NORTHPOWER ELECTRIC POWER TRUST

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2018

TABLE OF CONTENTS

DIRECTORY

Northpower Electric Power Trust

Northpower Electric Power Trust
Chairman:
E A Angelo, CA — Whangarei

Deputy Chairman:
R J Drake, MNZM — Kaipara

Other Trustees:

I M Durham BBM, Grad Dip(Fin) — Whangarei
S K McKenzie — Kaipara
K R Provan — Whangarei
W E Rossiter, QSM — Whangarei
P M W Yovich, CA — Whangarei

Northpower Limited
Chairman:
N P Davies-Colley, BBS, MBA, CF Inst D.

Directors:
D J Ballard, BE (Hons), MBA
R J Black, BE(Civil) (Hons), FREng, FIPENZ (retired 31 July 2017)
R C Booth, MBA, Dip Ag
P G Hutchings, B.Eng. (Hons), Dip Bus Admin.
M B James, BCom, CA
L S Kubiak
M D Trigg, BEng Chemicals and Materials

Secretariat:
Brent Martin, CA — Plus Chartered Accountants Limited

Bankers:
ASB, Whangarei

Auditor:
BDO, Northland

Northpower Electric Power Trust
Trustees' Report
For the year ended 31 March 2018

The Trustees' role

The Trustees' responsibilities are governed by the Trust Deed. They are required to provide for the short and long term interests of the beneficiaries and must adhere to the requirements of the Trustee Act 1956, the Commerce Act 1986 and the Electricity Industry Act 2010.

Trustees' responsibilities cover: holding the shares in Northpower Ltd. on behalf of the consumers of the Kaipara and Whangarei Districts, receiving dividends from Northpower Ltd and distributing that income for the benefit of the consumers,commenting to the Directors on Northpower's Statement of Corporate Intent; appointing Directors of Northpower Ltd and monitoring their performance with respect to the Company's Statement of Corporate Intent; exercising the rights and responsibilities of diligent shareholders; meeting with the Directors on a regular basis to consider the performance of Northpower Ltd, and reporting annually to the Trust's beneficiaries.

Seven Trustees are elected every three years by the public of the Kaipara and Whangarei Districts to hold the shares in Northpower Ltd on behalf of the Trust's beneficiaries, who are the electricity consumers of the districts. The Northpower Electric Power Trust was registered in 1993. The last election for Trustees was held in November 2016.

Trustees appointed Erc Angelo as their Chair and Richard Drake as their Deputy Chair for 3 years until the next election.

Distribution to consumers

A distribution of $80 per consumer was paid to consumers in December 2017 by way of a credit to all consumer beneficiaries electricity accounts.

Directorship

At each Annual General Meeting of Northpower Ltd, the company's constitution requires that one third of the Directors will retire and may seek reappointment. In July 2017, Richard Booth and Michael James retired by rotation and were reappointed to the Board by the Trustees. Russell Black resigned on 31 July 2017.

The selection and appointment of the Directors of Northpower Limited is a crucial part of the Trustees' responsibilities. Trustees seek regular external perspectives on the performance of Northpower Directors; the results of which have confirmed that Northpower Limited is governed by a well performing Board.

Working With Directors

In order to fulfil their statutory obligations, Trustees meet with the Board of Directors regularly throughout the year. Matters raised include any issues that have the potential to affect the value of Northpower Ltd. Trustees receive and review interim financial reports for discussion with Directors. The relationship between the Chairman of the Trust and the Chairman of the Board of Directors is vitally important to the monitoring process.

Regulatory and industry specific issues

The Trustees work closely with the Northpower Board of Directors and Management and also through the Energy Trusts of New Zealand (ETNZ) - a body which represents the interests of electricity trusts - in order to influence regulators to provide a clear and cost effective regime that guides quality service to consumers without imposing unnecessary additional costs.

Trustees keep abreast of regulatory and industry issues through focus meetings with industry representatives; regular contact with Directors on significant issues as they arise; and via Energy Trusts of New Zealand. The Northpower Trust Chairman, Erc Angelo, recently retired as the Deputy Chair of ETNZ, after 6 years on that Board.

Consumer contact

Trustees are always available to discuss matters involving the Electricity Industry in general and local issues that may also affect ownership issues and responsibilities. Trustees connect with consumer/beneficiaries whenever the opportunity arises.

