
Annual Report 2019



Proudly investing
in our networks
and communities
for the future.

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Chair & Chief Executive report

This year focused on investment to ensure our Electricity Networks, Fibre Networks and Contracting operations are prepared for the future.

As a proudly Northland-owned organisation, Northpower has a stake in supporting regional economic outcomes. We provide safe, secure and resilient electricity distribution services to the Whangarei and Kaipara districts, and high-speed fibre optic services to rural towns within the region. Our electricity contracting operations support electricity distribution and transmission organisations across the North Island.

This year we have purposefully lifted investment to meet growth across our operations. It's part of a structured programme to meet customer demand and position Northpower for the future.

Our Electricity business connected 1,068 new customers and invested \$21 million to support growth and renewal of our network assets. This was the first stage of a 10 year investment programme of \$200 million, designed to ensure our networks offer a safe, resilient and reliable platform to support our regions' future energy needs.

We are also looking to the future. New technologies such as electric vehicles, photovoltaic cells and batteries will play

an increasing role in energy markets in the next decade. Our investment plans include the network oversight and monitoring necessary to facilitate seamless integration with traditional energy services.

Our Fibre division (with the support of Crown Infrastructure Partners) rolled out fibre to an additional 12 rural towns across our region. The total number of connected customers is now 14,606. This rollout fast-tracked our original schedule in response to strong customer demand.

To ensure our fibre networks are positioned for the future, we have worked closely with our technology partner Calix to refresh core network electronics, resulting in sector-leading communications capability accessible to over 33,000 customers by 2020.

Our Contracting division has benefited from increased work volumes over the period. This reflects the increased investment by distribution and transmission operators across the North Island. To meet this demand we have continued to grow our Contracting workforce over the past twelve months, alongside investments in plant, facilities and systems.

We have worked closely with all our key clients over the year as we seek to align our services to their needs. We are pleased to renew our field services agreement with Wellington Electricity for a further five-year term.

Financially, we achieved a group NPAT of \$24.7 million. This result aligns with forecasts for the year and reflects industry benchmarks for the sectors in which we operate. In recent years, we have seen a shift to sustainable business performance as focus has returned to core New Zealand operations. This position enables us invest with confidence in the future.

Underpinning our plans is a commitment to long-term partnerships. We've reflected this in the logo showcased on the front of this report; a stylised N symbolising partnership and personal connection.

This spirit of partnership is displayed most powerfully through our people. It's our staff who build relationships and keep us focused on customer needs. They make our networks perform, and our contracting business deliver. We've taken the opportunity to showcase this very personal contribution in this report.

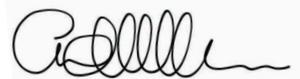
Ultimately though, we know choosing to work with us is a personal decision. We'd like to thank our customers and clients for their ongoing commitment

and support this year. True partnership is only possible via long-term commitment, and very genuine dialogue and honesty.

We feel privileged to work so closely with a professional mix of clients, to deliver quality infrastructure in such a diverse community. It's our driving force for positioning Northpower for the future.



Nikki Davies-Colley
BBS, MBA, CFInstD
Chairman



Andrew McLeod
BEng (Mech), PGDip FA
Chief Executive



Our Directors



Nikki Davies-Colley

BBS, MBA, CFInstD
Audit and Risk Committee (ex-officio)
People and Capability Committee
Chairman

Nikki has been a director of Northpower since 1995 and was elected Chairman in 2014. She is a Chartered Fellow of the NZ Institute of Directors and a Kellogg Scholar. Nikki brings a wealth of experience from other directorships including Farmlands Co-operative Society Ltd, Worksafe New Zealand and a number of other roles.

A long-term resident of our local community, Nikki has been involved in the farming and forestry industries in Northland for over 30 years.



Richard Booth

MBA, Dip Ag
Audit and Risk Committee
Director

Richard brings a robust governance background to the Northpower board, with previous directorships in the food and dairy industries including Delta Produce, Northland Dairy Co-op, the New Zealand Dairy Board, Kiwi Co-op and Fonterra. He also recently served as a ministerial appointee to the commission governing Kaipara District Council.

Richard additionally has private interests in two dairy farms and an avocado orchard.



Michael James

BCom, CA
Audit and Risk Committee Chair
Director

Michael's senior executive financial experience in the hi-tech and innovation sector aligns well with Northpower, where he's been a director since 2014.

Michael's previous roles include CFO for Plant and Food Research, CFO for Navman and General Manager Europe for Dynamic Controls.



Mark Trigg

BEng Chemicals and Materials
People and Capability
Committee Chair
Director

Mark brings extensive industry experience with a career in the electricity generation and retailing sectors focused on operations, strategy, and large-scale project management. A graduate from Columbia University's advanced executive programme, he's also held roles in the financial markets industry.

Mark's current directorships include Liquigas, Century Drilling and Energy Services Limited, Ngati Tuwharetoa Holdings Limited and subsidiaries.



Laurie Kubiak

People and Capability Committee
Director

Laurie's international career has spanned commercial and strategic roles across the energy, ICT, telco, aviation and infrastructure sectors. Previous responsibilities include leading multi-disciplinary teams across Europe, the US, Africa and Asia for some of the world's FTSE-100 companies. Since 2014 Laurie is the Chief Executive for NZIER.

Laurie brings a wealth of commercial strategy, economic, policy and regulation expertise to the Northpower board.



Phil Hutchings

BEng (Hons), Dip Bus Admin
Audit and Risk Committee
Director

Phil's early background in commercial management in the mining sector and at partner level in corporate finance has since seen him move into consulting to technology and energy companies CEO or General Manager level.

Phil brings experience in growth and funding strategies to the Northpower board, along with a background in renewable energy in Australia and Europe, a great asset given the future challenges and opportunities facing our industry.



Rangimarie Price

Institute of Directors' Programme
Future Director

We've been privileged to host Rangimarie, a participant in the Institute of Directors' "Future Director" programme which provides an opportunity to observe and participate on a company board for a year.

Rangimarie brings a background in regional and iwi development, and education. She is CEO for Amokura Iwi Consortium Limited (owned by seven iwi entities in Northland) and Deputy Chair of the Taitokerau Education Trust.

Our Leadership team



Andrew McLeod

BEng (Mech), PGDip FA
Chief Executive

Andrew joined Northpower as Chief Executive in 2017. His focus is on leading Northpower to deliver benefits to our customers and consumers through returns to the Northpower Trust and strong customer service; along with appropriate infrastructure investment to ensure our networks are future-ready.

Andrew has a background of senior roles in the electricity, oil and gas, and water utility sectors, including leading Powerco's electricity division.



Lloyd Richards

NZCE (Electrical), Registered Engineering Associate, IPENZ (Tech)
General Manager Contracting Services

Lloyd has over 35 years engineering, construction and management experience working for Northpower. Lloyd is responsible for Northpower’s Contracting Division in New Zealand with hundreds of staff covering electrical and fibre communications, ensuring contracts are fulfilled to client and business requirements.



Ollie O’Neill

ACCA
Chief Financial Officer

Ollie joined Northpower in December 2018 and brings with him over 15 years international financial experience and 10 years of general management experience across various areas of operational and financial management. Ollie has held executive positions in the agricultural, finance and gaming sectors, and is a member of the Association of Chartered Certified Accountants.



Andrew Wilshire

MBA, MInstD
General Manager Business Performance

Andrew joined Northpower in 2018 to lead the newly created business performance function. Andrew joins us from PwC where he was a Director in the consulting practice. Prior to PwC Andrew worked in his own consulting business and was formerly Chief Technology Officer at Fonterra Co-operative Group. He brings strong strategy and change management experience from many different sectors including financial services, aviation, telecommunications and manufacturing.



Josie Boyd

LLB(Hons)/BA
General Manager Network

As General Manager Network, Josie is responsible for leading the engineering, asset investment, customer, operational, commercial, and regulatory aspects of Northpower’s electricity network business. Josie is also a director of Northpower Fibre.

Josie joined Northpower in 2011, was its General Counsel for a number of years and prior to that worked in New Zealand and the UK in a range of private practice and in house corporate roles in the utilities, construction and professional services industries.



Andrea O’Brien

Dip Bus
General Manager People and Capability

Andrea joined Northpower in 2009 as Manager, Human Resources and Safety and was promoted to the role of General Manager People and Capability in 2016, based in Whangarei. Andrea has over 20 years experience in human resources, safety and quality management, previously working in the timber, forestry and mining industries. Andrea attended London Business School in 2016 to look at Transformational HR Strategy.



Darren Mason

BMS
Northpower Fibre Chief Executive

Darren joined Northpower in 1996 and was instrumental in the company securing the Whangarei UFB build. Prior to his appointment as Northpower Fibre CEO in 2011, Darren was Northpower’s longstanding Marketing and Fibre Manager.

Sustainable returns 2019

Group overview

The Northpower Group performance for the year ending 31 March 2019 reflected appropriate and sustainable financial performance. It demonstrated that our strategy to focus on core business, strong financial discipline and operational excellence focus is having the desired effect.

Northpower Group's NPAT (net profit after tax) for the year was \$24.7m. This was in line with our forecasts and reflects industry benchmarks for the sectors in which we operate. The result was supported by positive trading conditions for all businesses and

tight management of core operations. High level benchmarking across each business confirms performance in line with sector norms.

The Group EBITDA (earnings before interest, tax, depreciation) for the period was \$53.7m. This result reflects appropriate contribution from all group businesses and volume growth across our contracting operations. Group businesses also benefited from increased work programme optimisation and sustained focus on process improvement, enabling efficiency gains.

Balance sheet

At a Group level, debt levels have stabilised, as focus shifted to investing to position Group businesses for the future. During the period, we accelerated the build of the UFB2 fibre network, improved resilience of Northpower's electricity network, and invested to meet growing demand from our key contracting clients.

The shift from debt pay down, to proactive investment, has been made possible by the strength of operational earnings across Northpower Group businesses, and the structured pay down of debt over the past three years. The Group is now relatively conservatively geared, supporting investment in existing businesses, while preserving flexibility for the future.



361M

Revenue



53.7M

EBITDA \$



64%

Fibre ownership



9.6%

Return on capital

Distribution to Northpower Electric Power Trust (NEPT)

Over the last year, Northpower has been reviewing the distributions policy with the NEPT. This year, Northpower is transitioning from providing a dividend to the NEPT for distribution to consumers, to a model that blends dividends to NEPT and discounts to connected energy customers.

The change will result in lower net lines charges to consumers, via reduced costs on their energy bills, for most consumers.

Electricity network

EBITDA of the Electricity Network division increased modestly over the previous year on the back of revenue growth from distribution and our generation plant at Wairoa. Increased distribution revenue was underpinned by strong connection growth and associated capital contributions, and generation revenues benefited from higher than normal spot prices.

Capital investment lifted in line with projections provided in Northpower's electricity network Asset Management Plan.

Fibre investment

The Ultra-Fast Broadband (UFB) network in Whangarei is owned by Northpower Fibre Limited, a joint venture between Northpower and Crown Infrastructure Partners. As at 31 March 2019, Northpower owned 64% of this business. It has continued to perform well and provide a dividend stream to Northpower, while delivering world-class connectivity to customers.

With the help of debt funding from the Crown, Northpower is extending the Ultra-Fast Broadband network to smaller towns in the region. During the year, we accelerated our original build plan in response to strong customer demand and higher than anticipated connection rates.

