Annual Report
2014-2015

Graduate Engineer Kashani Sharma has played a part in Northpower's evolution into the electric vehicle sector.

"safe, reliable, hassle free service"

Northpower Annual Report 2014-2015

The Board of Directors is pleased to present the Annual Report of Northpower Ltd and its subsidiaries (West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd) for the year ended 31 March 2015.

For and on behalf of the Board of Directors.

Nikki Davies-Colley
Chairman


Nikki Davies-Colley (Chair)


David Ballard


Russell Black


Ken Hames


Michael James


John Ward

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CHAIRMAN'S REPORT

The Northpower Group is a solid business that has been built up over a number of years through innovation and careful stewardship. However, the 2014/2015 financial year ended with an extremely disappointing result – the first significant downturn for 17 years.

Northpower produced an EBITDAF operating surplus (earnings before interest, tax, depreciation, amortisations and fair value movement derivatives) of $29.2m, which was reduced to an accounting loss of $0.45m. There were a number of factors contributing to this result and these are explained further in the Chief Executive's Report and the Financial Overview. We have already taken a number of steps to lift our operating performance following many hard conversations between the Board and Northpower Trust (NEPT).

The Board has welcomed this level of scrutiny and sound governance in these tough financial times as both the Board and the Trustees strive to respond to the current situation, as well as positioning the Group for the future.

Times like these cause us to take a hard look at ourselves, both strategically and operationally, to drive improvement in the business.

We continuously examine our strategic rationale for diversification of the Northpower business, and never more so than in a difficult financial year such as we have just experienced.

Had we not diversified and grown under the stewardship of my predecessor Warren Moyes (who retired during this year), Northpower would have remained a small, provincial electricity lines company with few, if any, options for profitable growth.

Diversity has bred innovation and success on the local and international stage that we can bring back and apply to our own network, while mostly bringing income from outside the region back into Northland. We would not have had the expertise or credibility to build Whangarei's (and New Zealand's) first ultra-fast broadband fibre network. Nor would we be looking closely at the possibility of taking fibre out into our districts to further enable more of our electricity network consumers to get the benefits fibre brings.

We would not have completed multiple profitable projects in the Pacific Islands, earning a reputation for doing the job well and picking up more business along the way.

Nor would we have become the provider of choice for many of the leading electricity network providers in New Zealand and Australia. All of this has helped us secure the position as New Zealand's best lines company each of the past two years.

The more we have grown our expertise and ability, the more we have been able to invest that knowledge, skill and planning to create an exceptionally reliable electricity network in Whangarei and Kaipara – one that will benefit our shareholder owners for generations to come.

Areas of the business that did perform as expected in the past year, when you exclude the impact of storms, included the Northpower Network business, along with some areas of the NZ Contracting business. We are pleased with the focus on this core asset, because it not only forms the majority of our value, but is the asset that services our consumer shareholders. Its performance contributes strongly to our Group purpose of improving the prosperity and wellbeing of the people of Kaipara and Whangarei through our business activities.

Similarly, we have been pleased that the uptake of fibre is 55% ahead of schedule based on Northpower Fibre's business plan for the 2014/2015 financial year. Uptake is the highest of any UFB company in New Zealand.

While Northpower Group revenue increased $17m to $325m, it is a lift in profitability that we desire year in, year out, and which is a focus of the Board. We are confident of returning Northpower to appropriate levels of profit.

The Board and the Management team have been working hard to implement mechanisms that will deliver to the business the framework needed to bounce back. We are already seeing the positive results of this; perhaps the most pleasing is West Coast Energy's return to a monthly operating profit in Western Australia as the 2014/2105 financial year came to an end with the Western Australian operation posting a record profit in April. West Coast Energy was awarded an additional long term contract early in this financial year in Western Australia –diversifying our activity while lifting revenue by over 10%.

After a Strategic Review early in the 2015/2016 financial year, the Northpower Board has endorsed the decision to restructure the West Coast Energy business. We ceased offering lines services in Victoria, which essentially involved closing the operational depot in June 2015 to reflect a significant decline for these services in the medium term.

We will still be servicing clients in that region (and others) through specialist asset inspection services.

CHAIRMAN'S REPORT

The inspection services include the use of very effective asset condition assessment technology which provides an increasingly valuable tool for electricity networks as they look to become more reliable, more effective and more efficient with their maintenance costs.
Already we are recognised in the market for providing these services, successfully securing a significant multi-year contract in Western Australia.

We are extremely well positioned in Perth – both in terms of performance, our relationship with our major client and our market position – and that's driving the bulk of the expected West Coast Energy growth in the next couple of years.

Accounting Standards require us to perform an investment impairment analysis each year. As a result of the market changes and the poor result for West Coast Energy this year, we have taken a cautious approach to this process. This has resulted in an impairment of our balance sheet value of the West Coast Energy investment. It should be noted that this affects the reported value of the company, but is not a cash cost.

Contracting is a tough market, but one in which we have performed relatively well in the past. As it became clear that the financial result in NZ was going to fall short of our target for FY2015, we have taken a number of other steps. In some regions we identified that the forward workload was reducing and this required us to right-size our workforce to match the projected workloads.

Everything that we do has been underpinned by our continuous improvement in health and safety and our drive towards Zero Harm.

All Directors regularly visit our field crews and I have been privileged to have seen our frontline staff in action many times this past year. Their professionalism, pride and leadership in safety continues to give me confidence that as a business, we are on the right track.

A number of major safety initiatives have been developed and implemented since last year - some of them being recognised by the broader industry, and even WorkSafe New Zealand. We hope some may even be adopted by the wider industry as standard, and even best, practice.

I highlight Northpower's safety ethos because the work ethic and focus on safety of our people is core to what we do, regardless of a tough financial year. They are consistently focused on safe delivery - whether for the Northpower Network business or clients in New Zealand, Australia and the Pacific Islands - and deserve immense credit for that.

The Board recognises this and we remain resolute in our support of health and safety as the absolute priority for our people.

As a result of upcoming changes to New Zealand's health and safety law, the Northpower Board has reviewed our preparedness for regulatory change. We have looked at the need for even greater safety leadership and the requirement for everyone in our organisation to be both aware of their responsibilities and given the training, tools and resources to perform those responsibilities.

Northpower's over-arching strategic vision is to create value for the electricity consumers of the Kaipara and Whangarei Districts by being a successful international company through extraordinary safe, reliable, hassle free service. One tough year doesn't change this. In fact, it strengthens our resolve to honour that.

We have done this successfully for decades by being flexible and adapting to an ever-changing market and will continue to by consistently delivering value to our customers through high service levels. We have a reputation for making the right decisions, being tenacious and working with our partners for an outcome that benefits us and them. That's important in partnerships.

Northpower's strength is in its longevity, innovation, safety, reliability of service delivery, engineering expertise, and a culture of striving to do better to reduce cost and improve performance and deliver. We are forward focused on maintaining a sustainable business from a strong platform. We have already seen some gains in areas such as our supply chain management.

In many respects we have been working towards some of the more recent business changes for some time. Northpower's investment in Project Evolution (an enterprise resource planning and works scheduling system) has been in development for almost two years now and practical implementation is well underway. This is introducing new systems, processes and workflow functionality to drive greater efficiencies, better time and job management, plus safer outcomes.

We continue to utilise technology and innovation to improve our business internally, and the services offered to our customers – a business approach the Board endorses. For example, our tree crews first began utilising noise cancelling, voice activated headsets, to enhance the communication ability between the ground and the specialists in the trees. This is now one of five new components introduced to our transmission crews as part of our Live-Line Transmission Tower Refurbishment and Replacement Project.

CHAIRMAN'S REPORT

There is also the Ladder Anchor System (an innovative new safety device) developed by one of our own engineers. This won an award at the recent 2015 New Zealand Workplace Health and Safety Awards. It is a world first and we have patented the innovation which is likely to become the standard for a number of sectors.

Northpower retains a keen eye on thought leadership, research and development and electricity networks of the future. New technologies will offer opportunities and pose challenges for the Northpower Network. We are constantly monitoring trends and seeking opportunities to partner and to lead. An example of this is the partnership we have with a Korean company, utilising their acoustic testing technology for the benefit of our own and our client networks. Northpower has exceptional client and stakeholder relationships, a maturity of partnerships that gives us great confidence in our future and that will be required because electricity networks will be operating in a very different environment in years to come. We are in a position of breadth and strength to handle whatever may come our way.

With our track record in the fibre (UFB) space, I believe we are in an advantageous position as we look to bid for UFB2 and endeavour to end the digital divide for our consumer owners by providing them reliable, fast, high volume fibre broadband – the same quality New Zealanders are seeing in UFB towns.