All Trustees are privileged to represent the electricity consumers of Northpower Limited as beneficiaries of the Trust, and to fulfil their responsibility to act in the capacity of shareholders of Northpower Ltd.

Financial report

The Northpower Trust 2018 financial statements are required to be consolidated with those of Northpower Ltd. The Trust's results are presented in the 'trust column and the 'consolidated' column reflects the results of the Company and the Trust.

BDO Northland have completed the audit of the Trust's financial report and consumers will have the opportunity to approve the appointment of BDO Northland as the Trust's auditors for the year ending 31 March 2019 at the 2018 AGM on 31 July 2018.

Northpower Electric Power Trust
Trustee's Statements
For the year ended 31 March 2018

The Trustees present the annual report of the Northpower Electric Power Trust, incorporating the financial statements and the independent auditors' report, for the year ended 31 March 2018.

Principal activities
The principal business of the Trust is holding shares in Northpower Limited on behalf of the consumer beneficiaries. The nature of the Trust's business has not changed during the year.

Trustees holding office during the year
The following Trustees held office during the year:

Ercoli Angelo
Richard Drake
Irene Durham
Ross Provan
Sheena McKenzie
William Rossiter
Paul Yovich

Trustee remuneration and meeting fees paid were as follows

	2018 $	2017 $
E A Angelo	48,330	49,510
R J Drake	34,771	35,718
A J Davies-Colley	0	17,917
I M Durham	27,100	27,390
S K McKenzie	27,540	28,270
K R Provan	27,320	28,490
W E Rossiter	27,540	27,390
P M W Yovich	27,760	9,033
	220, 361	**223,718**

Auditor of the Trust
The appointed auditor of the Trust for the year ended 31 March 2018 is BDO Northland.

In accordance with section 101 (3) of the Electricity Industry Act 2010, a motion will be put to the Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

For and on behalf of the Board of Trustees.

Ercoli Angelo
Chairman

NORTHPOWER
ELECTRIC POWER TRUST

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P.O. Box 1609, Whangarei

https://northpower.com/company/about-us/ownership

Secretariat

Plus Chartered Accountants Ltd
Brent Martin 09 438 3322

NORTHPOWER ELECTRIC POWER TRUST GROUP

FINANCIAL STATEMENTS

For the Year Ended

31 MARCH 2018

NORTHPOWER ELECTRIC POWER TRUST GROUP

Comprehensive income statement
For the Year Ended 31 March 2018

	Notes	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 2017 $000s
Continuing Operations					
Revenue	5(a)	**325,145**	290,517	**8,099**	5,092
Other income	5(b)	**1,218**	4,521	-	-
Materials/supplies expenses		**129,326**	121,114	-	-
Employee benefits expenses	35	**115,779**	102,275	-	-
Transmission costs		**21,284**	19,149	-	-
Depreciation and amortisation expense		**15,802**	15,904	-	-
Other expenses	6	**11,905**	8,073	**369**	516
Finance costs		**3,408**	3,964	-	-
Share of (profit) in joint venture		**(592)**	(752)	-	-
Profit before income tax		**29,451**	25,311	**7,730**	4,576
Income tax expense	9	**(9,612)**	(7,103)	**(813)**	(208)
Profit for the year from continuing operations attributable to the equity holders of the trust		**19,839**	**18,208**	**6,917**	**4,368**
(Loss)/profit for the year from discontinued operations	7	**2,475**	(21,218)	-	-
(Loss)/profit for the year attributable to the equity holders of the trust		**22,314**	(3,010)	**6,917**	**4,368**
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 (loss)/income for the period net of tax		**274**	(828)	-	-
Total comprehensive (loss)/income for the period		**22,588**	(3,838)	**6,917**	4,368