New Zealand contracting

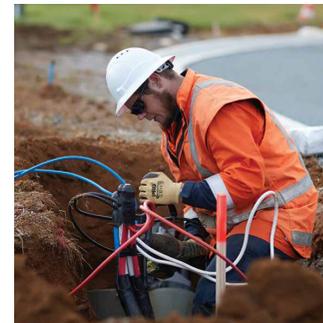
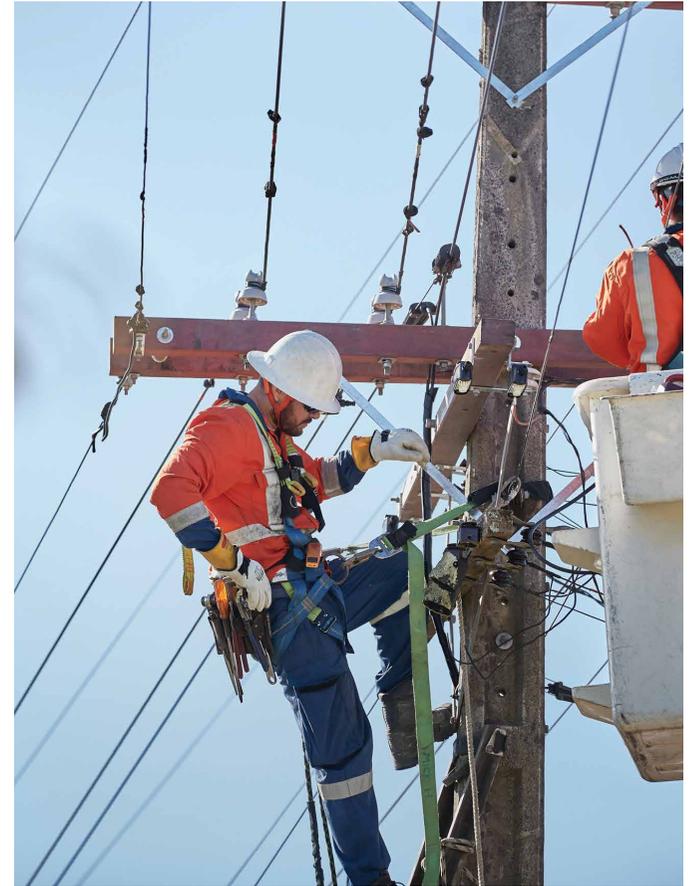
Northpower's Contracting division benefited from increased work volumes and improved workflows from core clients, furthered by the strength in the housing and development markets. Targeted investments in people, plant, equipment and systems supported the increasing volume requirements from our clients.

Networks at our core

As Northland's economy continues to grow, we're really proud to be an integral part of providing the vital infrastructure making this happen.

Continuing to invest in our networks, we're getting them future fit and ready for changing technology while constantly improving the security, safety and reliability of our electricity and fibre supply.

However, this goes beyond just building robust networks. Working alongside our wider community, partners, government, local businesses and the people of our region, we're lifting our game when it comes to customer service. As we improve our processes through a collaborative design-led process, we're not only making it easier for them to do business with us but we're also delivering innovative solutions and outcomes that benefit us all.



Transforming our communities

Thanks to upgrades we've made this year to some of our key network substations, businesses and residents of Northland can be confident about the resilience and security of their power supply.

For example, in Maungatapere we've invested \$1 million in boosting transformer capacity, scaling the network to cater for an estimated additional 1,300 homes that will be connecting in the coming years.

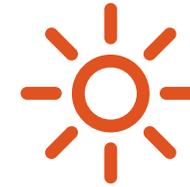
Onerahi substation now has double the capacity due to a \$1.8 million transformer upgrade enhancing health and safety, technical and environmental standards.

We are also investing \$1.5 million upgrading and future proofing Kioreroa substation in Whangarei, ensuring our 1,000 commercial and industrial customers continue to be powered-up with a reliable supply as an estimated 25% increase in peak demand is predicted in just eight years' time.

These investments are part of our network readying for the increase in demand through growth and the impact of new technologies. We're making it easy for new residents and enterprises to get connected, while ensuring minimal disruption to existing businesses and homes.



We're investing in our network, getting ready for increased demand and the impacts of new technologies.



We're enabling customer choice of technology to power their homes and businesses.

Building our future networks

We're committed to our communities having an electricity network they can rely on, both now and in the future – and enabling our customers' choice of technology to power their homes and businesses.

Demand is growing for alternative technologies like solar generation and battery storage. We saw 145 new solar connections

seamlessly link to our network in the past year – a great example of our customers' increasing options and choice. We're keeping a close eye on emerging energy trends and we're investing in our networks right now, getting them robust and ready to go whenever our customers choose to embrace new technologies in their everyday lives.

Putting our customers first

Over the past year, we've continued our focus on making it easier for our customers to do business with us.

Our Customer Services team is working hard on improving the customer experience by looking at many of the services our consumers require, and identifying how we can improve.

A major part of improving the customer experience has been to implement Customer Relationship

Management (CRM) software. We can now access customer job details and status seamlessly, improving our data processes and helping us to better serve our customers.

Our customer satisfaction scores this year showed 96% of residential customers and 88% of commercial customers surveyed are 'very satisfied with Northpower'. But we're not stopping there – we have plans to help customers interact with

us on their chosen platform at any time, enabling customers to access information regarding their power connection or the work Northpower is doing for them.

Our key stakeholders such as electricians will also benefit from systems that share business to business information, helping them plan and keep track of their new connection work for customers.



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



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



Ultra-fast rollout

Ultra-fast broadband (UFB) means living outside main cities is no longer a barrier to collaborating and communicating globally in many parts of our region.

Our rollout of Northpower Fibre's UFB network is progressing well ahead of schedule, and we're connecting more people than ever.

The past year has seen new fibre network builds completed a full year ahead of schedule in Dargaville East and West, and Ruakaka.

We're seeing some of the highest rates of up-take in the country, with 54% of households and businesses in Whangarei and Waipu connected to our network. Whangarei is ranked 8th highest uptake per capita in New Zealand and Waipu is ranked 10th.

As well as the advantages a fast internet connection brings to local businesses, our kids are benefitting too. We've seen first-hand through our partnership with Tai Tokerau Education Trust, the difference that enabling equal access to online learning by providing digital devices along with a fast and reliable connection can make to their learning outcomes.



Innovative contingency collaboration

The quest for ultimate reliability for our ultra-fast broadband network has seen us collaborate with a local company in an innovative new way of managing any outages.

Mangawhai based engineering company, Engtech, designed and built a mobile office unit that

allows us to operate a mobile optical line termination (OLT) in the event of a major outage.

A New Zealand first, the OLT and mobile unit lets us operate our fibre network remotely from our main fixed-line offices 24/7 at usual service levels. The design utilises a dual-purpose vehicle which is also used for 'business as usual' operations but can be quickly converted in the event of an outage.

If an outage hits, the unit can be deployed to a roadside cabinet, or driven to one of our central offices to replace an existing OLT there if required.

Along with strengthening our resilience and ensuring robust business continuity planning, we're pleased to be collaborating with Engtech, providing a win-win for our region and communities.

Strengthening our resilience and ensuring business continuity.

They were able to provide a total solution of engineering, electrical and cabinetry to a high level finish, providing a number of innovative solutions to our hi-spec requirements.

The end result is an excellent example of the power of innovation and working together to provide world-class service to our customers.

At the heart of our local communities

With our communities and customers at the heart of everything we do here at Northpower, we're passionate about the role we play in making our region a great place to live, work and play.

Knowing the region is constantly growing and that life-changing technologies are just around the corner, we're getting our networks ready, building resilience to meet the changing demands these opportunities will bring.

We'll keep the lights on and provide seamless, fast internet connectivity for all our customers and shareholders – the people and businesses of Whangarei and Kaipara.

That said, we don't take our role as a strategic infrastructure provider to our communities lightly. Which is why we give back and make meaningful contributions through sponsorships that align well with our core values, mentoring and staff expertise where it's needed most.



Safety in schools

Over 1,000 local kids learned this year that electricity is fun, but needs to be respected.

All year 3 to 6 students from our region's schools benefit from Northpower's free educational advisory service. This programme has been running since 2003, and teaches kids how to keep safe around

electricity through an age appropriate, fun visit.

The safety messages resonate long after the visit with each child receiving an educational booklet to take away. It's jam packed full of engaging electricity safety facts and activities presented by Zap! our electricity safety mascot.

Making a difference to people's lives

Supporting and giving back to our communities is a huge part of our kaupapa. We enjoy helping out through sponsorships, staff time and expertise.

The encouragement and support of our young people has been an important theme this year.

A good example of our involvement is our sponsorship of the inaugural 'Future Crunch' seminar in Whangarei. We gifted attendance tickets to local students and teachers, giving them the opportunity to hear from internationally recognised futurists discussing our energy future.

Experiencing first-hand the entrepreneurial spirit of our

youth through sponsorship of local schools' Young Enterprise Scheme has been particularly rewarding. We sponsored local school science fairs and supported local youth to sail aboard the R Tucker Thompson Tall Ship Sailing Challenge, which encourages safety, leadership and teamwork.

We're proud to continue our sponsorship of Tai Tokerau Education Trust, enabling students from low-income homes to benefit from equal access to online learning through provision of personal-use laptops and ultra-fast broadband connections.

We also welcomed two university interns over the summer, which has been a

great opportunity to nurture home-grown university environmental and engineering talent.

Making a difference in times of crisis has continued through our long-standing support of the Northland Rescue Helicopter.

We've continued our sponsorship of Healthy Homes Tai Tokerau, who are close to reaching a milestone of 10,000 homes in Northland being retrofitted with insulation.

We've also recognised the importance of arts and creativity in our community through our support of Dargaville's Wearable Arts awards.

Keeping our UFB network world-class

Our customers enjoy world-class speeds and reliability from our ultra-fast broadband network. To keep delivering on this, we make sure the fibre access technology running behind it stays fit for purpose.

With some components of the equipment running our network coming to the end of their predicted operating life, we're investing in new and enhanced access equipment to keep everything in great shape.

Our team has also risen to the challenge of maintaining existing service levels, while migrating half of our customer base onto the new

technology with minimal outages. Remaining customers will be transferred over by the end of this year.

This is great news for our customers – we're maintaining our networks to the highest specifications, while building in scalability with provision for future bandwidth upgrades. This means we can be agile and adaptable to new innovative technology and customer demands over the coming years.

Supporting and giving back to our communities is a part of our kaupapa.



Unlocking the value in technology



*Photo credit:
Tania Whyte,
Northern Advocate*

It's exciting living through the fastest moving times this world has ever known. The possibilities from new technologies and innovation seem unlimited.

Changes to the traditional ways of doing things is happening around us each and every day.

However, to truly take advantage of these amazing changes, we need robust and reliable networks.

They need to be fit for purpose, seamlessly delivering technologies to our homes, workplaces and schools.

As this momentum continues, flexibility and agility are critical, providing our customers

with the platform to enable their choice of technology to power up their lives – whether it's driving an electric vehicle, energising their homes and businesses through battery storage systems or solar technologies.

We're embracing the challenge of building our future networks head on, working to understand and utilise new technology offerings. Our teams are busy with robust planning and design, building agility into our networks and solutions that will meet our customers' ever changing needs.

With many of these critical network upgrades already underway, we're also working together with our partners, assisting them to get their networks future ready.

Getting our network future ready

The reliability of our electricity network is critical – our customers expect nothing less.

To ensure we keep delivering a secure electricity supply, we've been planning for the replacement of a key network operating system as it nears its end of life.

The upgrade to an Advanced Distribution Management System (ADMS) will not only improve operational reliability but also provide better system security.

The ADMS supports increased network automation, better diagnostics of where a fault is on the network, which in turn means improved ability to respond and restore power.

The ADMS has built in switching protections, which reduces the safety risks for those working on our networks and provides improved robust data to manage our network, particularly at the low voltage level which is where all the action from new technologies will happen.

Reliability of our electricity network is critical – our customers expect nothing less.