Northpower's promotion of Electric Vehicles, the implementation of our fast-charging station and additional EV chargers in Whangarei has created a groundswell of support for EV technology. In just 12 months more than 30 Nissan Leafs have made their way to Whangarei and we are receiving support in our research and promotional work from the wider EV sector in New Zealand and the motor industry in Whangarei. Other electricity networks are now looking closely at the value of EVs in the promotion and utilisation of EVs as they are a perfect fit for electricity networks.

There are environmental and economic benefits too because EVs reduce C02 emissions and with every EV there is less need for imported fuel.

Northpower's future and our future leadership is strong. We continue to invest heavily in developing leaders at all levels of the business. One example of this is the addition of Deborah Harding this past year under the Institute of Directors 'Future Director Programme'. It was an opportunity for someone from a different industry to experience and learn aspects of governance and take back to their own organisation and we will continue supporting this programme.

Other examples are our Safety Leadership programme throughout the Northpower Group and the commercial understanding programme being implemented in the NZ contracting division.

We are also committed to ensuring that Northpower gets the best governance possible. We have recently undertaken an in-depth Board review and will continue to work on areas for improvement that we identified. We have reviewed our Board Succession Plan, identified key skillsets that we believe the Board will need for the future, and shared the results with the Northpower Trust. Our previous Succession Plan identified the need for increased financial and strategic expertise, which enabled the Trust to focus on finding that skillset. The result was the appointment of Michael James to our Board, and we have benefited from both his fresh perspective and his particular skillset.

I want to thank the Trustees of the Northpower Trust, my fellow Directors and the entire Northpower staff and Management team, for their support and hard work on behalf of the company over this past year. Our people have maintained focus and consistently delivered through a difficult year, while upholding our Northpower values and giving their absolute best. While the rewards have not come in this financial year, we expect that our continued dedication to safety, customers, quality and each other will bring the desired financial outcome for the Group and help create a better future for us all.

Nikki Davies-Colley
Chairman

CHIEF EXECUTIVE'S REPORT

The electricity sector is without doubt increasingly challenging.

For Northpower Limited, the 2014/2015 financial year will rank as one of the toughest, when several scenarios combined to create a very disappointing operating earnings result. This should not overshadow the fact the majority of the business has performed well and we are looking forward to a successful year for 2016.

The Group earnings before interest, tax, depreciation, amortisations and fair value movement derivatives (EBITDAF) fell 24% from $38.3m to $29.2m, after returning a $4.2m Line Holiday to Northpower consumers in February 2015 and on Group revenue of $325m. This Group performance reflects the challenging market and business conditions over the past year in New Zealand and Australia. In addition, Northpower has continued with Project Evolution, a significant investment in enterprise resource planning and scheduling systems for delivery of improved financial management, works planning and scheduling. This project gets intense oversight from senior management and the Board with independent review, and while these are always challenging projects, we are managing this to a successful outcome. The Network EBIT decreased by 8%, reflecting an additional $1.1m cost to repair storm damage to the Northpower Network. It was reassuring to see the Network's resilience to this extreme weather and the way we safely managed the restoration to minimise disruption to consumers. Storms of this magnitude are relatively infrequent, but we absorbed it into the business and retained the Line Holiday at historical levels.

The Group EBITDAF result includes significant abnormal costs which can properly be regarded as investment in future returns. These costs contributed to the adverse result compared to last year. The fibre project incurred costs earlier than expected both because the uptake for fibre was well ahead of expectations for the year and the mix of new connections completed. This project is looking very healthy and the investment in this will result in a future return. We also invested around $1.1m of additional expenditure in developing our business that services the national grid's transmission assets, helping us to pick up new work. This achievement included outstanding innovation to make the work much safer and productive. It also made us well positioned to secure an additional contract with Transpower in 2015 which gets our transmission business the scale and work mix needed to be viable with the opportunity for further growth. These costs are an investment in our future business and it did not make sense to defer them.

In our New Zealand Contracting business, the market has been very competitive and challenging across all aspects and regions. It is a great testament to the leadership work done in the past two years that three out of the four NZ Contracting regions representing $150m in revenue, engaged well with clients and managed their way through the challenges to give financial results at, or above, expectations. The way Northpower was able to assist its client with the massive and complicated task to restore supply in Auckland after the Penrose substation fire was real testament to our capability and commitment. It is Northpower's genuine ability to work transparently with clients to achieve good outcomes for them which sets us apart from our competitors.

Two areas of the Contracting business were hit hard financially by their market challenges, and together, contributed to half the Group EBITDAF decline at around $6m on combined revenue of $96.6m. These were the Australian business, West Coast Energy and the NZ Contracting's southern region. This significant financial impact was from the underutilisation of staff in both cases.

West Coast Energy recorded a net operating loss of AUD $4.4m out of total revenue of AUD $66.9m.

West Coast Energy struck very disruptive market conditions reflecting poor workflows - first affecting the Western Australia and then the Victoria operation. The larger well established Western Australia operation was able to recover to an improved market position and achieve profitability by year end and is now the market leader in Western Australia. The Victorian market, however, has gone into a significant decline and is not likely to recover in the medium term – subsequently West Coast Management have discontinued the majority of their field operations in Victoria and are now focused on providing specialist services only. The intense pressure on electricity networks in Australia to improve performance and cut expenditure has impacted all the leading contractors but it is also helping West Coast Energy to sell advanced acoustic testing and inspection services. The West Coast Energy business is back on to a strong track with very good forward work visibility. We have managed to build more resilience to work flow disruption by diversifying our work mix and how we resource for that work. All this is in the context of an absolute commitment to working constructively with Western Power and delivering high quality, safe outcomes.

CHIEF EXECUTIVE'S REPORT

West Coast Energy has also secured a multi-year contract for holistic inspecting of electricity networks, giving us an innovative product and service edge over competitors, while providing more resilience in our business to be able to better manage market interruptions.

The NZ Contracting southern region suffered a significant shortfall of work in the second half of the year. It was a market aberration which caught us out with few options, although we did reduce our staff numbers late in the year. The business has been resized for the expected work volumes for the coming year and to meet the client's performance expectations.

Under-utilised staff is a large unrecoverable cost for a service provider. Our staff are very specialised and have high safety performance requirements and often there is a skills shortage so we work closely with our clients to minimise this wastage.

Electricity networks in both New Zealand and Australia remain under considerable pressure to reduce costs and improve performance. There is a huge focus on workplace and consumer safety. Increasingly, critical infrastructure can only be serviced outside normal work hours. New technologies impacting on the sector create both challenge and opportunity. This puts pressures on service providers such as Northpower to deliver more for less and still with the expectation of a very high safety performance. Northpower's approach is to work transparently with selected clients to remove wastage wherever it is in the delivery chain. We also put resource into innovation to overcome obstacles rather than adding work-around solutions. We are continually investing in our own people, processes and systems to ensure we can efficiently and effectively deliver to our clients' needs. We are getting results and there is a lot of opportunity for Northpower to deliver client focused services in this changing market.

In New Zealand, we have created a new transmission section in our business where we are focusing on transmission tower refurbishment and replacement – an all new system we have designed and developed from scratch and which has never been achieved before in New Zealand. Part of this is a redesign of Personal Protective Equipment (PPE) that has created safer work practices and is now being adopted in other areas of our business.

Our field staff responsible for redesigning and reconfiguring the PPE required for this transmission work – custom making multiple garments into one garment – have shown strong leadership and vision. Climbing harnesses are now worn on the inside of these garments to minimise catching points whilst climbing; improving flexibility, agility, comfort levels, protection and overall safety. Frontline field staff such as arborists, cable jointers and distribution lines staff can also utilise the redesigned PPE.

A dedicated team has been working on Project Evolution, which is designed to drive far greater efficiencies at all levels of our business.

This is being progressively implemented with it being fully operational by late 2016 and will be of immense value to how we scope, plan and deliver work within our own network, for clients and customers. This is actually a once in a lifetime business improvement process built on sound disciplines.

Progress on the Northpower Fibre network is extremely positive for the business as our fibre uptake is 55% ahead of schedule and the highest uptake of any ultra-fast broadband network in New Zealand. That has required an unbudgeted infrastructure spend (a network like this will always operate at a loss in the initial years) of $1.7 million which means the fibre business will be profitable ahead of schedule - in 2016. We now have more than 4000 people connected out of a possible 19,000 and expect to edge closer to 7000 by December 2015.

In spite of our small size, Northpower has been one of the key enablers of the Ultra-Fast Broadband project – largely by showing how it could be successfully done. We are extremely pleased to see the Government progress the extension of fibre into the small towns and rural areas and enable networks to use their existing powerlines across private land to run fibre into these communities. This will be of huge benefit to Northland and makes the dream of removing the digital divide feasible.