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

BDO Northland Assurance

NORTHPOWER ELECTRIC POWER TRUST GROUP

Balance Sheet
As at 31 March 2018

	Notes	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 2017 $000s
Assets					
Current assets					
Cash and cash equivalents	11	**4,121**	2,516	**382**	475
Trade and other receivables	12	**38,240**	38,029	**8,100**	5,066
Work in progress - construction contracts	13	**18,365**	26,578	-	-
Inventory	33	**9,524**	10,050	-	-
Tax refund due		**119**	168	**119**	168
		70,369	77,341	**8,601**	5,709
Assets classified as held for sale	8	-	8,919	-	-
Total current assets		**70,369**	86,260	**8,601**	5,709
Non-current assets					
Other financial assets	14	**32**	883	-	-
Investment in subsidiaries	15	-	-	**35,989**	35,989
Assets under construction	34	**16,699**	9,844	-	-
Goodwill and intangible assets	16	**11,551**	12,217	-	-
Investments accounted for using the equity method	29	**26,534**	23,861	-	-
Derivative financial instruments	25	-	72	-	-
Investment property	18	-	735	-	-
Property, plant and equipment	17	**328,035**	321,001	-	-
Total non-current assets		**382,851**	368,613	**35,989**	**35,989**
Total assets		**453,220**	**454,873**	**44,590**	**41,698**
Liabilities					
Current liabilities					
Trade and other payables	21	**35,241**	31,723	**22**	25
WCE closure provisions	21	**319**	10,694	-	-
Provision for tax		**6,140**	5,736	-	-
Derivative financial instruments	25	**45**	-	-	-
Employee entitlements	32	**14,782**	9,355	-	-
		56,527	57,508	**22**	25
Liabilities directly associated with assets classified as held for sale	19	-	1,140	-	-
Total current liabilities		**56,527**	58,648	**22**	25
Non-current liabilities					
Employee entitlements	32	**905**	851	-	-
Borrowings	19	**61,188**	79,900	-	-
Deferred revenue	20	**2,250**	-	-	-
Derivative financial instruments	25	**2,913**	2,200	-	-
Deferred taxation	10	**55,816**	57,664	**555**	-
Total non-current liabilities		**123,072**	140,615	**555**	-
Total liabilities		**179,599**	199,263	**577**	**25**
Net assets		**273,621**	**255,610**	**44,013**	**41,673**
Equity	23				
Trust Capital		**35,989**	35,989	**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		**203,018**	184,863	**8,024**	5,684
Equity attributable to equity holders of the trust		**273,621**	**255,610**	**44,013**	**41,673**
Total equity		**273,621**	**255,610**	**44,013**	**41,673**

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

For and on behalf of the Trustees, who authorise the issue of these financial statements on 12 July 2018.

E A Angelo
Chairman

J Drake
Deputy Chairman

BDO Northland Assurance

NORTHPOWER ELECTRIC POWER TRUST GROUP

Statement of Changes in Equity
For the Year Ended 31 March 2018

	Trust Capital	Retained Earnings	Other Reserves	Asset Revaln Reserve	Foreign Cur Trans Reserve	Total
	$000s	$000s	$000s	$000s	$000s	$000s
Consolidated						
As at 1 April 2017	35,989	184,863	100	37,885	(3,227)	255,610
Profit for the period	-	22,314	-	-	-	22,314
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	-	22,732	84	(418)	190	22,588
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,577)	-	-	-	(4,577)
As at 31 March 2018	**35,989**	**203,018**	**184**	**37,467**	**(3,037)**	**273,621**
As at 1 April 2016	35,989	189,978	48	40,072	(2,347)	263,740
Loss for the period	-	(3,010)	-	-	-	(3,010)
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	-	(622)	52	(2,187)	(880)	(3,637)
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	184,863	100	37,885	(3,227)	255,610
Trust						
As at 1 April 2017	35,989	5,684	-	-	-	41,673
Profit for the period	-	6,917	-	-	-	6,917
Total comprehensive income for the period	-	6,917	-	-	-	6,917
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,577)	-	-	-	(4,577)
As at 31 March 2018	**35,989**	**8,024**	-	-	-	**44,013**
As at 1 April 2016	35,989	5,809	-	-	-	41,798
Profit for the period	-	4,368	-	-	-	4,368
Total comprehensive income for the period	-	4,368	-	-	-	4,368
Transactions with owners in their capacity as owners						
Distributions paid to consumer beneficiaries	-	(4,493)	-	-	-	(4,493)
As at 31 March 2017	35,989	5,684	-	-	-	41,673