Powering ahead in Auckland

Auckland is growing at an unprecedented rate. Our contracting services teams are working alongside our partner Vector, enabling them to construct the infrastructure needed to transform into a world-class city.

As the city grows, getting Auckland moving is a big issue. We're delighted to be lending our expertise to Vector's teams working on major transport programmes like the City Rail Link, AMETI busway, double decker busway preparation and light rail implementation.

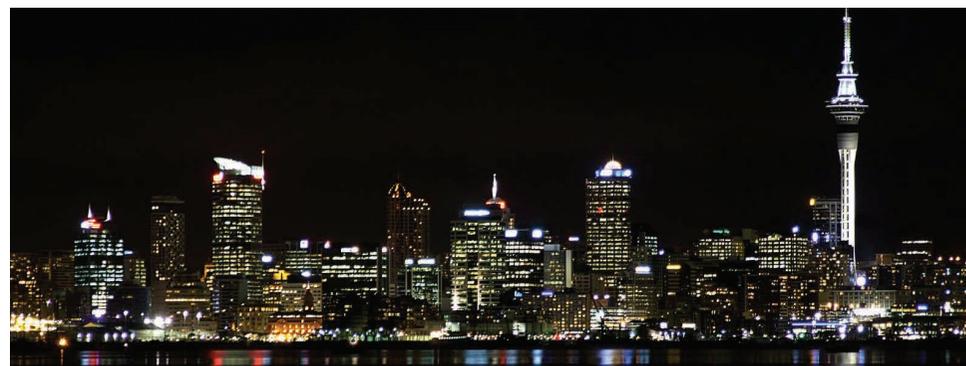
We're also on the job with them at many of the key capital works programmes happening around the city like the regeneration and development of Wynyard Quarter, the harbourside Commercial Bay project, redevelopment of Westfield Newmarket, and securing electricity supply to the CBD and Auckland Hospital.

Our teams are actively involved in helping bring much needed new housing to the region, assisting Vector at Housing New Zealand regeneration sites in Mt Roskill and Glen Innes. We're adding real value to

these projects with our experience and expertise, combined with agility and an innovative mindset.

When the weather turns, we're right there with Vector helping to get the lights back on as quickly as possible. We've invested in predictive analytics to better locate faults, meaning faster restoration times and reducing the impact on their customers.

We're proud of the role we're playing in improving New Zealand's largest city and look forward to continuing to deliver on these vital projects.



Tapping into international best-practice

Keeping up with world-class network maintenance techniques saw us visiting Japan and South Korea to discover what makes for one of the most reliable electricity networks in the world.

We took to the busy streets of Tokyo with some of our customers to watch some of their methods in action, such as a live viewing of a 'by-pass cable system' method that allows replacement work to be carried out without interrupting customers' power supply.

We gained valuable insights into how we could potentially implement this across our own networks for planned outages and faults, reducing impacts and delivering improved outcomes for customers.

Trials are also underway to fit out one of our trucks with the necessary equipment to begin testing suitability for use on our and customers' networks.

It's another example highlighting our commitment to continuous improvement using world-class innovation that adds value.

We're committed to continuous improvement using world class innovation that adds value.



Boosting our digital capability

Embracing digital technology is a massive part of our future.

So we've created a new in-house digital team to do this and it's exciting bringing new people and capability on board for this journey.

We're thrilled to have secured the expertise of Tammy Auranen as Group Manager Digital, with Iain Urquhart promoted to the role of Proposition and Experience Lead, both based in our Whangarei office.

Tammy brings over 18 years' experience in the electricity and retail sectors in New Zealand and Canada in

a variety of digital, technology and improvement roles.

Iain's role leads the research, design and implementation of new digital products both externally to our customers as well as in-house process improvements.

The creation of this team helps fast-track the value we're able to deliver our customers through digital technology. We're looking forward to delivering exceptional customer experience through even more enhanced digital and data platforms.

We're looking forward to delivering exceptional customer experience through even more enhanced digital and data platforms.

Enhancing lives through the power of connectivity

Connecting and competing with gamers and cosplay (performance art where participants wear costumes representing favourite sci-fi, gaming and cosmic characters) communities from around the world was only a dream for Whangarei enthusiasts, until the arrival of Northpower Fibre's UFB network.

Northpower Fibre was delighted to sponsor the inaugural 'Itchy Trigger Finger' that saw gamers coming together to compete in one of New Zealand's largest eSports tournaments.

Our ultra-fast broadband network provided the connectivity for the 64 computers and gaming consoles at the event.

Whangarei teacher Wayne Carroll is also using our UFB network to help others in the community interested in the world of cosplay.

After designing his own award winning cosplay costumes, Wayne decided to share his skills and opened 'Wayne's Workshop' at his home, where fellow hobbyists meet twice a week.

Together they research images and ideas online, before setting about building their costumes. Wayne's reliable Northpower Fibre connection has seen up to 21 devices connected at once without issue. That's just a couple of brilliant examples of the power of collaboration and the potential that comes from enabling new tech.



Photo credit:
Pixie Captured Images

A personal approach to business

Networks are our business, and our people networks are as critical to our success as the tools and technology we use.

At Northpower, we're committed to growing our people whilst also being focused on attracting and developing the right skills and capability.

'Be mindful, be present, be safe' has become part of the everyday vernacular at Northpower – evidence of an embedded safety culture in our everyday actions.

We've also continued to invest in the physical and mental wellbeing of our staff. It's incredible the way our people have embraced these opportunities, taking on challenges and achieving – with transformational results for some – throughout the year.

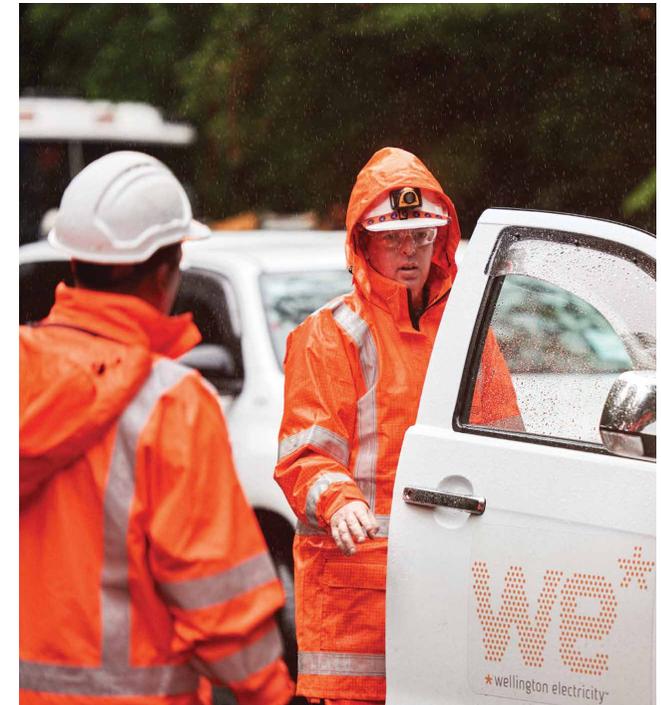
Our personal approach to business has continued with the improvements we've made to many of our customer touchpoints, and our ongoing priority to make Northpower Group truly customer-centric.

Continuing our we* contract

The past year has seen we* (Wellington Electricity) re-appoint Northpower for the provision of maintenance field services, in a further five year (plus two) agreement.

We participated in a robust and thorough bid process against many of our competitors to secure the new contract, and we're delighted to have been selected to continue to deliver excellent customer service and outcomes for we* and their customers.

We're looking forward to the challenge of putting into action the agreed innovations and improvements to our contract.





Ensuring a critical lift in safety

Safety of our people and communities is at the core of our business, and it was pleasing to be recognised by one of our major partners Transpower, at their biennial STAR (Safety Thanks and Recognition) awards in two categories.

Transpower's Chief Executive Alison Andrew presented Northpower with the Supreme Award for Safety Culture, shown here being accepted by our Field Services Manager, Vern Rosier.

We are proud of this acknowledgment; however,

we know that significant further work is needed to deliver a sustainable and ensuring lift in safety practice. Delivering this lift in safety remains a critical and central focus for our business.

Fostering new talent

With New Zealand's electricity industry facing a critical skill shortage, we're helping address the problem, and at the same time opening up opportunities for local youth by collaborating with People Potential, a Whangarei-based tertiary education provider.

We've committed to employing suitable graduates from the Electricity Supply Level 2 Certificate, preparing young people for a career in the electricity supply and telecommunications industries.

The certificate provides young school leavers with a qualification that sees them safely ready for a career in the industry.

New graduates joining our teams will gain practical and on-the-job experience, helping us improve the availability of resources while providing an exciting career path for local youth.

Growing from within



Shaun Brown

Distribution Engineer, Whangarei

Shaun Brown who works on Northpower’s Whangarei Distribution Network is a great example of the adaptability and mobility of our workforce.

Shaun started with us in Wellington as a graduate engineer, moving into a project management role before spotting an opportunity to relocate to join our Whangarei network team.

With responsibility for development and maintenance of over 6,000km of overhead and underground lines, he’s now enjoying working across multiple projects including line builds,

network upgrades and providing technical design, standards and project delivery across the Northpower Distribution Network.

Shaun says “As a Distribution Engineer, I make a difference to our customers by making sure the network is built and maintained to a standard that ensures power is delivered to our customers reliably and safely.”



David Ford

Regional Manager for Northern Contracting Whangarei

David Ford is a perfect testament of the fantastic career opportunities that the electricity industry and Northpower can offer.

A Line Mechanic by trade, over the past 14 years David has worked in a number of roles across many areas and locations for Northpower and our contracting business.

Rising through the ranks, combining his engineering and operational expertise with a Bachelor of Management, David’s valuable mix of operational and managerial know-how has seen him recently appointed to the role of Regional Manager for

Northern Contracting. He is now responsible for leading the team keeping the lights on across our Northland region.

He’s enjoying the variety of his role and relishes the opportunity to continue to lift performance and ensure his team remains the contractor of choice.



Papa Tua

Traffic Management Supervisor, Auckland

The diversity of our workforce is one of our strengths, and we take pride in nurturing the talent of our people.

We support the professional development of staff and encourage progression through our business.

Papa Tua, recently graduated from the Growing Pasifika Niu Leaders programme.

Problem-solving, building effective relationships with diverse individuals and groups and influencing are some of the skills Papa learnt on the programme.



Aaron Mears

Electricity Operations
Manager

Aaron Mears, our Electricity Operations Manager spends his days as part of the team keeping Northpower's network running 24/7. But he's also collaborating with his peers across the North Island in a new forum to share information and best practice in network operations and safety.

Aaron set up NENO (the North Island Electricity Network Operators) and has encouraged his fellow Ops Managers from eight other networks to participate in sharing learnings and developing common, streamlined operating procedures and processes where possible.

The group meet occasionally, but are embracing technology with a dedicated group page where discussions and sharing takes place online.

We're proud of Aaron's initiative in facilitating this forum and providing yet another example of Northpower leading the way within our industry.



Dean Riley

Operations Manager,
Tauranga and Matamata

Attracting the right skills and experience is crucial for our business, and one of our newest managers has an impressive diverse background, adding new capability to our eastern Waikato and Bay of Plenty contracting services team.

Dean Riley recently joined us as Operations Manager, Matamata and Tauranga. He brings 26 years' experience in the kiwifruit, local government, contracting and construction sectors along with a Masters degree in Economics and Finance.

Dean is focused on delivering outstanding customer experience with an emphasis on health and safety, and looks forward to leading the central team.



Raj Singh

Network Engineering and
Delivery Manager, Whangarei

Raj Singh, our Network Engineering and Delivery Manager is working to get Northland customers ready for the future.

Raj has been with Northpower since 2008 and has worked in various locations on maintenance and new build projects.