Another achievement for Northpower was our move to present electric vehicles as an environmentally sound and viable option for commuters in Northland - now and not something people need to wait for. We installed the country's first fast charging station and facilitated the supply of affordable near new imports from Japan. We have helped to give Northland every opportunity to see and try a range of EVs. We are really happy to see the uptake of EVs locally and the momentum that is occurring nationwide. EVs have to be at the top of the list for carbon reduction opportunities for New Zealand.

Despite the immense challenges of this past year, we have achieved some notable milestones along the way.

CHIEF EXECUTIVE'S REPORT

We took a couple of big hits and have been asked some hard questions. I am pleased with how the business was asked the hard questions and responded – from the Northpower Trust (NEPT) to the Board of Directors, our Executive Management Team, staff at all levels of the business, and of course, our frontline staff who had to contend with so many storms around the North Island in 2014. On-going commitment to our business and our strategic vision is what ensures our continued growth and we have invested significant and considered time in a structural review to ensure we are on the right path forward.

The Northpower Group is driven to be the supplier of choice in every market we operate in. We will continue to innovate and improve safety as we strive to be the best and we will continue to grow the Northpower business for the good of future generations.

Part of this strategy will be our continued use and promotion of electric vehicles and bidding for pockets of the Government's UFB2 initiative in Northland. We have performed exceptionally well in the UFB space and want to extend this to UFB2 to broaden the benefits and reach of world class digital broadband in other parts of the Kaipara and Whangarei Districts.

Our eye is also firmly on future networks as we enter a phase of exciting new technologies in a complicated and complex industry. New Zealand has a relatively unique electricity system in that we are already 80% renewable energy, when most countries are less than 10% and are looking at huge additional cost. What might seem compelling in Germany, California, Australia, may not have widespread application in NZ. But we can expect these technologies will impact in some way. EVs for example are a far better carbon reduction solution here than in the above countries. LED lighting and super-efficient appliances offer universal benefit. Solar photovoltaics offer limited value here but better value to Northern Australia and Pacific islands. No one really knows how new technologies will be applied or who will apply them. Non-traditional market participants are likely to appear.

The role of distribution networks will change over time. Rather than just delivering electricity from generators to consumers they will become an interconnected network between consumers who may also at times be exporting electricity or just requiring secure back up. It will manage and facilitate flows. It looks to me more like the fibre network Northpower operates for Whangarei.

There is a need for the network charges to reflect the cost drivers so consumer/generators are not given misleading pricing signals when making their investment decisions.

At the end of the day, the value in our network is in how it efficiently enables consumers to carry out their lives and businesses. Our job is to make the best use of technology to achieve this safely at sustainable cost while recognising the network is not going to be the only solution for some consumers. We have been quietly developing our expertise in a number of these areas throughout our network and contracting business – in New Zealand, Australia and the Pacific Islands – to stand us in good stead for when new opportunities arise.

We are never satisfied with our performance, in good times or bad. We have to keep working better and meeting business, client and consumer needs and ensure we are not just a hard-wired monopoly business because the electricity sector is in for considerable change which will require of us resilience, awareness and agility. This is what clients are looking for from a contractor like Northpower – and so too are our shareholders.

Since 2003, shareholder value in the company has grown from $50m to $252m and Northpower's total assets are now $443m. Further to that, it is important to recognise close to $200m has been given back directly to our consumers in Kaipara and Whangarei since 1993.

The underlying strength of the Northpower business is strong and I am confident of our future performance.

M R Gatland

Mark Gatland
Chief Executive

FINANCIAL OVERVIEW

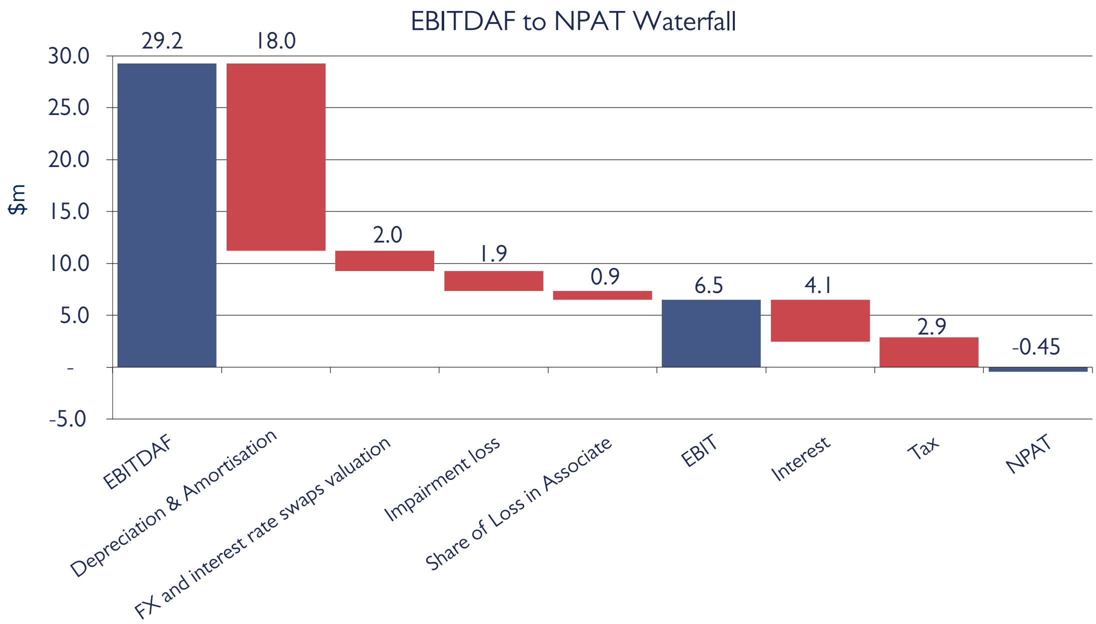
Northpower Group's profit after tax for the year ended 31 March 2015 was a loss of $0.45m, a significant decrease in financial performance on the previous year. The Group results include the impact of the impairment of Northpower's investment in its Australian operation - West Coast Energy ("WCE") by $1.91m. The Group performance reflects the challenging market and business conditions over the past year in New Zealand and Australia and the investment in Northpower's Fibre operations and NZ Contracting businesses. In addition, Northpower has continued with its significant investment in enterprise resource planning and scheduling systems (JD Edwards and Click software) for delivery of improved financial management and works planning and scheduling (Project Evolution). The line holiday rebate to all consumers was $4.2m and the dividend to the Northpower Electric Power Trust (NEPT) was $3.0m reflecting Northpower's expectation of improved future performance.

EBITDAF

Earnings before interest, taxation, depreciation, amortisation and the change in fair value of financial instruments, impairments and equity accounted earnings ("EBITDAF") is a commonly used non accounting financial measure used to measure the cash flow operating performance of a business, essentially the cash profit. We believe it assists stakeholders to understand the performance of the core operations of the business. The EBITDAF operating surplus of $29.2m was reduced to an accounting loss of $0.45m. The major components that shifted the EBITDAF operating surplus to a loss are reflected in the waterfall graph below. Besides the impact of depreciation and amortisation and the impairment loss (which are all non-cash expenses), the other major factor contributing to the loss is the unfavourable translation of foreign currency denominated advances and the fair value movements of interest rate swaps

These non-cash items reflect the movement in both the exchange rate and the official cash rate over the last financial year. The underlying interest rate swaps in place were locked in at very competitive rates with our averaged hedged interest rate being below 4%.

The EBITDAF performance compared to the previous financial year has declined by $9.1m due to the performance of WCE and the NZ businesses. WCE contributed approximately $4.9m to this variance with the NZ businesses contributing the remainder of the variance. The waterfall chart on page 8 highlights the factors contributing to the movement from FY14, which are discussed further in the commentary that follows.