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

BDO Northland Assurance

NORTHPOWER ELECTRIC POWER TRUST GROUP

Cash Flow Statement
For the Year Ended 31 March 2018

	Notes	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 2017 $000s
Operating activities					
Receipts from customers		**344,447**	331,985	**1**	-
Interest received		**307**	211	**99**	92
Dividends received		**3,157**	2,451	**5,000**	5,000
Payments to suppliers		**(174,668)**	(170,038)	**(344)**	(517)
Payments to employees		**(116,120)**	(128,805)	-	-
Interest paid		**(3,685)**	(4,164)	-	-
Income tax paid		**(11,007)**	(2,752)	**(209)**	(274)
Net GST paid		**(3)**	1,262	-	-
Net cash flows from operating activities	24	**42,428**	30,150	**4,547**	4,301
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		**(18,675)**	(13,176)	-	-
Financing activities					
Repayment of borrowings		**(16,558)**	(10,900)	-	-
Payment of finance lease liabilities		**(1,140)**	(401)	-	-
Distributions to consumers		**(4,640)**	(4,447)	**(4,640)**	(4,447)
Net cash flows (used in)/from financing activities		**(22,338)**	(15,748)	**(4,640)**	(4,447)
Net increase in cash and cash equivalents		**1,415**	1,226	**(93)**	(146)
Net foreign exchange differences		**190**	(878)	-	-
Cash and cash equivalents at the beginning of the year		**2,516**	2,168	**475**	621
	11	**4,121**	**2,516**	**382**	**475**

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

BDO Northland Assurance

Notes to the Financial Statements
For the Year Ended 31 March 2018

1 General information

The Northpower Electric Power Trust (the Trust) was established under the terms of the trust deed dated 29 March 1993. The Trust holds the entire share capital of Northpower Limited on behalf of the power consumers within the network area served by Northpower Limited.

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand. Northpower Electric Power Trust is a tier 1 for profit entity.

Northpower Limited is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The Northpower Electric Power Trust group consists of The Northpower Electric Power Trust, 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 activity of the Trust is to hold shares in Northpower Limited on behalf of consumer beneficiaries. The principal activities of Northpower Limited are electricity distribution and contracting. The principal activities of its 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.

These financial statements were approved by the Trustees of the Trust on 12 July 2018.

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 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

The subsidiary, 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.

BDO Northland Assurance

Revaluation of assets

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

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

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

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

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

Recognised fair value measurements

Fair value hierarchy of non-financial assets

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

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

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

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

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.

BDO Northland Assurance BDO

d Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Trust and other entities under its control (its subsidiaries). Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

e Foreign currency translation

i Functional and presentation currency

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

ii Transactions and balances

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

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

iii Translation of Group companies' functional currency to presentation currency

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

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

f Goods and Services tax

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

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

The Trust is not registered for GST.

Cash flows relating to the Trust are included in the statement of cash flows on a GST inclusive basis because the Trust is not registered for GST. All other cash flows are included in a GST exclusive basis.

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

g Financial instruments

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

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

Financial assets at amortised cost

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

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

Cash and cash equivalents comprise cash on hand and demand deposit and other short-term highly liquid investments that are equity convertible to a known amount of cash and are subject to an insignificant risk of changes in book value.

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.

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Other financial assets

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

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

Impairment of financial assets

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

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

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

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

Financial liabilities at amortised cost

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

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

Financial liabilities at FVTPL

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

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

h Non-current assets held for sale

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

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 profit 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.

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.

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I Cash flow statement

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

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

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

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

4 Financial risk management objectives and policies

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

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

Credit Risk

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

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

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Trust 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 Group 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.

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	6-12 Mths	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs	<6 Mths	6-12 Mths	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs
Consolidated	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Trade & other payables	20,144	-	-	-	-	22,692	-	-	-	-
Interest bearing loans	-	-	40,718	21,307	-	-	-	23,306	68,403	-
Non interest bearing loans	-	-	-	-	3,842	-	-	-	-	-
	20,144	-	40,718	21,307	3,842	22,692	-	23,306	68,403	-
Trust										
Trade & other payables	24	-	-	-	-	26	-	-	-	-
	24	-	-	-	-	26	-	-	-	-

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					2017				
	<6 Mths	6-12 Mths	1-2 Yrs	2-5 Yrs	Beyond 5	<6 Mths	6-12 Mths	1-2 Yrs	2-5 Yrs	Beyond 5 Yrs
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$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)	-

Maturity analysis of financial liabilities based on management's expectation

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

Fair Values

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

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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
Consolidated only				
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)

Foreign Currency Risk

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

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

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

At 31 March 2018, the Group had the following exposure to $AUD:

Consolidated only	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
Consolidated only				
NZD Strengthen +5%	43	104	-	-
NZD Weaken -5%	(48)	(115)	-	-

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.