But his latest challenge is leading our Network Engineering and Delivery team where he's making a real difference to our customers while at the same time growing his career.

He now leads the delivery of our capital and maintenance work programmes,

overseeing the engineering aspects of the multi-million dollar investments we're making to get our networks resilient and ready for the growth coming our way.

Raj is relishing the challenges his new role brings, saying "it's really satisfying providing a safe and reliable electricity supply for our customers – and at the same time designing a network that's capable of meeting requirements of new technology and customer experience in the future".

Remarkable wellness outcomes

Part of our ongoing staff engagement strategy has been to promote and encourage the role of wellness amongst our people. We've been overwhelmed by the response to two events this year, where we've encouraged our staff to participate in fun activities that are good for the body and mind.

120 of our people participated in the Taupo Ultramarathon, covering an incredible 2,850km amongst the team.

We were also the headline sponsor of the Northpower Wild Kiwi event in Whangarei, with over 150 Northpower participants tackling the run, walk and multi-sport activities over a day alongside thousands of others from our community.

The achievements of these wellness initiatives are inspiring. We've seen a 30kg weight loss from one person, while another gave up a 20 cigarette-per-day smoking habit and lost 10kg.

We're really proud of the way our people have embraced these wellness initiatives and the incredible camaraderie right across our business through participation in these events.



A potentially life-saving initiative that has raised awareness of the dangers of sun damage.

Staying sun-smart

Our health, safety and well-being principles promote a proactive approach, and we encourage staff suggestions for improving preventive awareness.

This meant a big yes to a staff-led initiative highlighting the prevalence of skin cancer risks to all our people.

We've introduced free skin checks or full body Molemaps for all of our staff if they wish to participate, along with a discounted

rate for our employees' family members.

Over 500 vouchers have been issued for Molemaps and skin checks, with 37 skin cancers being diagnosed to date, including four melanoma.

This has truly been a potentially life-saving initiative and has raised awareness and understanding of the dangers of sun damage amongst our people.

A holistic approach to wellbeing

Health and safety isn't just about physical needs, and mental health is a critical component to overall wellbeing.

The mental wellbeing of our people is such a priority that we've included it as one of our top ten critical risks.

This year has seen a continued focus on mental wellbeing and developing resilience amongst our teams.

We were fortunate to have guest speaker, 2019 New Zealander of the Year Mike King discuss mental well-being at our Southern Contracting team's recent Stop For Safety day, sharing heartfelt messages that it's OK to seek help if you're feeling down.

The mental wellbeing of our people is such a priority that we've included it as one of our top ten critical risks.



Farewell after 74 years of service

During the year we farewelled two of our longest serving employees, with the retirement of Mike Hayes with 24 years' service, and Jim Spehr with 50 years and 3 months' service.

Both have held pivotal roles within Northpower over the years, and have tremendous capability coupled with an amazing work ethic.

The wealth of combined knowledge that Mike and Jim hold will be sorely missed and we thank them for their incredible contribution to the company.



Living our behaviours

Here at Northpower our four behaviours – be mindful, be present, be safe; act as one; earn the trust; own the outcome – are at the core of everything we do.

Every day we see real examples of our people putting these behaviours into action and bringing them to life. Here are some great stories evidencing this – they're all examples of nominations from workmates and peers in our recognition and reward programme.



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

Mat Westgate, a technician in our Whangarei team, has safety top of mind even when he's not on the job! During his annual leave, Mat combined his carpentry and electrical skills to construct a test trolley for a relay testing unit at our Whangarei depot.

Mat's trolley has helped to keep the work area and test leads tidier, preventing damage while moving gear between panels and has resulted in better work posture and less manual handling for the team.

Proactivity and quick thinking were at the fore when James Te Tai, an Electrical Inspector in Auckland, spotted a nasty looking pest. James found an insect on site that looked remarkably like a Queensland fruit fly, a current major biosecurity threat to New Zealand's fruit and vegetable industry.

James took the insect to Biosecurity New Zealand, who identified it as a mason bee, but appreciated his diligence and thanked him for reporting the find. A great example of remaining alert and mindful in all aspects while on the job!



Act as one- Kotahitanga

Sam Santos, a Project Supervisor in Auckland, has gone out of his way to welcome new overseas recruits to the Northpower team. It's not in his job description, but he kindly picks them up from the airport and helps them into their accommodation, assists with opening bank accounts and generally helps them settle into life in New Zealand.

Sam's kindness in welcoming people into our whānau makes it easier for our newest people to settle in and become part of the team.

When a third-party enquired about using our poles and contracting yard to practice working at height, Casey Ranier, the HSQE Advisor in our Hamilton based Transmission team, stepped up to help out. With the rest of the team participating in off-site training, Casey acted as an ambassador.

He ensured safety onsite by communicating potential risks prior to commencing, ensuring their exercise ran smoothly and safely.

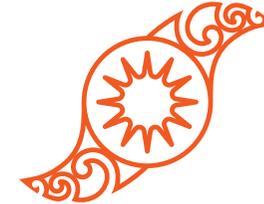


Earn the Trust- Kaitiakitanga

Dharmesh Patel, Cable Technician Supervisor in Auckland, goes the extra mile when it comes to earning the trust of his team and our customers.

He was nominated for the passion he brings to work. His team mates commend his proactive approach to excellence, and the support he offers others across all areas of our business.

Our customers hold Dharmesh in high regard. They've delegated authority to him to perform certain tasks on their network, thanks to the trust he's built up with them in providing a high standard of service and quality advice.



Own the outcome- Kia mau te kaupapa

Kere Neha, Glove and Barrier Lineman in Whangarei, is not one to leave his teammates in the lurch. Despite booking annual leave, he still attended some call outs that came up due to the unforeseen unavailability of other standby staff, without question. Kere was nominated for recognition because of his fantastic diligence – a great example of owning the outcome.

A large fire in the Waipu business district was devastating for local business owners, but Andy Malcolm, Northpower Fibre Foreman and the Northpower Fibre team stepped up and owned

the outcome, getting fibre connections back on for customers as soon as it was safe to do so.

Normal service was restored within a day, exceeding customer expectations. Many retailers still on copper lines were so impressed with this excellent service that they immediately made the switch over to our fibre network! A great outcome in the midst of a stressful time for both our customers and the Northpower Fibre team.

Board of Directors' report

The Board of Directors are appointed by the Northpower Electric Power Trust to supervise the management of the Company.

The Board establishes the Company's objectives, overall policy framework, and monitors management performance.

Principal activities

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

Directors holding office during the year

Northpower Limited

N P Davies-Colley (Chair)
R C Booth
M B D James
M D Trigg
P G Hutchings
L S Kubiak
D J Ballard (resigned 26 July 2018)

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

N P Davies-Colley
P G Hutchings
O M O'Neill (appointed 18 January 2019)
P W McElwee (resigned 18 January 2019)

Northpower Solutions Limited

J M Boyd
A I McLeod
P W McElwee (resigned 30 April 2018)

Northpower LFC2 Limited

J M Boyd
A I McLeod

Northpower Limited, in conjunction with Crown Infrastructure Partnership Limited, has an investment in a jointly controlled entity Northpower Fibre Company Limited (NFL). A I McLeod and J M Boyd are directors of NFL.

Results

The group recorded an after tax profit of \$24.7m for the period, as set out in the Comprehensive Income Statement.

Dividend

A dividend of \$1.41 million has been declared for the year.

Donations

The group made donations of \$100,000 to Northland's Electricity Rescue Helicopter, \$14,000 to Whangarei Native Bird Recovery, \$10,000 to Young Enterprise Trust, \$20,000 to the Healthy Homes initiative, and other sundry donations totalling \$37,576 during the year.

Insurance of Directors

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

Share dealings

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

Use of company information

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

Directors' interest

The following Directors have made general disclosures of interest pursuant to Section 140 of the Companies Act 1993 that the named Directors are to be regarded as having an interest in any contract that may be made with the entities listed below:

N P Davies-Colley

Director – Farmlands Co-Operative Society Ltd

Director – Worksafe NZ

Director – Taiki Plantations Limited

Director – West Coast Energy Pty Limited

Director – Northpower Western Australia Pty Limited

Director – Kitchen Studios Limited

M B D James

Trustee – Middlemore Clinical Trials Trust

P G Hutchings

Shareholder – Career Engagement Group Limited

Director – West Coast Energy Pty Limited

Director – Northpower Western Australia Pty Limited

L S Kubiak

Chair – The Graduate Choir of NZ

Trustee – The Holy Trinity Cathedral Music Trust

Director/Shareholder – Quilisma Limited

Chief Executive – NZIER

Director – New Zealand Symphony Orchestra

M D Trigg

Director – Century Drilling and Energy Services

Director – Langman Lane Limited

Director – Ngati Tuwharetoa Holdings Limited

Director – Ngati Tuwharetoa Geothermal Assets Limited

Director – Ngati Tuwharetoa Electricity Limited

Director – Liquigas Limited

Trustee/Beneficiary – Mark Desmond Trigg Trust

Directors' remuneration

Directors' remuneration paid during the period was:

Northpower Limited:

D J Ballard	\$15,438
N P Davies-Colley	\$123,500
M B D James	\$66,750
R C Booth	\$61,750
M D Trigg	\$66,750
P G Hutchings	\$61,750
L S Kubiak	\$61,750

\$457,688

West Coast Energy Pty Ltd:

P G Hutchings	\$26,667
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Remuneration of employees

Bands:	No. of Employees
\$100,000-\$109,999	130
\$110,000-\$119,999	100
\$120,000-\$129,999	94
\$130,000-\$139,999	48
\$140,000-\$149,999	54
\$150,000-\$159,999	35
\$160,000-\$169,999	25
\$170,000-\$179,999	12
\$180,000-\$189,999	10
\$190,000-\$199,999	11
\$200,000-\$209,999	6
\$210,000-\$219,999	4
\$220,000-\$229,999	2
\$230,000-\$239,999	2
\$240,000-\$249,999	1
\$250,000-\$259,999	2
\$260,000-\$269,999	1
\$280,000-\$289,999	2
\$300,000-\$309,999	1
\$350,000-\$359,999	1
\$390,000-\$399,999	1
\$490,000-\$499,999	1
\$560,000-\$569,999	1

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

Changes in Directors

In accordance with the Company's Constitution, Nikki Davies-Colley and Phil Hutchings will retire and offer themselves for re-election.

For and on behalf of the Board.



N P Davies-Colley

Chairman

Governance statement

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

Code of conduct

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

The Code covers matters such as:

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

The Board comprised seven Directors until July 2018 (a non-executive Chairman and six non-executive Directors), at which time the Directors reduced to six. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities.

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

The primary responsibilities of the Board include:

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

Audit and Risk Committee

During the year the Audit Committee was renamed the Audit and Risk Committee and the Committee's responsibilities extended to include oversight of risk management and treasury. The Committee also continues to be responsible for overseeing the financial, accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies. The Committee met four times during the year.

Treasury Committee

Previously, a Treasury Committee was responsible for the oversight and review of proposed treasury transactions including banking, cash and debt management, investment and treasury risk management. The Committee also monitored the effective implementation of the Group's financing strategy. This Committee was disestablished during the year and the responsibilities were transferred to the Audit and Risk Committee.

People and Capability Committee

During the year a People and Capability Committee was established. This committee has responsibilities to assist the Board in relation to the oversight of the people strategy, performance and remuneration of the Chief Executive, succession planning for the Chief Executive, diversity, inclusion and equal employment opportunities in the Company. The Committee met three times during the year.

Statement of corporate intent

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

Risk management

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

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

Financial statements

Directors' responsibility statement

The Directors are responsible for preparing the financial and service performance statements and ensuring that they comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Subsidiaries as at 31 March 2019 and the results of their operations and cash flows for the year ended on that date.