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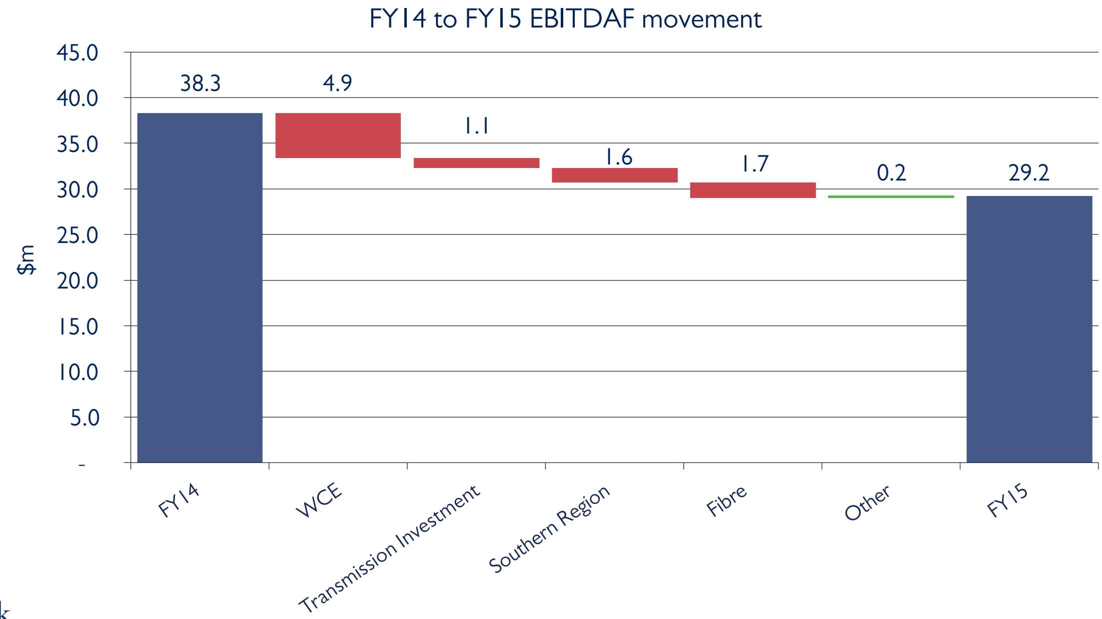

Network

Earnings before interest and tax (EBIT) for the Network Division decreased by 8% over the previous year. The decrease in EBIT primarily reflects the cost of remedial works to damaged network infrastructure of the significant adverse weather conditions experienced over the year. The impacts on our consumers was minimised by the very good operational Network performance. Revenue continued to grow by 4% over the previous year before the payment of the line holiday. The growth in revenue was achieved despite the continued decline in metering revenue.

Depreciation on the remaining Northpower owned meters is continuing to be accelerated to reflect the declining revenue stream. Connection growth was around 0.9% in FY15 and average consumption per customer increased by 3%. The increase in consumption was counter to trends over the past five years with a decline in average consumption per customer of 0.4% per annum for each of those years. This increased consumption was largely driven by increased consumption by large industrial and commercial businesses whilst consumption by residential and small business remained stable.

Fibre Project

In May 2014 Northpower completed, ahead of schedule, the construction of the Ultra-Fast Broadband ("UFB") network. The network is owned and operated by Northpower Fibre Limited ("NFL"), a joint venture between Northpower and the Crown.

The focus of the business over the past year has been to connect consumers to the fibre network. Connections completed over the past financial year greatly exceeded the connection rates contained in the business plan of NFL. The fibre project also continued to incur costs that will be recovered in future periods as connections occur.

Northpower is required to repurchase NFL shares from the Crown as customers connect. Hence, as the number of connections increases, Northpower's shareholding in NFL will increase and the Crown's shareholding will decrease. As at 31 March 2015 our total investment in NFL stood at $11.9m (FY14: $9.1m) and our shareholding in NFL was 34% (FY14: 28%).

Uptake on the fibre network is currently sitting at just over 20.4% and has grown from 8.2% over the last year. The momentum in connections that has been built has resulted in connections for the last financial year being significantly ahead of plan for the year. The on-going challenge for the fibre project and NFL will be to continue to drive an increased level of connections.

Northpower New Zealand Contracting

FY15 continued to be a busy year for the NZ Contracting division. Revenue grew by 8% whilst EBIT declined on the previous year. The decline of EBIT on the prior year was a reflection of Northpower's investment in two additional businesses which extend services delivered to Transpower and higher levels of unutilised labour in the Southern region. The remaining three regions performed at least to the level expected. Work on improving forward visibility of workflows and commercial outcomes will result in an improved FY16 result. This work has included the downsizing of labour in some regions (both field and back office support staff) to ensure NZ Contracting has an appropriate level of resources to meet anticipated workflows.

FINANCIAL OVERVIEW

The NZ Contracting division continues to have a strong foothold in the North Island electricity distribution and transmission maintenance sector, and has a long term contract with Vector and Transpower.

Northpower is also currently working with two of its customers to secure further long term contracts to extend NZ Contracting's current relationship with these customers. In addition, the NZ Contracting division undertakes all the construction and maintenance on our own electricity network and is responsible for executing the technically and logistically demanding fibre build in Whangarei. NZ Contracting continues to make significant investments in safety, training, management resource, processes, vehicles and tools.

During FY16 we will complete our investment in contracting systems (JDE and Click software) and processes. This, together with our health, safety and lift in leadership and commercial programmes, are the three key platforms for NZ Contracting's operational improvement strategy in FY16 and beyond to support our delivery to existing clients and continued growth opportunities.

West Coast Energy

West Coast Energy Pty Ltd ("WCE") financial performance over FY15 was significantly below expectation with the company recording a net loss after tax of A$6.2m. This financial result reflected poor workflows in Western Australia for the first 5 months of FY15 and poor workflows and lower margins in the Victorian operation for the majority of the financial year. The FY15 result occurred after two years of profitable results and has resulted in a major review of the Australian operation.

After a disappointing start to the financial year the Western Australian operation was able to address its workflow issues to produce a result that, whilst below budget, was in profit. For the financial year, the Western Australian operation increased turnover by 13% when compared to FY14. Furthermore, the business has proceeded to strengthen its future viability by securing workflows for FY16 and winning a long term inspection services contract with a key customer in Western Australia.

The Victorian operation contributed significantly to West Coast Energy's net loss after tax. Victoria's financial performance reflected a 22% reduction in turnover when compared to FY14, and lower than expected margins in an increasingly competitive market. The volume of available work within the Victorian market reduced significantly as network companies seek to reduce costs ahead of the 2016 regulatory determination (the five year price reset).

The review of the Australian operation was completed in May 15 with a decision taken to close the Victorian construction and maintenance operation from June 15. Northpower will continue to operate on the Australian East Coast through providing specialist inspection services. This profitable operation meets the immediate needs of the cost focused, risk averse Australian market. The decision to close the Victorian construction and maintenance operation is supported by a strategic plan which focuses the West Coast Energy business towards existing Western Australian customers and niche services across the industrial and utility market within Australia.

Key financial metrics

($m)	FY2015	FY2014	% Change
Revenue	325	307	6%
EBITDAF [1]	29.2	38.3	(24%)
EBIT	6.5	24.3	(73%)
NPAT	(0.4)	15.9	(103%)
Dividend + Discount	7.2	10.2	(30%)
Equity	252	256	(2%)
Assets	443	424	4%
Net Debt	85.3	67.5	26%
Capital Expenditure (Net)	28.7	20.1	43%
EBITDA/Revenue	8%	12%	
EBIT/Revenue	2%	8%	
Gearing [2]	25%	21%	
EBIT Interest Cover	1.6 x	6.5 x	

1 EBITDAF is defined as earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings
2 Net debt / Net debt + Equity

NETWORK OVERVIEW

Investment in transformer upgrades at the Maungatapere substation will increase the reliability and expansion capability of electricity supply to Dargaville.

Network maintenance continues

Northpower's Network remains in great condition which allowed us to ride through the storms of 2014 – with reduced impact on consumers.

A number of multi-year maintenance and asset renewal projects – such as the replacement of over 600 11kV air break switch with gas insulated switches, plus the replacement of the all old 33kV insulators which were beginning to fail - came to an end in early 2015.

We have also replaced a lot of thin copper conductor and older aluminium conductor which was suffering from corrosion and was prone to failure, causing power outages. While this project is ongoing, we have broken the back of the work.

A process to replace 80-year-old transformers acquired from Transpower (on the Maungatapere to Dargaville 50kV line) two years ago, is underway. Transformers with much larger capacity will enable industry – such as a large wood processing or dairy plant – to be established in the Northern Kaipara region. Completion of the transformer replacement at the Maungatapere substation will be complete by October 2015.

In April, 2015, Northpower Network acquired the Transpower assets between Maungatapere and Kensington. In securing the 110kV line and assets at the Kensington substation, Northpower can leverage much greater operational flexibility in managing the electricity loadings around the Whangarei area.

Purchasing these two critical assets from Transpower means that we have not only increased the Northpower Network asset base, it means that the traditional income from these assets now stays in Northland, which benefits locals.

Northpower Network, as the partner to Northpower Fibre in designing, building and operating the Whangarei UFB network, has performed exceptionally well in delivering on an uptake in connections that was 55% ahead of what was budgeted for. As a result we have implemented an extensive focus on cost control which stands us in good stead for UFB2. Leveraging the assets of the electricity network has enabled us to keep the operational costs of running the fibre network to an absolute minimum.