	Consolidated 2018 $000s	2017 $000s	Trust 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:

	Post Tax Profit Higher/(Lower) 2018 $000s	2017 $000s	Equity Higher/(Lower) 2018 $000s	2017 $000s
Consolidated only				
+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.

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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.

Dividends

Dividend income is recognised when the Group's right to receive payment is established, which is generally when the shareholders approve the dividend.

	Consolidated		Trust	
	2018	2017	**2018**	2017
	$000s	$000s	$000s	$000s
a) Revenue				
Gross line revenues	**76,595**	69,370	-	-
Line contributions	**4,179**	2,643	-	-
Contracting work income	**243,887**	217,994	-	-
Dividend income	-	-	**8,000**	5,000
Interest income	**307**	211	**99**	92
Income from farming	**177**	299	-	-
	325,145	290,517	**8,099**	5,092
b) 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

	Consolidated		Trust	
	2018	2017	**2018**	2017
	$000s	$000s	$000s	$000s
Auditor's remuneration (also refer note 36)				
- Audit of financial statements	**238**	193	**19**	18
- 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	-	-
Trustees fees and allowances	**220**	224	**220**	224
Other trust expenses	**130**	274	**130**	274
Rental and operating lease costs	**9,435**	6,607	-	-
	11,905	8,073	**369**	516
Included in discontinued operations:				
Audit Fees	-	122	-	-
Directors Fees	**38**	67	-	-
Rental and operating lease costs	**1,207**	-	-	-

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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 21). 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 21.

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

	Consolidated		Trust	
	2018	2017	**2018**	2017
	$000s	$000s	$000s	$000s
Consolidated only				
Revenue	**8,827**	47,143	-	-
Expenses	**(6,352)**	(68,361)	-	-
Profit/(loss) 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

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

	Group	
	2018	2017
	$000s	$000s
Consolidated only		
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.

	Consolidated		Trust	
	2018	2017	**2018**	2017
	$000s	$000s	**$000s**	$000s
Taxation				
Accounting profit before income tax	**29,451**	25,311	**7,730**	4,576
At New Zealand's statutory tax rate 33% for Trust	**9,718**	8,353	**2,550**	1,510
Effect of lower tax rates in Company (28%)	**(928)**	(932)	-	-
Plus/(less) tax effect of:				
- Gross up of imputation credits	-	-	**1,027**	642
- Imputation credits attached to dividends received	-	-	**(3,111)**	(1,944)
- Non-deductible expense	**123**	695	-	-
- Non-taxable income	**(335)**	-	-	-
- Prior period adjustment	**316**	(641)	**347**	-
Adjustment for joint venture	**(166)**	-	-	-
Tax on income not included in accounting profit	**884**	-	-	-
Reclassification of assets being held for sale	-	(372)	-	-
	9,612	7,103	**813**	208
The Taxation Charge is Represented by:				
- Current taxation	**12,060**	8,146	**258**	208
- Deferred taxation	**(2,429)**	(30)	**555**	-
- 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)	-	-
	9,612	7,103	**813**	208
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.

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10 Recognised deferred tax assets and liabilities

Consolidated	Property, Plant & Equipmnt $000s	Employee entitlemnts $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	1,232	1,848
Balance as at 31 March 2018	**(56,175)**	**3,440**	**(3,081)**	**(55,816)**
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)**

Trust	Property, Plant & Equipmnt $000s	Employee entitlemnts $000s	Other $000s	Total $000s
Balance as at 1 April 2017	-	-	-	-
Charged to profit/(loss)	-	-	(555)	(555)
Balance as at 31 March 2018	-	-	**(555)**	**(555)**
Balance as at 1 April 2016	-	-	-	-
Charged to profit/(loss)	-	-	-	-
Charged to other comprehensive income	-	-	-	-
Balance as at 31 March 2017	-	-	-	-

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.