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

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

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

The Directors are pleased to present the financial and service performance statements of Northpower Limited and its Subsidiaries for the year ended 31 March 2019.

Approved for and on behalf of the Board of Directors on 26 June 2019.



Nikki Davies-Colley
Chairman



Michael James
Director

Statement of service performance

For the Year Ended 31 March 2019

	Notes	FY19 Actual	FY19 Target	FY18 Actual
Underlying net profit after tax as a percentage of Shareholder's Funds	1	9.6%	8.0%	9.33%
Capital ratio		59.2%	>60%	58.7%
Debt coverage ratio	2	1.60	<4.5 times	n/a
Dividend		\$1.4m	\$8.0m	n/a
Lost time injury		11	nil	8
Total injury frequency rate per million man hours	3	15.75	<10	16.63
Electricity Network				
Network reliability (SAIDI)	4			
planned		71.6	<95	74.8
unplanned		110.6	<90	107.97
Number of faults per 100km of line		9.40	<10	14.6
Customer satisfaction (residential)		96%	>85%	96%
Customer satisfaction (commercial)		88%	>85%	94%
Fibre Network				
Network availability (maximum downtime)	5			
layer 1		1.92	≤ 120 minutes	n/a
layer 2		9.89	≤ 30 minutes	n/a
Faults (maximum downtime)				
layer 1		100%	99% within 48 hours	n/a
layer 2		100%	99% within 12 hours	n/a
Service level performance	6			
residential		97%	>95%	n/a
commercial		98%	>95%	n/a

Northpower exceeded its Group Financial SCI target for FY19 on the back of strong financial performance from both the Contracting and Network businesses.

The Group has committed to paying a lines discount in FY20 and as a result the dividend declared for the 31 March 2019 (payable in FY20) year has reduced from the SCI target. The combined lines discount and dividend is \$11.6m.

The lost time injury target was not achieved however there is a decrease in the severity of the actual injuries as seen through the injury management cost and data insights. The business continues to have a strong focus on achieving a zero target as the health & safety road map is implemented.

The total injury frequency rate target was not met. Northpower has continued to focus on critical risks and key controls. The incidents impacting this target are generally outside of these critical risks and do not involve life altering injuries or events. Northpower will continue to focus primarily on critical risks.

The target for planned interruptions of less than 95 minutes was achieved, however the target for the unplanned interruptions of less than 90 minutes was not achieved due to the impact of a substation outage (caused by wildlife) which cost almost 14 minutes together with a noted increase in third party interference (car v poles) over the 10 year average.

Faults per 100km of line target was achieved.

The customer satisfaction survey for FY19 showed high levels of satisfaction for both residential and commercial customers. A programme of structured communication and customer service approach is underway to ensure satisfaction remains high.

Notes to the Statement of service performance

1 Underlying net profit after tax is the net profit after tax less the impact of fair value adjustments – i.e. loss on derivatives (\$1.6m).

2 Debt coverage ratio is calculated as total debt/earnings before interest and tax.

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

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

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

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

5 Fibre Network Availability

The network availability measure reports the average time in minutes that the fibre network is unavailable to an end user over the 12 month period to end of March 2019. The formula is:

- The sum of downtime for all end users in the previous 12 month period caused by a fault in the Layer 1 or Layer 2 service divided by the average total number of end users over that 12 month period.
- Layer 1 refers to the fibre network infrastructure and the availability is mainly affected by unplanned faults. Layer 2 refers to the electronic component of the network and availability is mainly affected by planned outages for the purpose of upgrading infrastructure or software.

Estimated minutes are measured as follows:

- Unplanned faults are measured by the minutes an incident ticket is open in the faults system. Due to the manual process of closing the tickets, the open minutes are adjusted when it is established that the ticket was not closed when the service was restored.
- Planned outage minutes are modelled in the test environment by a technical expert and this is the basis of estimation for network unavailability during an outage.

Notified maximum minutes are measured as follows:

- Unplanned faults minutes recorded by the faults system, unadjusted for process delays in closing the incident in the system.
- Planned outage minutes are the outage duration minutes notified to the retail service providers on the outage notification multiplied by the number of end users in the areas affected by the outage.
- If the notified maximums were used in the availability measures the results would reflect 11.63 minutes for Layer 1 and 27.42 minutes for Layer 2.

6 Service level performance measures the percentage of customers connected within target timeframes.

Comprehensive income statement

	Notes	2019 \$'000s	2018 \$'000s
Continuing operations			
Revenue from contracts with customers	5a	361,237	-
Other income	5b	2,371	1,218
Revenue	5c	-	325,046
Materials/supplies expenses		154,078	129,326
Employee benefits expenses	32	120,364	115,779
Transmission costs		20,422	21,284
Depreciation and amortisation expense		15,125	15,802
Other expenses	6	15,569	11,536
Finance costs		3,370	3,408
Share of (profit) in joint venture	26	(684)	(592)
Profit before income tax		35,364	29,721
Income tax expense	8	(10,694)	(8,799)
Profit for the year from continuing operations attributable to the equity holders of the parent		24,670	20,922
Profit for the year from discontinued operations	7	-	2,475
Profit for the year attributable to the equity holders of the parent		24,670	23,397
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		119	190
<i>Items that will not be reclassified to profit or loss</i>			
Net fair value gains on investments measured at FVTOCI		-	-
Net fair value gains on derivatives designated as FVTPL attributable to changes in credit risk		161	84
Net fair revaluation gains on land, buildings and distribution assets	15	(25,841)	-
Income tax relating to these items	9	7,685	-
Other comprehensive (loss)/income for the period net of tax		(17,876)	274
Total comprehensive income for the year attributable to the equity holders of the parent		6,794	23,671

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

Balance sheet

	Notes	2019 \$'000s	2018 \$'000s
Assets			
Current assets			
Cash and cash equivalents	10	3,141	3,739
Trade and other receivables	11	44,543	38,230
Work in progress – construction assets	12	–	18,365
Contract assets	12	23,671	–
Inventory	30	9,326	9,524
Total current assets		80,681	69,858
Non-current assets			
Other financial assets	13	–	32
Assets under construction		10,219	16,699
Goodwill and intangible assets	14	21,975	11,551
Investments accounted for using the equity method	26	25,456	26,534
Property, plant and equipment	15	319,621	328,035
Total non-current assets		377,271	382,851
Total assets		457,952	452,709

	Notes	2019 \$'000s	2018 \$'000s
Liabilities			
Current liabilities			
Trade and other payables	18	28,994	35,601
Contract liabilities	12	14,937	–
Provision for dividend	19	1,410	8,000
Provision for tax		4,960	6,140
Derivative financial instruments	22	88	45
Employee entitlements	29	14,602	14,782
Borrowings	16	40,000	–
Total current liabilities		104,991	64,568
Non-current liabilities			
Employee entitlements	29	736	905
Borrowings	16	21,882	61,188
Deferred revenue	17	4,342	2,250
Derivative financial instruments	22	4,384	2,913
Deferred taxation	9	50,712	55,261
Total non-current liabilities		82,056	122,517
Total liabilities		187,047	187,085
Net assets		270,905	265,624
Equity			
Share capital	20	35,989	35,989
Asset revaluation reserve	20	19,311	37,467
Other reserves	20	345	184
Foreign currency translation reserve	20	(2,918)	(3,037)
Retained earnings	20	218,178	195,021
Equity attributable to equity holders of the parent		270,905	265,624
Total equity		270,905	265,624

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

Statement of changes in equity

	Notes	Ordinary Shares \$000s	Retained Earnings \$000s	Other Reserves \$000s	Asset Revaluation Reserve \$000s	Foreign Currency Translation Reserve \$000s	Total \$000s
As at 1 April 2018		35,989	195,021	184	37,467	(3,037)	265,624
Profit for the period		-	24,670	-	-	-	24,670
Other comprehensive income for the period		-	-	161	-	119	280
Transfer from Asset Revaluation Reserve		-	-	-	-	-	-
Revaluation of assets	15	-	-	-	(25,841)	-	(25,841)
Deferred Tax on above		-	-	-	7,685	-	7,685
Total comprehensive income for the period		-	24,670	161	(18,156)	119	6,794
Transactions with owners in their capacity as owners							
Dividends paid	19	-	(1,513)	-	-	-	(1,513)
As at 31 March 2019		35,989	218,178	345	19,311	(2,918)	270,905
As at 1 April 2017		35,989	179,206	100	37,885	(3,227)	249,953
Profit for the period		-	23,397	-	-	-	23,397
Other comprehensive income for the period		-	-	84	-	190	274
Transfer from Asset Revaluation Reserve		-	814	-	(814)	-	-
Deferred Tax on above		-	(396)	-	396	-	-
Total comprehensive income for the period		-	23,815	84	(418)	190	23,671
Transactions with owners in their capacity as owners							
Dividends paid	19	-	(8,000)	-	-	-	(8,000)
As at 31 March 2018		35,989	195,021	184	37,467	(3,037)	265,624

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

Cash flow statement

	Notes	2019 \$000s	2018 \$000s
Operating activities			
Receipts from customers		350,274	344,446
Interest received		126	208
Dividends received		2,911	3,157
Payments to suppliers		(184,522)	(174,325)
Payments to employees		(120,713)	(116,120)
Interest paid		(3,781)	(3,685)
Income tax paid		(8,738)	(10,798)
Net GST received/(paid)		(48)	(3)
Net cash flows from operating activities	21	35,509	42,880
Investing activities			
Proceeds from sale of property, plant and equipment		2,238	11,168
Proceeds from sale of other financial assets		34	897
Investment in joint venture		(1,149)	(5,238)
Purchase of intangible assets		(3,137)	(1,767)
Purchase of property, plant and equipment		(28,934)	(23,734)
Net cash flows used in investing activities		(30,948)	(18,674)
Financing activities			
Drawdown/(Repayment) of borrowings		2,825	(16,558)
Payment of finance lease liabilities		-	(1,140)
Dividends paid to equity holders of the parent	19	(8,103)	(5,000)
Net cash flows used in financing activities		(5,278)	(22,698)
Net increase in cash and cash equivalents		(717)	1,508
Net foreign exchange differences		119	190
Cash and cash equivalents at the beginning of the year		3,739	2,041
Cash and cash equivalents at the end of the year	10	3,141	3,739

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

Notes to the financial statements

1 General information

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

The Company is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The financial statements presented are for Northpower Limited Group (or "the Group") as at, and for the year ended 31 March 2019. The Group consists of Northpower Limited and its subsidiaries Northpower Solutions Limited, Northpower LFC2 Limited, West Coast Energy Pty Limited and Northpower Western Australia Pty Limited along with a joint venture company Northpower Fibre Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

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

- West Coast Energy Pty Limited is based in Western Australia. It operated an electricity contracting business that was closed during 2018.
- Northpower Western Australia Pty Limited is based in Western Australia. It is an intermediate holding company and operates an acoustic testing business.
- Northpower Solutions Limited operates a contracting business.
- Northpower LFC2 Limited operates a telecommunications fibre business.

2 Significant accounting judgements, estimates and assumptions

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

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

a Assessment of impairment in the carrying value of Northpower Fibre Limited

In order to assess whether there is any impairment in the carrying value of the investment in Northpower Fibre Limited (NFL), recoverable value must be estimated using a value-in-use discounted cash flow methodology. A key assumption in the valuation is the forecast rate of uptake of customers connecting to the fibre broadband network.

b Construction contracts (FY18)

The Group recognised revenue from construction contracts by applying the 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.

c Revenue from construction contracts (FY19)

The Group provides maintenance and construction services for the electricity industry. The Group concluded that revenue for these contracts can be recognised over time because the customer simultaneously receives the benefits provided by the Group. The fact that another entity would not need to re-perform the services that the Group has provided to date demonstrates that the customer simultaneously received the benefits of the performance as it performs.