This, along with a huge increase in customer connections to the fibre network, means Northpower has only had to contribute 45% of the projected budgeted financial support to Northpower Fibre. As a result Northpower Fibre has been operationally cash flow positive since March 2015 and this trend is expected to continue. This is a significant achievement and unparalleled with any UFB initiative.

We are pushing on with a focus on expanding our fibre network throughout Kaipara and Whangarei – as long as it remains financially viable to do so. And throughout this vast array of activity, we continue to monitor and assess the development of transformative technologies such as solar.

SAFETY

Safety– is strategic priority and underpins everything we do – to keep our staff, the public and our clients safe. Northpower has built a reputation over many years for taking an industry lead on safety. We do this in open collaboration with others and through our own safety leadership. Northpower remains commited to Zero Harm.

Northpower delivers excellent health and safety, while continuing development of fire retardant protective clothing that benefits NZ's electricity sector.

Safety journey continues to progress

West Coast Energy started an ambitious safety improvement programme in 2013, with improvements continuing over the 2014-2015 period according to CEO Sean Horgan.

He said the company has the goal of becoming a zero harm workplace and has actively developed safety leaders, and the systems that support them, at all levels of the business.

Over the 2014-2015 period, West Coast Energy's total injury frequency rate improved by over 35% with the results of an international benchmarking study (The Global Safety Index) highlighting that West Coast Energy's safety culture has progressed from a 'maturing' to a 'sustainable' position. The Australian electricity sector applies extremely stringent safety standards and this means West Coast Energy's safety endeavours must meet or exceed these standards so there is a constant focus on improvement.

A sage safety influence

In 2014, Vern Rosieur - Northpower's HR Field Services Manager - collected an accolade which he quickly stated was recognition of the efforts of the wider Northpower team for allowing him to do his job. Vern was deemed the 'Most Influential Employee' at the Safeguard NZ Workplace Health & Safety Awards – deserved recognition for the impact he has with safety and people. Beyond his Northpower role, Vern has earned a reputation for helping change the face of safety in New Zealand's electricity sector.

He works broadly and willingly with others in the industry - in New Zealand and Australia - reviewing safe work practices of field staff, providing coaching, mentoring and making recommendations. He refuses to take a backwards step on safety, continually looking for improvement in performance, attitudes, PPE and equipment. Along the way he has assisted in creating new innovations in order to 'look after the guys on the ground' because if there is an accident in the field, the gear they are wearing is the difference between injury, death and survival. And that is Vern's on-going drive – striving to protect people.

He has helped many people achieve success in this industry and his actions have helped many people stay safe in the electricity sector.

INNOVATION

Innovation– Northpower has significant focus on innovation to assist in creating successful outcomes and consistent delivery for our own business, along with our customers and partners. We work to understand clients, help meet their goals and take the hassle away from them, while at the same time growing and strengthening our own business.

At the 2015 New Zealand Workplace Health and Safety Awards, Northpower's Ladder Anchor System won an award for 'Best use of design/technology to eliminate or minimise a risk'.

Safety at heart of world first ladder innovation

Northpower has devised an innovative solution to reduce ladder accidents, which represent a serious safety hazard for electricity industry employees. Most ladder accidents in the electricity industry occur when workers are either climbing up or descending from ladders. On average, Northpower reports 2.5 ladder events a month, with seven falls from ladders by employees since January 2012.

Risks associated with ladder use are varied; from using ladders in windy conditions, placing ladders on unstable ground, to positioning ladders at unsuitable angles or resting them against an unsuitable structure. For example, strong wind or sudden gusts can easily overturn a ladder. If a ladder is too close to a power pole, it can slide sideways or fall back.

Placing a ladder on uneven or soft ground can cause it to tip over the centre of gravity during climbing or descending. Risks are also increased when ladders are operated by an individual without an additional person to support the ladder.

Northpower's Innovation and Technologies Manager Goran Stojadinovic developed a way of securing ladders to utility poles in windy conditions, including sudden gusts. The solution also mitigates other ladder-related safety issues such as an incorrect angle of the ladder or uneven ground.

There are several key differences with Northpower's Ladder Anchor System compared to other methods which have been developed which make Northpower's device safer for all kinds of applications and more practical to use. The secured point for other methods is at the top of the pole, and therefore the fall hazard while ascending or descending is not eliminated. In contrast, Northpower's method secures the ladder at the base of pole and therefore the ladder is secured prior to ascending and during descent.

Following extensive development, independent testing and rigorous field testing involving the use of 20 Ladder Anchor Systems by Northpower employees in four regions across New Zealand, the concept was ratified for safe use in the industry. The device means Northpower has created an industry first and, according to the NZ Patent Office, a world first. A patent was granted in December 2014.

The device can be installed or removed in less than a minute, with one person being able to complete the task safely and easily.

The innovation has the potential to prevent injuries and to save lives. It is expected to benefit not only Northpower employees and the broader electricity industry, but also to be of interest further afield as ladder safety is a worldwide problem.

INNOVATION

Northpower has been active in establishing a growing electric vehicle sector in Whangarei.

Northpower leads way with EVs

Northpower continued to lead the way in promoting electric vehicles in New Zealand, pushing forward with moves to make Whangarei the country's electric vehicle capital and singing the praises of the cars to politicians and local authorities.

Following on from the launch of New Zealand's first fast-charge station for EVs in Whangarei last year, Northpower imported and trialled several EVs with local authorities, including the Northland Regional Council and Manaia Health. Many staff were so impressed after trialling the vehicles that they bought their own EVs for private use. There are now more than 20 EVs in use in the North.

Daily running costs for EVs are 75% cheaper than for petrol and diesel vehicles, providing an economic boon to families and communities at the same time as benefiting the environment. The Northpower EV charge station is free to use and that will continue for the foreseeable future. The fast charger can provide 80% charge capacity within 30 minutes, while the standard charger takes closer to eight hours for a full charge. New Zealand has an 80% renewable grid – perfect for EVs. If this country's 2.8 million privately-owned cars all switched to EV technology, the increased demand for electricity could easily be met by suppliers.

Former Greens co-leader Russel Norman was shown Northpower's EVs and Whangarei charge-up station in July. He and Greens' Whangarei election candidate Paul Doherty received an all-you-can-absorb-right-now explanation from senior Northpower staff of the company's early-stage promotion of Whangarei as the electric-car capital of New Zealand.

Northpower Chief Executive Mark Gatland said the "fuel" cost of running an EV was the equivalent of paying 50c a litre for petrol. After viewing Northpower's initiative, Mr Norman said that the Government's fleet of Crown cars should be moved away from its high dependence on fossil fuels.

Northpower Network General Manager Graham Dawson in October 2014 spoke about the uptake of EVs as part of a leaders' panel at the New Zealand Transport Fuels Summit in Auckland. He said that modelling done by Northpower showed that its network could handle wide EV uptake.

Mr Dawson said that having a mix of charging at home and fast-charging stations could help to ease pressure on the grid during the evening peak. Northpower now plans to dot EVs all around Kaipara and Whangarei.

INNOVATION

Northpower is increasingly involved in infrastructure projects throughout the Pacific Islands

Success in Solomon Islands

Northpower has continued involvement in the Pacific Islands, this time with the construction of an indoor 11kV substation at the Honiara diesel power station on behalf of the Solomon Islands Electricity Authority (SIEA).

This was our first foray into the Solomon Islands and it has paid dividends. The current equipment was at the end of its economic life and prone to failure. Our project scope involved engineering, constructing, commissioning and integrating into the existing generation station and greater SIEA network.

The Solomon Islands, including the capital of Honiara, saw considerable action during the Second World War. Therefore, the risks and consequences of encountering war relics, unexploded ordnances and human remains were required to be assessed and a mitigation procedure put in place.

Prior to actual on-site construction commencing, mine sweeping equipment was utilised to search for unexploded ordnances.

Due to the age of the power station there was a lack of detailed location plans of the existing underground HV cables and other services.

This necessitated considerable research and evaluation of SIEA staff's local knowledge, combined with slow and meticulous hand-digging to locate the 11kV incomer and feeder cables required to be cut, jointed and redirected to the new substation.

The building was designed and constructed to withstand the frequent seismic activity common in the Solomon Islands, as well as the high winds and heavy rains that occur during the tropical cyclone season. The upgraded switchgear and protection scheme has improved the security and reliability of the electricity supply to the main load centre of the Solomon Islands capital of Honiara. Despite the effects of severe wet weather during the civil construction stage, the contract was completed on schedule.

