 Guarantees and contingencies

	2018 $000s	2017 $000s
Performance bonds in relation to contract work	**30,199**	20,463
Letters of credit in relation to contract work	**–**	150
Guarantee for leased premises	**1,026**	1,052
	31,225	21,665

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and Australia. Letters of Credit for the prior year 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.

26 Commitment

As lessee in operating leases

The 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:

	2018 $000s	2017 $000s
Within one year	**9,411**	8,160
After one year but not more than five years	**24,814**	25,126
More than five years	**9,016**	10,745
Total non-cancellable operating leases	**43,241**	44,031

As lessor in operating leases

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

	2018 $000s	2017 $000s
Within one year	**21**	23
After one year but not more than five years	**50**	76
More than five years	**–**	–
Total non-cancellable operating leases	**71**	99

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	**573**	–

Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Infrastructure Partnership Limited. 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 arm's 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.

b. Joint venture

	2018 $000s	2017 $000s
Transactions during the year		
Sales to joint venture	**3,236**	2,873
Purchases from joint venture	**324**	50
Dividend received from joint venture	**3,157**	1,826
Purchase of shares in joint venture	**5,238**	8,301
Other transactions	**–**	–
Outstanding balances as at 31 March		
Payable to joint venture	**101**	–
Receivable from joint venture	**755**	614

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:

i ***Compensation of key management personnel***

	2018 $000s	2017 $000s
Short-term employee benefits	**3,275**	4,403
Termination benefits	**205**	490
	3,480	4,893

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 the year Northpower paid the Northpower Electric Power Trust a dividend totalling $5 million, declared March 2017 (2017: $5 million, declared March 2016). A dividend of $8 million was also declared in March 2018 and is payable after year end (refer note 21).

ii ***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, and a Director and Shareholder of Yovich & Co Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of $2,598,336 (2017: $3,243,589) and had a balance outstanding at 31 March 2018 of $327,332 (2017: $29,260), and sales to Busck Prestressed Concrete Limited of $4,512 (2017: nil). Yovich & Co sold Fonterra shares on behalf of the Group and received commission of $13,653 for this transaction.

Mrs Nikki 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 $10,796 (2017: $21,012) and had a balance outstanding at 31 March 2018 of $1,737 (2017: nil), and sales to Landcorp Farming of nil (2017: $6,152) with a balance remaining at 31 March 2018 of nil (2017: $6,133).

For the period from January to July 2017, two directors, Mrs Nikki Davies Colley and Mr 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. The total remuneration received as executives during the year ended 31 March 2018 for that period was: Mrs Davies-Colley $56,875 (2017: $69,526) and Mr Trigg $75,716 (2017: $80,937).

Mr A R Beach is a director of Northpower Western Australia Pty Limited and West Coast Energy Pty Limited. During the year Mr Beach provided assistance with managing the closure of the West Coast Energy business and was paid fees totalling $52,994 for these services.

Mr Richard Pearce is a Board members of the Electricity Engineers' Association and during the year Northpower made purchases from this organisation totalling $36,860 (2017: $36,494).

During the year ended 31 March 2017 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 2017 Kaipara District Council made purchases of $22,933, Northpower made sales to Kaipara District Council of $50,564 and had a balance outstanding at 31 March 2017 of $10,642.

During the year ended 31 March 2017 David Wright was a director of Northpower Western Australia Pty Limited, until his resignation in April 2016. While a director of NPWA he was also a Director of WEL Networks Limited and David Wright Limited. During the year ended 31 March 2017 Northpower transacted purchases of $1,185 with WEL Networks Limited. Sales to WEL Networks of $3,006,004 took place during the same year with $875,524 remaining outstanding as at 31 March 2017.

During the year ended 31 March 2017 Mark Gatland was a Board member of the Energy Networks' Association until his retirement in January 2017. During the year ended 31 March 2017 Northpower made payments to this organisation of $77,450.

28 Investments accounted for using the equity method

The Group's investment in its joint venture is accounted for using the equity method. Joint ventures are arrangements where parties to the arrangement have rights to the net assess of the arrangement and decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under the equity method, investments in joint venture are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to a joint venture 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 joint venture, measured as the difference between the recoverable amount of the net investment in the joint venture and its carrying value. Any impairment loss is recognised in the "share of profit of a joint venture" in the statement of comprehensive income.

The Group's share of joint venture 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 a joint venture equals or exceeds its interest in the joint venture, 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 joint venture.

The joint venture's 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 joint venture prior to the application of the equity method of accounting. If the difference in the reporting dates between the Group and the joint venture is longer than three months, financial statements for the joint venture 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 Infrastructure Partnership Limited to establish, manage and fund the operations of NFL. Under a shareholders' agreement between Northpower and Crown Infrastructure Holdings Limited, 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 Crown Infrastructure Partnership Limited, 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.