The Group determined that the input method is the best method of measuring progress of the services because there is a direct relationship between cost incurred and the transfer of service to the customer.

d Electricity distribution revenue

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.

e Allowance for impairment loss on trade receivables

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

f 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.

g 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.

h Revaluation of assets

Distribution system assets along with land and buildings which are held as property, plant and equipment and investment properties are valued by an independent valuer. The revaluation exercise is performed every three years, the last of which was performed in March 2019.

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 2019 (see note 15) indicates that the valuation of the distribution system assets is most sensitive to movements in the discount rate and operating expenditure.

Valuation assumptions have been adopted as per the forecast, the impacts of movements in key assumptions is shown below.

Assumption	Low	High	Valuation Impact
Distribution revenue	Increase by 5%	Decrease by 5%	-\$6.8m/+\$6.8m
Operating expenditure	Increase by 5%	Decrease by 5%	-\$4.9m/+\$4.9m

i Recognised fair value measurements**i Fair value hierarchy of non-financial assets**

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

	Level 2 \$000s	Level 3 \$000s	Total \$000s
Property, Plant & Equipment			
System distribution assets	–	259,702	259,702
Land	4,104	5,529	9,633
Buildings	3,760	4,830	8,590
Building infrastructure	2,176	637	2,813
	10,040	270,698	280,738

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

The financial statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Directors on 26 June 2019.

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 except for the first time application of NZ IFRS 15 Revenue from Contracts with Customers.

NZ IFRS 15 supersedes NZ IAS Construction Contracts, NZ IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. NZ IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NZ IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group has applied the modified retrospective method of adoption with the date of initial application of 1 April 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that were not complete at 1 April 2018. Application of the standard has not had a significant effect on the recognition of revenue however has resulted in changes to the Group's disclosures. In accordance with the modified retrospective method of adoption, the comparative amounts and disclosures are as reported last year and have not been amended for the new NZ IFRS 15 requirements.

ii Accounting standards issued but not yet effective

NZ IFRS 16 Leases, 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 a significant portion of the vehicle fleet and has a number of leases for land and buildings. A transition adjustment of approximately \$50m will recognise leases as 'right of use assets' and 'lease liabilities' in the balance sheet at 1 April 2019. Net profit after tax is expected to reduce by approximately \$1.4m for the year ending 31 March 2020 as a result of adopting the new rules. The standard will not impact overall cash flow, however lease payments will be shown as financing cash flows (repayment of lease liabilities) and operating cash flows (interest payments).

d Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and other entities under its control (its subsidiaries). Interests in associates are equity accounted and are not part of the consolidated Group. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

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

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

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

e Foreign currency translation

i Functional and presentation currency

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

ii Transactions and balances

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

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

iii Translation of Group companies' functional currency to presentation currency

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

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

f Goods and Services tax

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

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

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

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

g Financial instruments

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

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

i Financial assets at amortised cost

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

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

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

ii Financial assets at fair value through profit or loss

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

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

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

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

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

iii Other financial assets

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

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

iv Impairment of financial assets

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

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

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

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

v Financial liabilities at amortised cost

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

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

vi Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL (fair value through profit and loss) when the financial liability is 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 (mainly vehicles, and land and buildings). The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessors effectively retain all the risks and benefits of ownership of the lease terms, are included in the determination of the net surplus in equal instalments over the period of the lease.

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

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

k Provisions

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

i *Provision for onerous contracts*

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

l Cash flow statement

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

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

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

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

4 Financial risk management objectives and policies

The Group's principal financial instruments comprise trade and other receivables, trade and 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.

a 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.

b Liquidity Risk

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

The Group has a maximum amount that can be drawn against its lending facilities of NZ\$120,000,000 (2018: NZ\$120,000,000). There are no restrictions on the use of the facilities.

The Parent also has in place a credit card facility with a combined credit limit over all cards issued of NZ\$1,000,000 (2018: NZ\$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.

c 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.

	2019					2018				
	<6 Months \$000s	6-12 Months \$000s	1-2 Years \$000s	2-5 Years \$000s	Beyond 5 Years \$000s	<6 Months \$000s	6-12 Months \$000s	1-2 Years \$000s	2-5 Years \$000s	Beyond 5 Years \$000s
Trade & other payables	26,660	-	-	-	-	20,184	-	-	-	-
Interest bearing loans	40,526	-	13,357	665	-	-	-	40,718	21,307	-
Non interest bearing loans	-	-	-	-	8,467	-	-	-	-	3,842
	67,186	-	13,357	665	8,467	20,184	-	40,718	21,307	3,842

d 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.

	2019					2018				
	<6 Months \$000s	6-12 Months \$000s	1-2 Years \$000s	2-5 Years \$000s	Beyond 5 Years \$000s	<6 Months \$000s	6-12 Months \$000s	1-2 Years \$000s	2-5 Years \$000s	Beyond 5 Years \$000s
Net settled (Interest Rate Instruments)	(17)	(71)	(477)	(1,830)	(2,077)	(15)	(25)	(202)	(1,920)	(790)
Gross settled (forward foreign exchange contracts – cash flow hedges)										
- inflow	-	-	-	-	-	382	572	-	-	-
- (outflow)	-	-	-	-	-	(382)	(573)	-	-	-
	(17)	(71)	(477)	(1,830)	(2,077)	(15)	(26)	(202)	(1,920)	(790)

e 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.

f Fair Values

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

g 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.

	2019 Level 1 \$000s	Level 2 \$000s	2018 Level 1 \$000s	Level 2 \$000s
Financial assets				
Other financial assets	-	-	-	32
	-	-	-	32
Financial liabilities				
Interest rate swaps	-	(4,472)	-	(2,953)
Forward foreign exchange contracts	-	-	-	(5)
	-	(4,472)	-	(2,958)

h Foreign Currency Risk

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

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

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

i At 31 March 2019, the Group had the following exposure to \$AUD:

	Group 2019 \$000s	2018 \$000s
Financial Assets		
Cash & cash equivalents	46	9
Trade & other receivables	75	289
Financial Liabilities		
Trade & other payables	290	610
Interest bearing loans & borrowings	-	-
Net exposure	(169)	(312)

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

ii At 31 March 2019, had the New Zealand Dollar moved, as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
NZD Strengthen +5%	6	43	-	-
NZD Weaken -5%	(6)	(48)	-	-

i 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.

	2019 \$000s	2018 \$000s
Interest rate swaps (including forward start swaps)	84,000	92,000

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

i At 31 March 2019, if interest rates had moved as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2019 \$000s	2018 \$000s	2019 \$000s	2018 \$000s
+1% (100 basis points)	1,573	1,836	-	-
-0.5% (50 basis points)	(823)	(970)	-	-

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

5 Revenue

The current year revenue disclosures are as required by NZ IFRS 15, adopted 1 April 2018. The Group has adopted the modified retrospective transition approach and accordingly the comparatives are as reported in the prior year financial statements. Current year revenue is disclosed in note 5a and 5b, while the comparatives are in note 5b and 5c.

a Revenue from contracts with customers

i Electricity distribution revenue

The performance obligation is satisfied over time with the delivery of electricity and payment is generally due within 20 to 45 days from delivery. The Group adopts a practical expedient allowed by NZ IFRS 15 and recognises electricity distribution revenue when the right to invoice arises.

ii Line contributions

Line contribution revenue represents third party contributions towards the construction of distribution system assets. Revenue is recognised in the comprehensive income statement when the asset is complete.

iii Metering revenue

The performance obligation is satisfied on reading of end consumer electricity metering equipment and revenue is recognised over time. Payment is generally due within 20 to 45 days from delivery.

iv Electricity Generation

The Group owns and operates an electricity power station at Wairua, Northland. The performance obligation of the supply of generated electricity is satisfied over time and pricing is based on the final electricity industry spot price, as defined by the Electricity Industry Participation Code. Payment is generally due within 20 – 45 days from supply of the electricity.

v Fibre telecommunication services

The performance obligation is satisfied over time with the provision of fibre internet connectivity and payment is generally due within 20 to 45 days from provision of the service. Revenue is recognised as the service is provided.

vi Contracting revenue – electricity industry

The contracting division provides maintenance and construction services under fixed-price and variable price contracts. Revenue from these services is recognised in the accounting period in which the services are rendered. For fixed-priced contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual costs incurred relative to the total expected costs.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

vii Contracting revenue – fibre telecommunications industry

The fibre division provides maintenance and connection services under fixed-price contracts to its Joint Venture company Northpower Fibre Limited. Revenue related to services to connect end users to the fibre network is recognised when the connection is complete. Revenue for maintenance services is recognised in the accounting period in which the services are rendered because the customer receives and uses the benefits simultaneously.

	2019 \$000s	2018 \$000s
Revenue from contracts with customers		
Revenue recognised over time		
Electricity distribution revenue	74,719	–
Metering	637	–
Electricity generation	2,726	–
Fibre telecommunication services	585	–
Contracting revenue – electricity industry	273,059	–
Contracting revenue – fibre telecommunications industry	5,104	–
Revenue recognised at a point in time		
Lines contributions	4,407	–
	361,237	–

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March are, as follows:

	2019 \$000s	2018 \$000s
Within one year	58,938	–

Revenue of \$13 million was included in contract liabilities at the end of the previous financial year.

b Other income

i 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.

	2019 \$000s	2018 \$000s
Gain on sale of assets	311	633
Rent received	132	85
Interest income	126	–
Sundry income	1,802	500
	2,371	1,218

c Revenue

The disclosures below relate to the comparative year, prior to the adoption of NZ IFRS 15 Revenue from Contracts with Customers.

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.

i 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.

ii 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.

iii 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.

iv 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.

	2019 \$000s	2018 \$000s
Lines revenue	-	76,595
Line contributions	-	4,179
Contracting work income	-	243,887
Interest income	-	208
Income from farming	-	177
	-	325,046

Revenue associated with discontinued activities is disclosed in note 7.

6 Other expenses

	2019 \$000s	2018 \$000s
Auditor's remuneration		
- Audit of financial statements	230	219
- Audit of regulatory disclosures	70	25
- Fees paid to subsidiary company auditors for other services	505	248
Bad debts written off	6	65
Fair valuation loss on derivative instruments	1,676	913
Net loss on foreign exchange	255	131
Directors' fees	484	500
Rental and operating lease costs	12,343	9,435
	15,569	11,536

Included in discontinued operations:

Directors' fees	-	38
Rental and operating lease costs	-	1,207

7 Discontinued operations

West Coast Energy

During the year ended 31 March 2017 it became apparent that the Group was unable to make a sustainable profit from key contracts held by West Coast Energy Pty Limited and as a result in December 2016 a decision was made to close the business. The results of the discontinued operations included in the profit for the comparative year in these financial statements are set out below, and includes the West Coast Energy's business trading up until closure (20 June 2017) and the wash up of the closure provisions.

	2019 \$000s	2018 \$000s
Profit for the year from discontinued operations		
Revenue	-	8,827
Expenses	-	(6,352)
Profit before income tax	-	2,475
Income tax expense	-	-
Profit for the year from discontinued operations (attributable to equity holders of the Parent)	-	2,475
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)
Net cash flows from investing activities	-	3,430
Net cash flows from financing activities	-	(7,689)
Net cash flows	-	(7,383)

8 Taxation

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

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 tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

	2019 \$000s	2018 \$000s
Taxation		
Accounting profit before income tax	35,364	29,721
At New Zealand's statutory tax rate of 28% (2016: 28%)	9,902	8,322
Plus/(less) tax effect of:		
- Non-deductible expense	160	123
- Non-taxable income	(35)	(333)
- Prior period adjustment	43	(31)
Adjustment for joint venture	(191)	(166)
Tax on income not included in accounting profit	815	884
	10,694	8,799
The Taxation Charge is Represented by:		
- Current taxation	7,748	11,802
- Deferred taxation	2,903	(2,984)
- Prior period adjustment relating to current tax	(190)	(600)
- Prior period adjustment relating to deferred tax	233	581
	10,694	8,799
Imputation credits available for use in subsequent reporting periods	49,300	45,468

The Group has unrecorded tax losses relating to its Australian business of A\$34.6m (2018: A\$35.2m). These losses have not been booked as a deferred tax asset in the current year due to the uncertainty of future taxable profits.