The relative remoteness of the Solomon Islands (and associated infrequency of shipping connections) and the associated challenges procuring plant and equipment in a timely manner, meant efficient management was crucial to meeting milestones. This is where Northpower employees have played a critical role in their dedication, organisation, professionalism and expertise – despite extended periods away from their families.

The successful delivery of the project has led to a large volume of new ventures with the SIEA. While we found the environment and culture to be different to other Pacific Islands, it has been a rewarding experience from which we have developed strong relationships.

Our on-going presence in the Solomon Islands allows us to continue capitalising on project opportunities, while expanding the capability of the organisation and the development of our people by continually engaging in new engineering and construction projects.

NETWORK

Network– Northpower's foundation is its electricity network in Kaipara and Whangarei. More than 55,000 consumers connected to our growing electricity network are the beneficiaries of years of careful planning and growth to establish a solid business and reliable electricity network for current and future generations.

Northpower Network field staff went to extraordinary lengths in an effort to get power reinstated safely and quickly during the brutal July 2014 storm.

July storm worst since 2007

Storms in March and at Easter 2014 were rapidly followed by a weather bomb in July which brought the worst weather in almost a decade to Northland.

Flooding, slips, high winds and torrential rain resulted in a number of power outages in areas including north of Dargaville, Mata, Ruakaka, Waipu, Poroti, Pakotai, Whangarei City and Maungatapere. More than 13,000 Northpower customers lost power at the height of the storm.

Multiple High and Low Voltage lines were brought down and Northpower deployed dozens of lines staff to assess and repair the damage. Lines crews worked through the night to get power on again and additional crews were mobilised to speed up the repairs.

Staff were helicoptered into Pukehuia, near Dargaville, after two damaged poles were detected by an aerial survey. The chopper touched down at each pole to allow three-man lines crews to complete repairs, after road access was cut off by flooding described by one farmer as the worst in over 50 years.

Lines crews attended to a downed line in Babylon Coast Road, which was still live when discovered in trees. A major slip prevented line repairs at Tukatu and Haha Roads, near Twin Bridges.

Another helicopter was called into service to assist with a fault repair in the Brynderwyns, where a replacement pole had to be flown in to rugged terrain. A replacement pole was also choppered in to Parua Bay. Northpower staff also deployed jet skis to get to poles in places where there was heavy flooding.

Northpower Chief Executive Mark Gatland said the repair efforts by Northpower's lines crews and office-based staff, who assisted with co-ordination and planning, were superb. Call centre and control room staff also played a major role in restoring power as soon as possible.

NETWORK

Northpower was voted NZ's best electricity lines company in 2014 – for the second consecutive year.

Northpower line holidays top $105m

Northpower's February 2015 rebate means its customers have received more than $105m in line holidays from the company since 1998.

The 2015 line holiday resulted in $4.2m (plus an industry rebate of $0.6m) being returned to Northpower consumers.

An estimated 56,000 consumers connected to the Northpower electricity network in Kaipara and Whangarei Districts received credits of between $35 and $145 on power accounts.

The credits are based on annual energy consumption, with the payout being broken into three tiers. Those using more than 15,000 units received credits of $145; those using between 2,000 and 15,000 received $95; and those who used less than 2,000 were credited $35.

"In addition to providing rebates, we are very focused on reinvesting for the future and that will benefit our consumer owners in the short and long-term. Our ultra-fast broadband network in Whangarei is an example of that," said Northpower Chair Nikki Davies-Colley.

$4.6m returned to Northpower consumers

For the third year running, Northpower consumers received a pre-Christmas gift from the Northpower Trust (NEPT) All electricity consumers connected to the Northpower lines network in Kaipara and Whangarei found an $83 tax free credit on their December 2014 power accounts. The distribution totalled $4.6m and was allocated to the 56,332 power installation control points (ICPs).

Northpower Trust Chairman Erc Angelo said the distribution meant the Trust had given back almost $93m to its consumer owners since 1993.

"The really pleasing aspect of this is the great service Northpower provides to its consumers in Kaipara and Whangarei – and you only have to look at the work Northpower did in response to the storms we had to contend with this year."

Mr Angelo said that Northpower had achieved important milestones during a challenging year, including the completion of the Northpower Fibre UFB network in Whangarei, the establishment of the first electric vehicle fast-charge station, and the fact that Northpower was voted Lines Company of the Year for the second time.

NETWORK

$500,000 electricity upgrade

A major power project began in Dargaville in November 2014, aiming to upgrade lines and improve the reliability of the town's electricity network.

Up to 35 staff worked on the project at peak times to minimise outages to customers. Work involved pole changing, crossarm changes and the removal of an 11kV circuit as well as the upgrading of a number of street lamps.

Northpower Network General Manager Graham Dawson said the work, which finished in May 2015, meant that the electricity supply in Dargaville was now more reliable.

Reconfiguration of the network had lessened the visual impact of the lines and would ensure fewer unplanned outages from faults.

Easter storm sets scene for wild weather

A severe storm over Easter 2014 caused widespread power outages affecting thousands of customers in Kaipara and Whangarei. Areas without power included Taipuha, Turiwiri, southern Kaiwaka, the Brynderwyns, Maungaturoto, Whakapirau, Langs Beach, Portland, Whatitiri, Tutakaka and Kensington.

Northpower immediately mobilised its lines crews, who worked in dangerous conditions to repair faults on a number of 11,000 Volt feeders. A helicopter was also deployed to check for damage on Northpower's 33kV line from Maungaturoto to Kaiwaka.

The helicopter speedily located a fault on the line and lines crews were sent to repair it and get power back on to customers as quickly as possible. The helicopter was then sent to Dargaville to assess damage to the 11kV Dargaville north line.

Northpower Chief Executive Mark Gatland praised staff for their efforts in restoring power in adverse weather conditions and also thanked the public for its patience. The April storm followed hot on the heels of Cyclone Lusi, which struck the north in March, bringing down trees and causing power outages.

Lightning strike like firecracker

A 30 minute lightning storm caused $200,000 in damage and struck Northpower's Kamo substation in October 2014. Northpower's Network Engineering Manager Russell Watson said the circuit breaker failure was not an explosion, although it looked like one to nearby workers.

"The fault was actually caused by a lightning strike, which cut power to about 8000 Northlanders for a minute. It would have looked like a big firecracker going off. But it did exactly what it was supposed to do in the circumstances," said Mr Watson.

Earlier in the morning, an electrical storm caused power outages to more than 1000 Northland households. Northpower worked rapidly to restore power to all affected by both the storm and the lightning strike. The lightning storms were the worst in 31 years and developed very quickly.

"This was one of the most severe lightning events that I can remember as its effect was felt over most of our Network area (Kaipara and Whangarei Districts).

"It also caused a significant number of faults, with around 500 faults attended to over two days."

Mr Watson said normally lightning would not cause such a large number of outages but, by the time the weather cleared, Northpower had answered around 1,400 fault calls. The damage required Northpower having to replace 30 pole-mounted transformers.

NETWORK

Whangarei institution Arthurs Emporium has reported savings of thousands of dollars annually on broadband and telephone costs since switching to Northpower Fibre.

Northpower Fibre UFB orders continue surging

Orders for Northpower Fibre connections almost trebled in the month following the completion of the Whangarei ultra-fast broadband network in May 2014. That growth is expected to skyrocket further, with the total number of UFB connections on Northpower Fibre's network anticipated to double from 3500 in January 2015 to 7000 out of a possible 19,000 in the coming year. Whangarei now has amongst the highest UFB speeds and greatest uptakes in New Zealand.

The surge in demand from new customers led to a temporary backlog which, coupled with severe storms, meant people champing at the bit to experience Northpower's speedy new UFB services had to be patient as orders were processed. Northpower Network General Manager Graham Dawson said civil work was needed for underground connections. As well as working with existing contractors, Northpower engaged additional contractors to speed things up.

"We can do overhead connections very quickly – in a matter of hours once we land on site – but underground work always takes longer. However, I'm sure people are appreciative of the fact we are providing virtually all of these connections free and, in the long term, they will end up benefiting from a share in the ownership of this fibre network. This is great for Northland."

In the three months to August 2014, Northpower connected more UFB customers than it did in the 11 month period from April 2013. More than 200 customers were connected in June 2014.

That meant that new connections increased over 250% between July 2013 and July 2014. By June 2015 Northpower Fibre had the highest UFB uptake rates in the country, with more than 4000 people connected. Mr Dawson said that demand levels had significantly exceeded expectations – placing uptake 55% ahead of forecast – so from time to time there could be a delay of some weeks before we can connect people to the Northpower Fibre network.

"At any one time we expect to have between 100 and 200 people on the provisioning list and retail service providers are seeing increased demand.