	Consolidated **2018** $000s	2017 $000s	Trust **2018** $000s	2017 $000s
Bank	**4,120**	2,512	**382**	475
Cash on hand	**1**	4	-	-
	4,121	2,516	**382**	475

12 Trade and other receivables

	Consolidated **2018** $000s	2017 $000s	Trust **2018** $000s	2017 $000s
Trade and other receivables	**37,373**	37,405	**8,090**	5,059
Less provision for impairment	**(138)**	(350)	-	-
Prepayments	**1,005**	974	**10**	7
	38,240	38,029	**8,100**	5,066

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
Trust						
0-30 days	**8,000**	-	**8,000**	5,059	-	5,059
31 - 60 days	-	-	-	-	-	-
61 - 90 days	-	-	-	-	-	-
91 days plus	**90**	-	**90**	-	-	-
	8,090	-	**8,090**	5,059	-	5,059
Consolidated						
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:

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	2018 $000s	2017 $000s
Consolidated only		
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

	Consolidated 2018 $000s	2017 $000s
Consolidated only		
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

	Consolidated 2018 $000s	2017 $000s
Consolidated only		
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 Investment in subsidiaries

	Trust 2018 $000s	2017 $000s
Shares at cost - Northpower Limited	35,989	35,989

Subsidiary	Principal Activity	Country of Incorporation	Balance sheet date	Interest held at 31 March 2018	Interest held at 31 March 2017
Northpower Limited	Electricity transmission and contracting	New Zealand	31 March	100%	100%
West Coast Energy Pty Limited	Electricity contracting	Australia	31 March	100%	100%
Northpower Western Australia Pty Limited	Intermediate holding company	Australia	31 March	100%	100%
Northpower Solutions Limited	Electricity Contracting	New Zealand	31 March	100%	100%
Northpower LFC2 Limited	Fibre Telecommunications	New Zealand	31 March	100%	100%

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16 Goodwill and intangible assets

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

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

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

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

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

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

Consolidated only

	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
Disposal	-	-	-	-
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
Impairment	-	-	-	-
Disposal	-	-	-	-
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	Consolidated only **2018** $000s	2017 $000s
Regional Contracting	**877**	877
Central Contracting	**1,500**	1,500
	2,377	2,377

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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.

17 Property, plant and equipment

Distribution system assets

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

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

Land, buildings and building infrastructure

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

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

No depreciation is charged on land.

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

The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The nature of costs captialised for assets constructed by the Group is disclosed in note 34.

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.

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Fixed Assets

Consolidated only	Freehld Land	Freehld Buildings	Blding Infra	Lhold Improve	Distribtn Systms	Meters	Fibre	Generation	Plant & Equipmt	Motor Vehicles	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$000s	$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**
Acc 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 between classes	-	(421)	(2,204)	2,625	-	-	-	-	-	-	-
Transfer to available for sale	(495)	(674)	(316)	(1,033)	-	-	-	-	(3,299)	(17,827)	(23,644)
Disposal	(5,270)	(2,771)	(912)	-	(41)	(5)	-	-	(898)	(6,714)	(16,611)
Foreign exchange differences	-	-	-	(45)	-	-	-	-	(1,231)	(1,624)	(2,900)
At 31 March 2017	**7,664**	**7,432**	**2,364**	**1,631**	**317,514**	**5,404**	**2,374**	**15,430**	**38,180**	**27,274**	**425,267**
Accumulated Depreciation & Impairment											
At 1 April 2016	-	92	507	-	36,711	4,113	811	8,258	28,163	31,973	110,628
Depreciation charge for the year	-	273	274	128	7,036	586	209	531	2,792	4,117	15,946
Transfers between classes	-	(92)	(555)	647	-	-	-	-	-	-	-
Impairment	-	-	-	765	-	-	-	-	887	3,294	4,946
Transfer to available for sale	-	(16)	(21)	(1,033)	-	-	-	-	(3,098)	(14,494)	(18,662)
Disposal	-	(58)	(111)	-	(4)	(1)	-	-	(860)	(5,006)	(6,040)
Foreign exchange differences	-	-	-	(57)	-	-	-	-	(1,246)	(1,249)	(2,552)
At 31 March 2017	-	**199**	**94**	**450**	**43,743**	**4,698**	**1,020**	**8,789**	**26,638**	**18,635**	**104,266**
Net carrying amount at 31 March 2017	**7,664**	**7,233**	**2,270**	**1,181**	**273,771**	**706**	**1,354**	**6,641**	**11,541**	**8,638**	**321,000**