9 Recognised deferred tax assets and liabilities

	Property, Plant & Equipment \$000s	Employee entitlements \$000s	Other \$000s	Total \$000s
Balance as at 1 April 2018	(56,175)	3,440	(2,526)	(55,261)
Charged to profit/(loss)	(1,453)	153	(1,836)	(3,136)
Charged directly to equity	7,685	-	-	7,685
Balance as at 31 March 2019	(49,943)	3,593	(4,362)	(50,712)
Balance as at 1 April 2017	(55,331)	1,980	(4,313)	(57,664)
Charged to profit/(loss)	(844)	1,460	1,787	2,403
Charged to other comprehensive income	-	-	-	-
Balance as at 31 March 2018	(56,175)	3,440	(2,526)	(55,261)

10 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.

	2019 \$000s	2018 \$000s
Bank	3,140	3,738
Cash on hand	1	1
	3,141	3,739

11 Trade and other receivables

	2019 \$000s	2018 \$000s
Trade and other receivables	43,081	37,373
Less provision for impairment	(169)	(138)
Prepayments	1,631	995
	44,543	38,230

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 2019 the ageing analysis of trade receivables is as follows:

	2019 Gross \$000s	Impairment \$000s	Net \$000s	2018 Gross \$000s	Impairment \$000s	Net \$000s
0-30 days	41,141	-	41,141	36,840	-	36,840
31 - 60 days	896	-	896	96	-	96
61 - 90 days	172	-	172	370	(71)	299
91 days plus	872	(169)	703	67	(67)	-
	43,081	(169)	42,912	37,373	(138)	37,235

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is \$1,771k (2018: \$299k).

Movements in the allowance for expected credit losses of trade receivables and contract assets are as follows:

	2019 \$000s	2018 \$000s
Balance at 1 April	138	350
Additional provisions made during the year	105	-
Reversal of provision during the year	(74)	(212)
Balance at 31 March	169	138

12 Contract Balances

The current year revenue disclosures are as required by NZ IFRS 15, adopted 1 April 2018. The Group has adopted the modified retrospective transition approach and accordingly the comparatives are as reported in the prior year financial statements. Contract assets and liabilities were previously disclosed as work in progress (see below) and income in advance (part of trade and other payables, see note 18).

	2019 \$000s	2018 \$000s
Trade receivables	43,081	-
Contract assets	23,671	-
Contract liabilities	14,937	-

The increase in contract assets, as compared to the previous year's work in progress, is due to increased activity across the electricity contracting business (\$2.9m) and an increase in the number of fibre connections to be invoiced (\$2.4m). These contract assets are expected to be settled within 12 months.

	2019 \$000s	2018 \$000s
Work in progress		
Customer progress billings made during the year	-	(28,704)
Aggregate of costs incurred	-	38,332
Recognised profits (less recognised losses to date)	-	8,737
	-	18,365

13 Other financial assets

	2019 \$000s	2018 \$000s
Ravensdown Fertiliser Co-operative Limited	-	32
	-	32

At 31 March 2018 other financial assets consists of 31,612 shares in Ravensdown Fertiliser Co-operative Limited and these were sold during the year.

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

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

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

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

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

	Goodwill \$000s	Software \$000s	Easements \$000s	Total \$000s
Cost				
At 1 April 2018	4,122	19,997	453	24,572
Transfers	-	(26)	-	(26)
Addition	-	12,253	-	12,253
At 31 March 2019	4,122	32,224	453	36,799
Accumulated Amortisation and Impairment				
At 1 April 2018	1,745	11,276	-	13,021
Amortisation for the year	-	1,803	-	1,803
At 31 March 2019	1,745	13,079	-	14,824
Net carrying amount at 31 March 2019	2,377	19,145	453	21,975
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

There is no intangible asset whose title is restricted.

a Allocation of goodwill to cash-generating units

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

	2019 \$000s	2018 \$000s
Carrying value of goodwill allocated to each group of cash-generating units		
Regional Contracting	877	877
Central Contracting	1,500	1,500
	2,377	2,377

b 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.

c 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.

15 Property, plant and equipment

a 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.

b 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.

c Other classifications of property, plant and equipment

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

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

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

d 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.

e 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.

f Disposal

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

Fixed Assets

	Freehold Land \$000s	Freehold Buildings \$000s	Building Infrastructure \$000s	Leasehold Improvements \$000s	Distribution Systems \$000s	Meters \$000s	Fibre \$000s	Generation \$000s	Plant & Equipment \$000s	Motor Vehicles \$000s	Total \$000s
Cost or fair value											
At 1 April 2018	8,027	7,865	2,520	2,118	331,834	5,569	4,333	15,746	41,272	21,477	440,761
Additions	-	-	382	422	15,941	127	10,402	119	4,954	304	32,651
Transfers	-	(110)	(192)	240	318	(244)	-	6	3	4	25
Revaluation adjustment	1,606	835	103	-	(88,334)	-	-	-	-	-	(85,790)
Disposals	-	-	-	(14)	(57)	-	-	-	(2,790)	(7,272)	(10,133)
At 31 March 2019	9,633	8,590	2,813	2,766	259,702	5,452	14,735	15,871	43,439	14,513	377,514
Accumulated Depreciation & Impairment											
At 1 April 2018	-	410	200	556	51,087	5,316	1,234	9,305	28,732	15,886	112,726
Depreciation charge for the year	-	222	128	164	7,760	171	578	502	3,022	775	13,322
Transfers	-	(17)	(14)	28	183	(182)	-	-	-	-	(2)
Revaluation adjustment	-	(615)	(314)	-	(59,020)	-	-	-	-	-	(59,949)
Disposals	-	-	-	(3)	(10)	-	-	-	(2,602)	(5,589)	(8,204)
At 31 March 2019	-	-	-	745	-	5,305	1,812	9,807	29,152	11,072	57,893
Net carrying amount at 31 March 2019	9,633	8,590	2,813	2,021	259,702	147	12,923	6,064	14,287	3,441	319,621
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
Additions	-	53	187	502	14,385	165	1,959	316	3,742	43	21,352
Transfers	363	380	(31)	27	-	-	-	-	(29)	3	713
Disposals	-	-	-	(42)	(65)	-	-	-	(621)	(5,843)	(6,571)
At 31 March 2018	8,027	7,865	2,520	2,118	331,834	5,569	4,333	15,746	41,272	21,477	440,761
Accumulated Depreciation & Impairment											
At 1 April 2017	-	199	94	450	43,743	4,698	1,020	8,789	26,638	18,635	104,266
Depreciation charge for the year	-	211	106	116	7,352	618	214	516	2,672	1,564	13,369
Disposals	-	-	-	(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

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

g 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 2019. As the fair value of the assets was not able to be reliably determined using market-based evidence, the valuation was prepared using a discounted cash flow methodology.

The key inputs used in the valuation included the forecast of future line charges, volumes, projected operational and capital expenditures growth rates and discount rate. A sensitivity analysis of the major inputs used in the valuation is discussed in detail in note 2.

The valuers estimated a range of values attributable to the Group's distribution system assets was between \$249.1 million and \$270.9 million as at 31 March 2019. The carrying value of the distribution system was higher than the valuation and accordingly a valuation adjustment was recognised to reduce the carrying value to the mid point of the valuation. The valuation adjustment of \$23.9m is recognised in other comprehensive income. The main drivers of the valuation decrease were the decision to commit a revenue discount for the 31 March 2020 year and a change in expectation of returns on assets expected over the forecast period. The revised returns better align to the expected regulatory return on assets set by the Commerce Commission for electricity distribution businesses.

h 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 2019. 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 and 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 2019, the fair value of the land and buildings amounted to \$10.8 million and \$10.2 million, respectively. This resulted in a valuation uplift of \$3.5m being recognised in the other comprehensive income.

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:

	2019 Freehold Land \$000s	Freehold Buildings \$000s	Building Infrastructure \$000s	Distribution System \$000s
Cost	6,223	10,410	3,484	325,337
Accumulated depreciation & impairment	-	2,788	852	84,453
Net carrying amount	6,223	7,622	2,632	240,884
	2018 Freehold Land	Freehold Buildings	Building Infrastructure	Distribution System
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

16 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. Income recognised is disclosed in note 17.

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

	Maturity	2019 \$000s	2018 \$000s
Current Portion	Less than 12 months	40,000	–
Non Current			
Unsecured loans	Within 2 years	17,700	39,500
Unsecured loans	Within 2 & 3 years	–	20,000
Interest free loan	Beyond 5 years	4,182	1,688
Total non current portion		21,882	61,188

a Fair Values

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

b Terms and Conditions

i Bank overdrafts and loans

The Group operates non current lending facilities expiring between August 2019 and June 2022.

Interest rates paid on \$NZD borrowings averaged 2.6% (2018: 2.6%).

c Financing Facilities Available

The Group operates a \$120 million lending facility.

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

d Assets Pledged as Security

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

e Set-off Assets and Liabilities

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

f Interest Rate Risk

Refer to the Financial Risk Management Objectives and Policies.

g Debt to Equity Ratio

The Group's debt to equity ratio is 0.69 (2018: 0.70)

17 Deferred Revenue

Deferred revenue relates to an interest free loan received from the Crown (see further detail in note 16).

	2019 \$000s	2018 \$000s
Balance at 1 April	2,250	–
Received during the year	2,218	2,250
Income recognised	(126)	–
Balance at 31 March	4,342	2,250

18 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.

	2019 \$000s	2018 \$000s
Trade payables (GST Inclusive)	20,764	16,071
Accrued payables (GST Exclusive)	8,230	6,628
Income in advance	-	12,902
	28,994	35,601

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

Income in advance is now included in contract liabilities, see note 12.

19 Dividends paid and proposed

During the year fully imputed dividends of \$8.103 million were paid (\$11.254 million inclusive of imputation credits) (2018: \$5 million – \$6.944 inclusive of imputation credits). Note 20 (b) provides explanation for the reduction in dividend in 2019.

	2019 \$000s	2018 \$000s
Dividends on ordinary shares declared during the year		
<i>Declared and paid:</i>		
Final imputed dividend for 2018 – 0.29 cents per share (\$0.143 million inclusive of imputation credits)	103	-
<i>Declared :</i>		
Final imputed dividend for 2019 – 3.92 cents per share (\$1.958 million inclusive of imputation credits)	1,410	-
Imputed dividend for 2018 – 22.23 cents per share (\$11.111 million inclusive of imputation credits)	-	8,000
	1,513	8,000

20 Equity

a 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.

b 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. A revaluation adjustment of \$25.8m was recognised during 2019 (2018: nil). This was made up of a decrease in the distribution system assets of \$29.3m and an increase in land and buildings of \$3.5m.

c 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.

d 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.

e Ordinary Shares

	2019 \$000s	2018 \$000s
As at 31 March 2019	35,989	35,989
Represented by 35,981,848 ordinary shares		
Total issued & paid up capital	35,989	35,989

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

f Capital management

The Company considers shares, reserves and retained earnings as part of its capital. 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 2019 the Group declared dividends of \$1.41 million (2018: \$8.1 million). The Group's dividend policy, outlined in the statement of corporate intent, is to distribute all funds surplus to the investment and operating requirements of the Group. A fixed lines discount will be paid for the year ended 31 March 2020.