"As always, we'll do things right. We'll work safely and we'll connect people to our network as quickly as we practically can. We really appreciate their on-going support and patience."

Northpower Fibre Chief Executive Officer Darren Mason said it was pleasing to see such high demand. Retail service providers operating on the Northpower network had done a superb job in driving uptake and connecting UFB customers.

Northpower Chief Executive Mark Gatland said the company had worked hard to deploy additional resources to meet demand.

"The fact we are providing these UFB connections free to almost all residential and business customers suggests to me that people understand the odd delay. I certainly wouldn't be complaining if I had to wait for something as good as this to be given to me free."

NETWORK

Prime Minister John Key was at Manaia View School to herald the completion of Northpower Fibre's UFB network in Whangarei.

Minister praises Northpower and Northlanders for leading the way

Northlanders had a well-earned reputation as early adopters of broadband, with Whangarei becoming the first fully-fibred town in New Zealand in May 2014, said Communications Minister Amy Adams in March 2015 as she announced plans for the next stage of the rollout.

Ms Adams said the Far North council was the first to put its hand up and be part of the latest step in rolling out broadband. The minister said she had received a commitment from the Mayor of the Far North District Council to work with the Government to explore the best way to extend broadband and mobile services in Northland.

Ms Adams said that would help accelerate the rollout of high-speed broadband to towns such as Kerikeri, Kaitaia and Kaikohe, as well as faster broadband to the rural districts in between.

"I understand the Far North District Council is working closely with Top Energy and Northpower to develop a competitive bid for extended broadband in Northland."

The minister singled out Northpower for praise, saying the company had rolled out fibre to more than 21,000 businesses and households.

"Northpower have done a superb job completing the rollout of UFB in Whangarei. Uptake is ahead of national average, with Northpower connecting more than 50 Whangarei premises to fibre every week."

Northpower in March announced it was keen to be part of any further expansion of the Government's UFB initiative. Northpower Chair Nikki Davies-Colley said working in partnership with the Government and other local entities was a business model that could help achieve the broader vision for fibre developed by Northpower in 2007.

"We are seeing first-hand the positive impact the Whangarei UFB network is having in the region. I am very excited about the potential for economic development, better education and more jobs in Northland. UFB is already starting to help deliver this."

Exciting fibre future for Northland

Fibre had given Whangarei a once in a lifetime opportunity to boost economic and social development, said Northpower Fibre Chair Jo Brosnahan. She said ultra-fast broadband presented massive potential for businesses, community groups, schools and healthcare providers.

"I have seen at first hand just what people are achieving with it. In particular, it is wonderful to see primary school students succeeding through the e-learning opportunities that it presents. There is a real sense of community around it."

Ms Brosnahan said Whangarei now had a world-class communications platform to help drive prosperity in the wider region. That enabled modern, internet-based businesses to operate nationally and internationally, while working locally.

"This means that there is an opportunity to have all of the advantages of Whangarei's wonderful lifestyle while growing a business that extends well beyond Whangarei."

Northpower is now pressing ahead with further ambitious plans for Northland's fibre-based future. Northpower aims to secure Government contracts in the coming year for building ultra-fast broadband networks in other locations such as Dargaville and Kerikeri.

PEOPLE

People– Northpower's culture places people at our core. We work hard to develop our people and encourage them to be leaders and work with Northpower's values in mind at all times.

Dargaville's Derryn Cooper has been voted NZ's Distribution Line Mechanic Trainee of the Year at the Connexis Excellence Awards

Electricity excellence awards

Northpower employees were recognised for excellence in the electricity sector when two of the company's Cable Jointers claimed top spots in the annual Connexis Cable Jointers' competition in October 2014.

Steve Rathe from the Northpower Warkworth depot was the overall winner of the Cable Jointing competition. Tia Drodrolagi from Northpower East Tamaki placed second behind his colleague.

On top of that, Northpower Wellington's Damo Hoffman's leadership skills were recognised when he received the award for the Best Leader of a Line Mechanic team. Sam Hill from Dargaville, the Trainee with the Northpower Line Mechanic team, competed in a week-long event and received the Ross Archer Memorial Prize for Best Trainee.

Topping it off, and firmly putting Dargaville on the map with the crowd at the awards evening in Christchurch, Derryn Cooper was awarded the prize for Distribution Line Mechanic Trainee of the Year.

The awards celebrate the most outstanding tradespeople and trainees in the electricity sector. Northpower's General Manager of Business Support Barbara Harrison said the company was very proud of all staff who took part.

"This is good recognition for the commitment to working safely, and the drive, skill and potential of people who have dedicated themselves to ongoing study, personal development and up-skilling.

"Tia, Steve, Damo, Derryn and Sam thoroughly deserved their awards. However, the calibre of all entrants was high, so even those who didn't walk away with awards should hold their heads high with the recognition they received. They did exceptionally well and, from a Northpower perspective, it was pleasing to see the development of so much talent within the Northpower business."

Northpower's talent received further recognition when Chief Executive Mark Gatland was a finalist in the Executive of the Year awards.

PEOPLE

Northpower appoints new Chair

Nikki Davies-Colley was appointed Chair of Northpower, taking over from Warren Moyes who ended his tenure as Chairman on July 31. Northpower Chief Executive Mark Gatland said Mrs Davies-Colley had developed her governance expertise under the guidance of Mr Moyes, who had been Chairman for an impressive 21 years.

"Mr Moyes guided Northpower from an asset value of $52m in 1991 to $423m today, so I have no doubt Warren's legacy will continue for decades to come.

"Equally, I'm thrilled Nikki is stepping into the position. She has been a Director of Northpower since 1995 and through her other governance roles becomes our Chair with a wealth of experience and with a great platform to build on."

Mrs Davies-Colley said she looked forward to the role and to contributing more to her local community.

"Working for such a successful local and consumer-owned organisation is something I see as a privilege."

Young engineering talent recognised

Not only has Whangarei-based Northpower Graduate Engineer Kashani Sharma spearheaded Northpower's expansion into the electric vehicle sector, in May 2015 she was also a finalist in 'The Young Engineer of the Year' awards at the Electrical Engineers' Association annual conference.

Kashani has been the Project Engineer for New Zealand's first Electric Vehicle fast charge station established at Northpower's Alexander Street substation in Whangarei last year. Kashani designed, commissioned and project managed the station which has led to an increasing number of EVs in Northland. The station combats the lack of public charging for EVs.

Her work has put Northpower at the forefront of promoting eco-friendly cars, putting Northpower in a position as an enabler of electric vehicle technology.

Breaking down this barrier by changing people's perceptions about EVs is expected to see EV numbers continue to grow in and around Whangarei.

Kashani's research on the performance of an array of EVs, her collaboration with the wider industry and practical application of what she has discovered suggests New Zealand is well matched to handle a large penetration of electric vehicles despite low uptake due to the relative infancy of the sector.

25 and still going strong!

Thousands of Northlanders have experienced the smiling face of Northpower's Customer Adviser Jan Thomsen. And when Jan sets up the Northpower stand at the Northland field days later this month, it'll be the 25th time she's been involved in the event.

January 30 represented Jan's 25th anniversary at Northpower and she says it's been a hugely enjoyable journey. Jan started out at Northpower's Electricity Centre in Cameron St, Whangarei – back in the days when the company was an electricity retailer. Government regulations ended the retailing business in 1998.

Soon after, Jan became the travelling face of Northpower in the community and within a few years she had developed an electrical safety education programme for schools. Her first school visit was to Whangarei Primary in May 2003. The programme was so successful that electricity companies from around New Zealand adopted it – along with the Electrical Engineers' Association.

In 2004 Jan and Northpower were nationally recognised for the school safety programme.

And to this day, she remains passionate about the work she does and the impact that has within the Kaipara and Whangarei communities.

"Because my role is so varied I have gained a lot of personal satisfaction from it. I have loved my job and I have a passion for electrical safety.

"It's nice to help people but I have had so much support from my managers and colleagues it makes my job easy. Interacting with children has a big impact on awareness of electrical safety because they share those lessons with their families."

Since 2000, Jan has visited 321 community groups and since 2003, 199 schools. She still maintains a youthful enthusiasm for the role. Jan Thomsen truly is the face of Northpower in the community.

COMMUNITY

Community– Through our consumer-owned Trust model, Northpower has a responsibility to operate a business model that enables our Trust to be able to fairly and evenly give back the profits of the business to the shareholders of Northpower – those people in Kaipara and Whangarei connected to the Northpower electricity lines network.

Northpower Fibre was proud to sponsor Whangarei Youth Space, among other key community groups.

Whangarei marae among first to connect to UFB

A Whangarei marae was one of the first in the country to be connected to ultra-fast broadband when it signed up for Northpower's new technology. Te Kotahitanga marae said the roll-out would help upskill its youth and create opportunities in the region.