In previous years, the Group's investment in NFL has been treated as an 'associate' on the basis that the Group had significant influence but did not control NFL. At 31 March 2018, the Group held 63% of the shareholding in NFL and the investment has been classified as a joint venture because:

- 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 Infrastructure Partnership Limited, another shareholder of NFL, have the unilateral right to make decisions regarding NFL activities
- Northpower and Crown Infrastructure Partnership 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.

Investments classified as joint ventures and associates are both accounted for using the equity method therefore this change in nature of the investment has not impacted the amounts recognised in these financial statements.

a. Movements in the carrying amount of the Group's investments accounted for using the equity method

	2018 $000s	2017 $000s
Beginning balance	**23,861**	16,634
Additional investment made	**5,238**	8,301
Share of profit after income tax	**530**	212
Unrealised profit adjustment	**125**	596
Realised profit adjustment	**(63)**	(56)
Dividend	**(3,157)**	(1,826)
	26,534	23,861

b. Summarised financial information

Extracts from the joint venture statement of financial position:

	2018 $000s	2017 $000s
Current assets	**2,095**	1,617
Non-current assets	**43,741**	41,401
Current liabilities	**1,495**	1,145
Non-current liabilities	**1,495**	1,187
Net assets	**42,846**	40,686
Share of joint venture net assets	**26,993**	23,476
Extract from the joint venture statement of comprehensive income:		
Revenue	**6,839**	5,458
Net profit	**843**	367

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:

	2018 $000s	2017 $000s
Financial assets at fair value through profit and loss	–	72
Financial assets at amortised cost		
Cash & cash equivalents	**3,739**	2,041
Trade & other receivables	**38,230**	38,022
Total financial assets at amortised cost	**41,969**	40,063
Other financial assets at FVTOCI		
Unlisted shares	**32**	883
Financial liabilities at fair value through profit and loss	**2,958**	2,200
Financial liabilities measured at amortised cost		
Long term borrowings	**61,188**	79,900
Trade & other payables	**20,184**	22,751
Total financial liabilities measured at amortised cost	**81,372**	102,651

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 2017 indicated that the scheme had a past service surplus of $8.0 million (6.2% 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.

	2018 $000s	2017 $000s
Current employee entitlements are represented by:		
Accrued salaries & wages	**5,347**	2,505
Annual leave	**8,718**	6,825
Sick leave	**717**	25
Total current portion	**14,782**	9,355
Non-current employee entitlements are represented by:		
Retirement & long service leave	**905**	851
Total non-current portion	**905**	851
Total employee entitlements	**15,687**	10,206

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.

	2018 $000s	2017 $000s
Inventory held for use in the provision of goods & services	**9,524**	10,050
Cost of inventories recognised as expense	**51,083**	56,103

The carrying amount of inventories held for distribution is measured on a weighted average cost basis. Inventory written down during the period amounted to nil (2017: $198,851). 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 $271,510 (2017: $22,866). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation is 2.6% (2017: 2.9%).

34 Employee benefit expenses

	2018 $000s	2017 $000s
Salaries & wages	**107,415**	98,948
Defined contribution plan employer contributions	**2,883**	2,558
Movement in employee entitlements	**5,481**	769
	115,779	102,275

35 Auditor's remuneration

	2018 $000s	2017 $000s
The auditor of Northpower Limited is Audit New Zealand		
Fees to Audit New Zealand for:		
– Audit of financial statements	**171**	175
– Special audits required by regulators	**25**	25
	196	200
Fees to non Audit New Zealand firms for:		
– Audit of financial statements of Subsidiary (FY17 included in discontinued operations)	**48**	122
– Advisory services	**248**	186
	296	308

36 Events after balance date

There were no significant events after reporting date.

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 2018.

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 34 to 69, that comprise the Balance Sheet as at 31 March 2018, 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 performance information of the Group on page 33.

In our opinion:

- the financial statements of the Group:
  - » present fairly, in all material respects:
    - its financial position as at 31 March 2018; 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; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 27 June 2018. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 30, 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

Northpower Limited

Board

Chair
– N P Davies-Colley

Directors
– D J Ballard
– M B D James
– R C Booth
– M D Trigg
– L S Kubiak
– P G Hutchings

Executive Officers

Chief Executive
– A I McLeod

Chief Financial Officer
– P W McElwee

General Manager, Network
– J M Boyd

General Manager, Business Performance
– A P Wilshire

General Manager, Contracting
– L B Richards

General Manager, Asset Investment
– D J van Brink

General Manager, People and Capability
– A M O'Brien

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