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

Revaluation of distribution system

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

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

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

Revaluation of land and buildings

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

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

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

Consolidated only	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution System
	$000s	$000s	$000s	$000s
2018				
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				
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

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18 Investment Property

Properties leased to third parties under operating leases were 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 were transferred to property, plant and equipment due to a change in the purpose attached to the assets.

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.

	Consolidated	
	2018	2017
	$000s	$000s
Consolidated only		
Opening balance as at 1 April	**735**	4,672
Transfer to held 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 were carried at fair value, which was determined by an independent valuer, AON Risk Solutions, during the year.

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

There are no contractual capital obligations.

19 Borrowings

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

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

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.

Consolidated only	Maturity	**2018** $000s	2017 $000s
Non Current			
Unsecured loans	Within 2 yrs	**39,500**	22,000
Unsecured loans	Within 2 & 3 yrs	**20,000**	57,900
Interest free loan	Beyond 5 years	**1,688**	
Total non current portion		**61,188**	79,900

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

b. Terms and Conditions

Bank overdrafts and loans
The Group operates non current lending facilities expiring between August 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.

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g. Debt to Equity Ratio
The Group's debt to equity ratio is 0.70 (2017: 0.82)

	2018 $000s	2017 $000s
Consolidated only		
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.

20 Deferred Revenue

Deferred revenue relates to an interest free loan received from the Crown (see further detail in note 19).

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

21 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.

	Consolidated 2018 $000s	2017 $000s	Trust 2018 $000s	2017 $000s
Trade payables (GST Inclusive)	15,711	17,840	22	25
Accrued payables (GST Exclusive)	6,628	7,111	-	-
Income in advance	12,902	6,772	-	-
	35,241	31,723	22	25

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.

	Consolidated 2018 $000s	2017 $000s	Trust 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	-	-

22 Distributions paid to consumer beneficiaries

The Trust paid a distribution via Northpower Limited to its consumer beneficiaries amounting to $4.577 million (2017: $4.493 million) during the year.

23 Trust capital and Reserves

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.

Trust capital
The Trust capital was paid by Northpower Limited contemporaneously upon execution of the Trust Deed executed 29th of March 1993.

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.

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a. Trust capital

	Consolidated 2018 $000s	2017 $000s	Trust 2018 $000s	2017 $000s
Trust capital on settlement - 29 March 1993	**35,989**	35,989	**35,989**	35,989
Total issued & paid up capital	**35,989**	35,989	**35,989**	35,989

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.

Northpower Limited's Statement of Corporate Intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 50%.

24 Cash flow statement reconciliation

	Consolidated 2018 $000s	2017 $000s	Trust 2018 $000s	2017 $000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations				
Net profit/(loss) after income tax	**22,314**	(3,010)	**6,917**	4,368
Adjustments for:				
- Depreciation & amortisation	**15,802**	22,827	-	-
- 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)	-	-
- Equity accounted earnings of joint venture net of dividends received	**2,565**	1,074	-	-
Changes in assets & liabilities				
- Increase/(decrease) in trade & other payables	**3,612**	3,471	**(3)**	3
- (Decrease)/Increase in WCE closure provisions	**(10,374)**	10,694	-	-
- Decrease/(increase) in work in progress	**8,213**	(3,478)	-	-
- Decrease in tax refund	**49**	(66)	**49**	(66)
- (Increase) in trade & other receivables	**(145)**	(395)	**(2,971)**	(4)
- Decrease/(increase) in inventory	**526**	(6)	-	-
- (Decrease) in deferred tax liabilities	**(1,848)**	(1,166)	**555**	-
- Increase in employee entitlements	**5,481**	769	-	-
- Increase in provision for tax	**404**	5,583	-	-
Net cash from operating activities	**42,428**	30,150	**4,547**	4,301

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

	2018 Consolidated Cash $000	**Finance leases** $000	**Borrowings** $000	**Total** $000	**2018 Trust Cash** $000
Net debt 1 April	(2,516)	1,140	79,900	78,524	(475)
Cash flows	(1,605)	-	(16,558)	(18,163)	93
Finance leases	-	(1,140)	-	(1,140)	-
Non cash movements	-	-	96	96	-
Net debt 31 March	(4,121)	-	63,438	59,317	(382)

25 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.