The Group's statement of corporate intent prescribes that the ratio of total shareholders' funds to total assets will be maintained at not less than 58%.

21 Cash flow statement reconciliation

	2019 \$000s	2018 \$000s
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net profit after income tax	24,670	23,397
<i>Adjustments for:</i>		
- Depreciation & amortisation	15,125	15,802
- (Gain) on sale of property, plant & equipment	(311)	(633)
- Deferred income release	(126)	-
- Non cash line contribution revenue	(4,407)	(4,179)
- Fair valuation loss on derivative financial instruments	1,676	913
- Capitalised interest expense	(388)	(272)
- Non cash interest	87	96
- Equity accounted earnings of joint venture net of dividends received	2,227	2,565
<i>Changes in assets & liabilities:</i>		
- (Decrease) in trade & other payables	(6,608)	(6,822)
- less related to property, plant and equipment	(1,559)	-
- Increase in contract liabilities	14,937	-
- Decrease in work in progress	18,365	8,213
- (Increase) in contract assets	(23,671)	-
- (Increase) in trade & other receivables	(6,313)	(208)
- Decrease in inventory	198	526
- (Decrease)/Increase in deferred tax liabilities	(4,549)	(2,403)
- Less movement relating to asset revaluation reserve	7,685	-
- (Decrease)/Increase in employee entitlements	(349)	5,481
- Increase in provision for tax	(1,180)	404
Net cash from operating activities	35,509	42,880

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

	2019 Cash \$000	Finance leases \$000	Borrowings \$000	Total \$000
Net debt 1 April 2018	(3,739)	-	63,438	59,699
Cash flows	598	-	2,825	3,423
Finance leases	-	-	-	-
Non cash movements	-	-	(39)	(39)
Net debt 31 March 2019	(3,141)	-	66,224	63,083
	2018 Cash \$000	Finance leases \$000	Borrowings \$000	Total \$000
Net debt 1 April 2017	(2,041)	1,140	79,900	78,999
Cash flows	(1,698)	-	(16,558)	(18,256)
Finance leases	-	(1,140)	-	(1,140)
Non cash movements	-	-	96	96
Net debt 31 March 2018	(3,739)	-	63,438	59,699

22 Derivative financial instruments

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange on purchases of property, plant and equipment.

	2019 \$000s	2018 \$000s
Current liability portion		
Interest rate swap contracts	88	40
Forward foreign exchange contracts	-	5
Non-current liability portion		
Interest rate swap contracts	4,384	2,913
Net financial derivative liability position	4,472	2,958

a 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 \$84,000,000 (2018: \$92,000,000). The fixed interest rates of interest rate swaps vary from 2.67% to 4.65% (2018: 2.67% to 4.65%).

At 31 March 2019 there were no forward foreign exchange contracts outstanding (2018: NZ\$955,904).

23 Guarantees and contingencies

	2019 \$000s	2018 \$000s
Performance bonds in relation to contract work	30,999	30,199
Letters of credit in relation to contract work	-	-
Guarantee for leased premises	-	1,026
	30,999	31,225

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work both in New Zealand and off-shore. 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 28). Similarly, if a number of employers ceased to participate in the scheme, Northpower could be responsible for an increased share of the deficit.

24 Commitment

a As lessee in operating leases

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

	2019 \$000s	2018 \$000s
Within one year	11,820	9,411
After one year but not more than five years	31,951	24,814
More than five years	11,492	9,016
Total non-cancellable operating leases	55,263	43,241

b As lessor in operating leases

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

Within one year	50	21
After one year but not more than five years	115	50
More than five years	93	-
Total non-cancellable operating leases	258	71

No contingent rents have been recognised during the period.

Capital commitments contracted for at balance sheet date	2,575	573
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Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares in Northpower Fibre Limited from Crown Infrastructure Partnership Limited. As at balance date, the exercise of these options is considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options is assessed to be not significant since its exercise price is equivalent to the market price on exercise date.

25 Related parties

a Subsidiaries

i Terms and Conditions

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

ii Outstanding Balances

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

b Joint Ventures

	2019 \$000s	2018 \$000s
Transactions during the year		
Sales to joint venture	3,953	3,236
Purchases from joint venture	383	324
Dividend received from joint venture	2,911	3,157
Purchase of shares in joint venture	1,149	5,238
Outstanding balances as at 31 March		
Payable to joint venture	-	101
Receivable from joint venture	538	755

c Directors

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

d Key Management

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

	2019 \$000s	2018 \$000s
Compensation of key management personnel		
Short-term employee benefits	2,952	3,275
Termination benefits	137	205
	3,089	3,480

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 \$8.103 million, declared March and May 2018 (2018: \$5 million, declared March 2017). A dividend of \$1.4 million was also declared in March 2019 and is payable after year end (refer note 19).

i Transactions between the company and key management personnel

Mr Paul Yovich is a Trustee of Northpower Electric Power Trust. He is also a Trustee of a Shareholder of Busck Prestressed Concrete Limited and a Director and Shareholder of Yovich & Co Limited. During the year Northpower made purchases from Busck Prestressed Concrete Limited of \$2,592,530 (2018: \$2,598,336) and had a balance outstanding at 31 March 2019 of \$201,313 (2018: \$327,332), and sales to Busck Prestressed Concrete Limited of nil (2018: \$4,515). During the comparative year 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, Worksafe NZ and director of Landcorp Farming Limited (until 30/04/2018). During the year Northpower made purchases from Farmlands Trading to the value of \$18,858 (2018: \$10,796) and had a balance outstanding at 31 March 2019 of \$637 (2018: \$1,737). There were no transactions with Landcorp Farming during the year while Mrs Davies-Colley was a director of that organisation. During the year Northpower made purchases from worksafe to the value of \$477 (2018: nil) and had a balance outstanding at 31 March 2019 of nil.

Mr Ercoli Angelo is a Trustee of Northpower Electric Power Trust. He is also a Director/Shareholder of Strada Eleven Limited. During the year Northpower made purchases from Strada Eleven Limited of \$3,548 and had a balance outstanding at 31 March 2019 of nil.

For part of the comparative year (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 and Mr Trigg \$75,716.

For part of the comparative year, Mr A R Beach was a director of Northpower Western Australia Pty Limited and West Coast Energy Pty Limited. During the 2018 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.

Ms Josie Boyd is a Board member of the Electricity Engineers' Association and during the year Northpower made purchases from this organisation totalling \$38,938 (2018: \$36,860).

26 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 assets 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 in 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:

- provide working capital to NFL in return for shares
- purchase shares in NFL from Crown Infrastructure Partnership Limited, as and when end users are connected to the UFB network
- 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.

At 31 March 2019, the Group held 64% 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 Partners 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.

a Movements in the carrying amount of the Group's investment in joint ventures

	2019 \$000s	2018 \$000s
Beginning balance	26,534	23,861
Additional investment made	1,149	5,238
Share of profit after income tax	930	530
Unrealised profit adjustment	(193)	125
Realised profit adjustment	(53)	(63)
Dividend	(2,911)	(3,157)
	25,456	26,534

b Summarised financial information

Extracts from the joint venture statement of financial position:

	2019 \$000s	2018 \$000s
Current assets	3,815	2,095
Non-current assets	41,969	43,741
Current liabilities	1,789	1,495
Non-current liabilities	1,584	1,495
Net assets	42,411	42,846
Share of joint venture net assets	27,143	26,993

Extract from the joint venture statement of comprehensive income:

Revenue	8,785	6,839
Net profit	1,457	843

27 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:

	2019 \$000s	2018 \$000s
Financial assets at fair value through profit and loss	-	-
Financial assets at amortised cost		
Cash & cash equivalents	3,141	3,739
Trade & other receivables	44,543	38,230
Total financial assets at amortised cost	47,684	41,969
Other financial assets at FVTOCI		
Unlisted shares	-	32
Financial liabilities at fair value through profit and loss	4,472	2,958
Financial liabilities measured at amortised cost		
Current portion borrowings	40,000	-
Long term borrowings	21,882	61,188
Trade & other payables	26,660	20,184
Total financial liabilities measured at amortised cost	88,542	81,372

28 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 one employee is a member of the scheme (2018: two).

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 2018 indicated that the scheme had a past service surplus of \$6.6 million (6.1% of the total liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. Employers are not expected to contribute in future provided the experience of the Scheme is in line with the valuation assumptions used for that actuarial review.

29 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.

	2019 \$000s	2018 \$000s
Current employee entitlements are represented by:		
Accrued salaries & wages	4,496	5,347
Annual leave	9,439	8,718
Sick leave	667	717
Total current portion	14,602	14,782
Non-current employee entitlements are represented by:		
Retirement & long service leave	736	905
Total non-current portion	736	905
Total employee entitlements	15,338	15,687

30 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.

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 (2018: nil). No inventories were pledged as securities for liabilities, however some inventories are subject to retention of title clauses.

31 Capitalised borrowing cost

The assets under construction account includes capitalised borrowing costs amounting to \$387,782 (2018: \$271,510). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation is 2.6% (2018: 2.6%).

32 Employee benefit expenses

	2019 \$000s	2018 \$000s
Salaries & wages	117,462	107,415
Defined contribution plan employer contributions	3,251	2,883
Movement in employee entitlements	(349)	5,481
	120,364	115,779

33 Auditor's remuneration

The auditor of Northpower Limited is Audit New Zealand.

	2019 \$000s	2018 \$000s
Fees to Audit New Zealand for:		
- Audit of financial statements	208	171
- Special audits required by regulators	70	25
	278	196
Fees to non Audit New Zealand firms for:		
- Audit of financial statements of Subsidiary	22	48
- Advisory services	505	248
	527	296

34 Events after balance date

There were no significant events after reporting date.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Northpower Limited's group financial statements and performance information for the year ended 31 March 2019

The Auditor General is the auditor of Northpower Limited Group (the Group). The Auditor General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 36 to 64, that comprise the Balance Sheet as at 31 March 2019, the comprehensive income statement, statement of changes in equity and cash flow statement for the year ended on that date and the notes to the financial

statements that include accounting policies and other explanatory information; and

- the performance information of the Group on pages 34 to 35.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - its financial position as at 31 March 2019; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2019.

Our audit was completed on 26 June 2019. This is the date at which our opinion is expressed.

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

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

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

- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements and performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 33, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

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

Independence

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

In addition to the audit we have been contracted to perform other assurance assignments in the areas of the independent appraiser report and the Electricity Distribution (Information Disclosure) Requirements 2012, which are compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Group.



Clarence Susan

Audit New Zealand
On behalf of the Auditor General
Tauranga, New Zealand

Northpower Limited

Board

Chair

N P Davies-Colley

Directors

R C Booth

M B D James

M D Trigg

P G Hutchings

L S Kubiak

Executive Officers

Chief Executive

A I McLeod

Chief Financial Officer

O M O' Neill

General Manager, Network

J M Boyd

General Manager, Business Performance

A P Wilshire

General Manager, Contracting

L B Richards

General Manager, People and Capability

A M O'Brien

Northpower Electric Power Trust

Trust

Chairman

E A Angelo

Deputy Chairman

R J Drake

Trustees

I M Durham

S K McKenzie

K R Provan

W E Rossiter

P M W Yovich

Bankers

Westpac Banking Corporation

ANZ Banking Corporation

Head Office

Mount Pleasant Road,
Raumanga, Whangarei

Auditors

Audit New Zealand, Tauranga,
on behalf of the Auditor-General

Registered Office

28 Mount Pleasant Road, Whangarei