Consolidated only	**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).

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26 Guarantees and Contingencies

	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 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 31). Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

27 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:

	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 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:

	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 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.

	Consolidated 2018 $000s	Consolidated 2017 $000s	Trust 2018 $000s	Trust 2017 $000s
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 Ltd from Crown Fibre Holdings. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

28 Related parties

a. Subsidiaries

i Terms and Conditions

Northpower Limited pays a dividend to the Trust.

ii Outstanding Balances

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

	Trust 2018 $000s	Trust 2017 $000s
Transactions during the year		
Dividends income from Northpower Limited	**8,000**	5,000
Outstanding balances as at 31 March		
Receivable from Northpower Limited	**8,090**	5,058

b. Joint Ventures

	2018	2017
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.

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d. Key Management

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

Compensation of key management personnel

	Consolidated		Trust	
	2018	2017	**2018**	2017
	$000s	$000s	$000s	$000s
Short-term employee benefits	**3,495**	4,627	220	224
Termination benefits	**205**	490	-	-
	3,700	5,117	220	224

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.

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 form 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 Limited 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.

No provision has been required, nor any expense recognised for impairment of receivables from related parties.

29 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 ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. 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 ventures, 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 ventures 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.

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

Consolidated only	2018 $000s	2017 $000s
Beginning balance	23,861	16,634
Additional investment made	5,238	8,301
Share of profit/ (loss) 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:

	2018 $000s	2017 $000s
Revenue	6,839	5,458
Net profit	843	367

30 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:

	Consolidated		Trust	
	2018 $000s	2017 $000s	2018 $000s	2017 $000s
Financial assets at fair value through profit and loss	-	72	-	-
Financial assets at amortised cost				
Cash & cash equivalents	4,121	2,516	382	475
Trade & other receivables	38,240	38,029	8,100	5,066
Total financial assets at amortised cost	42,361	40,545	8,482	5,541
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	20,224	22,758	22	22
Total financial liabilities measured at amortised cost	81,412	102,658	22	22

31 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.

32 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.

	Consolidated	
Consolidated only	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

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33 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
Consolidated only		
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.

34 Assets under construction / Capitalised borrowing cost

Assets under construction include items that will be classifed as property, plant and equipment or intangibles once complete. 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.

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%).

35 Employee benefit expenses

	2018 $000s	2017 $000s
Consolidated only		
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

36 Auditor's remuneration

	Conbsolidated 2018 $000s	2017 $000s	Trust 2018 $000s	2017 $000s
The auditor of Northpower Electric Power Trust is BDO Northland				
Fees to BDO Northland for				
- Audit of financial statements	**19**	18	**19**	18
	19	18	**19**	18
Fees paid to auditors of Northpower Limited and subsidiaries				
- Audit of financial statements of Subsidiary (included in discontinued operations)	**219**	297	-	-
- Special audits required by regulators	**25**	25		
- Advisory services	**248**	186	-	-
	492	508	-	-

37 Events after balance date

There were no significant events after reporting date.

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INDEPENDENT AUDITOR'S REPORT
TO THE BENEFICIARIES OF NORTHPOWER ELECTRIC POWER TRUST

Opinion

We have audited the consolidated financial statements of Northpower Electric Power Trust ("the Trust") and its subsidiary (together, "the Group"), which comprise the consolidated balance sheet as at 31 March 2018, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS").

Basis for Opinion

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

In addition to audit services, partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interests in, the Trust or its subsidiary.

Other Information

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

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

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

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees 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 consolidated financial statements 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 Trustees 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.

We also provide the Trustees with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Who we Report to

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

The engagement partner on the audit resulting in this independent auditor's report is Adelle Allbon.

BDO Northland

BDO Northland
12 July 2018
Whangarei
New Zealand