"There's tons of potential amongst our young people. Most often in places like Otangarei they don't get the chance to realise that potential, and now we have a window to the world and a window from the world to us," said Haami Piripi, a member of the national Maori broadband working group, Nga Pu Waea.

With Whangarei becoming New Zealand's first fully-fibred city, it is hoped that more opportunities will be created for Maori. Computer training programmes are already in place. ITC project manager Piripi Moore said that all those who enrolled would come out with an internationally-recognised standard of being able to use a computer. They would be able to take that skill out into the workplace and elsewhere.

Sponsors enabled the marae to have an internet connection for a year as part of the Nga Pu Waea programme.

"Part of our role in Nga Pu Waea is to make sure that Maori communities don't miss out on the action and that we can achieve connectivity for our rural, more remote communities," said Mr Piripi.

Other important community organisations to sign up for Northpower's UFB include Whangarei Budgeting Service and Whangarei Youth Space.

Fast fibre keeps kids at school

Fibre is benefiting Northland's school pupils, eliminating frustration with slow internet connections and decreasing truancy rates.

Manaia View School was the first location to connect to fibre back in 2011. When Prime Minister John Key visited the school last year, principal Leanne Otene proudly showed him the ways in which UFB was improving the learning environment. She said her students no longer remembered a time before fibre and now had digital - rather than wooden - desks to store their school work. The Prime Minister was entertained by a resounding chorus of the school's broadband-themed song "Manaia View is coming to you," performed by six cousins from the Henare family.

Mr Key was invited to join in the singalong – although, after his first attempt, it was decided he should speak his lines instead.

The song was then uploaded in a flash, showcasing the high-tech speeds that students have become accustomed to. Board of Trustees member Kirsten Holz said the technological transformation at the school had been absolutely amazing.

"There's now one device for every two kids, and fibre has made online learning more accessible and instant. There's no waiting around, so there's more learning. Children are engaged and engaged children are children who are learning."

COMMUNITY

/northland.rescuehelicopter

Northland's Electricity Rescue Helicopters continue to benefit from ongoing community sponsorship.

Celebrities step up for rescue helicopter appeal

Northpower sponsors a handful of activities in and around Kaipara and Whangarei to help our community. Our most significant annual sponsorship supports the Northland's Electricity Rescue Helicopters and dates back to 1998. Not only do we give Northland's air ambulance service $100,000 each year, we also run the annual fundraising campaign which attracted $200,000 in public donations in 2014.

Newsreader Simon Dallow, broadcaster Duncan Garner, former Black Cap and television presenter Mark Richardson, Whangarei Mayor Sheryl Mai, Far North Mayor John Carter and MPs Shane Reti and Kelvin Davis were just some of those who lent their names and faces to the 2014 fundraising effort. They were joined by former Black Cap Joey Yovich and former All Black and Taniwha rugby coach Derren Witcombe. In December 2014 and January 2015 the service recorded its busiest months on record, with 82 and 96 callouts respectively, an increase of over 40 flights compared to December 2013 and January 2014.

NEST's helicopters are secure, high-speed vessels with capacity to fly up to 724 kilometres in a single trip. A third of operations are flown at night, with night vision goggles allowing pilots to see during rescues. All S-76 flights are operated with two pilots. Winches in two of the S-76s provide additional rescue options.

Healthy Homes Tai Tokerau

Northpower is driven to see the Healthy Homes scheme completed within the next four years. This programme insulates the homes of our highest need families, with a particular focus on vulnerable children. So far more than 6000 homes in Northland have been insulated through a mix of Government funding and sponsorship like ours. But there are still approximately 6000 homes to be completed. The more we all support it the sooner more Northlanders will have access to warmer homes and that will have a positive impact on the health of our community and on our local health system.

A slice of Northland history

Northpower first began supporting environmental efforts at Matakohe-Limestone Island in the late 1990s. So it is pleasing to still be playing a part all these years later and continuing our relationship.

Matakohe-Limestone Island is a sanctuary for any number of native animals and an invaluable crèche for kiwi thanks largely to the efforts of some keen kiwi conservationists, including the Department of Conservation. The island is also the site of Matakohe pa and once extensive kumara gardens, as well as the ruins of one of Whangarei's earliest industrial sites - the Limestone Island cement works, founded in 1856. The island is open to the public.

COMMUNITY


Northpower and the Department of Conservation have to continued to help Matakohe-Limestone Island.

Northpower helps keep bird recovery centre flying

Rescuing a young kiwi whose foot was caught in a gin trap and helping sea birds blown ashore by strong winds were two highlights of the year for the Northpower Whangarei Native Bird Recovery Centre. Another highlight of the year was a stay at the centre by a baby tui. The injured fledgling was nursed back to good health and then placed in an outside aviary to regain wing strength. The young bird ended up copying two adult tuis, eventually talking just like the older birds.

Birds cared for by the centre in the past 12 months included kiwi, tui, harrier hawks, native moreporks and many more.

The Whangarei Native Bird Recovery Centre was founded in 1992 by Robert and Robyn Webb. It is run with the help of a small band of dedicated volunteers and is entirely funded by sponsorship and donations. Northpower is a long-term sponsor of the centre, which rescues around 1300 native birds every year.

Simulator sets new standards for New Zealand

A helicopter flight simulator hailed as the best in the country is now operational and providing valuable experience both for budding pilots and for members of the public with a taste for adventure. Simulators usually cost around $1 million but the NEST device was built for $150,000 using kiwi ingenuity and can-do attitudes. NEST pilots, Grant Robertson, and John Keller worked together to create the simulator from a wreck bought by NEST after the Japanese coastguard aircraft was damaged in the 2011 tsunami.

High-grade city and landscape visuals surround the machine on a curved screen, making for an authentic experience. The simulator is Civil Aviation Authority certified and is used by NEST pilots and others for training and pilot flight testing.

The simulator is in a 10m x 10m room inside a hangar at Whangarei Airport. Five computers run three projectors that throw images onto a 270-degree screen, creating realistic flight scenes.

FINANCIALS FOR THE YEAR ENDED 31 MARCH 2015

The on-going development of young engineers is critical to the future of Northpower and the wider electricity sector.

Independent auditor's report

To the readers of Northpower Limited and Group's financial statements and statement of service performance for the year ended 31 March 2015

The Auditor General is the auditor of Northpower Limited and its New Zealand domiciled subsidiaries and other controlled entities. The Auditor General has appointed me, Leon Pieterse, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the Group, consisting of Northpower Limited and its subsidiaries and other controlled entities (collectively referred to as "the Group"), on her behalf.

We have audited:

- the financial statements of the Group on pages 32 to 74, that comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the Group on page 31.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2015; and
    - its financial performance and cash flows for the year then ended; and
- the statement of service performance of the Group:
  - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015; and
  - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 24 June 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and the statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and statement of service performance 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.

Independent auditor's report

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of the disclosures in the financial statements and in the statement of service performance; and
- the overall presentation of the financial statements and the statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance. Also we did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

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

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of financial statements and a statement of service performance for the Group, in accordance with New Zealand equivalents to International Financial Reporting Standards and generally accepted accounting practice.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements and the statement of service performance, whether in printed or electronic form.

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

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the statement of service performance and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the External Reporting Board.

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

Leon Pieterse

Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Board of Directors' report

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

PRINCIPAL ACTIVITIES

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

DIRECTORS HOLDING OFFICE DURING THE YEAR

Northpower Limited

W W Moyes (until 31/7/14)
D J Ballard
R J Black
N P Davies-Colley (Chair)
K C Hames
J J Ward
M B D James

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

D Wright
N P Davies-Colley (until 30/9/14)
D J Ballard (from 17/10/14)
A R Beach

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

- Northpower Fibre Company Limited (NFL)

M R Gatland and N P Davies-Colley are directors of NFL.

RESULTS

The group recorded an after tax loss of $447k for the period, as set out in the Income Statement.

DIVIDEND

A dividend of $3 million has been declared for the year.

DONATIONS

The group made donations of $5,000 to Power Engineers Excellence Trust, $2,000 to Equal Employment Opportunities Trust $20,000 to Te Puawai Education Trust, $5,000 to Wai Nursery project and $1,000 to Burn Support Group Charitable Trust during the year.

INSURANCE OF DIRECTORS

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

SHARE DEALINGS

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

USE OF COMPANY INFORMATION

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

DIRECTORS' INTERESTS

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

W W Moyes
Board Member – North Tec
Director – Moyesco

D J Ballard
Director – West Coast Energy Pty Ltd
Director – Northpower Western Australia Pty Ltd
Director/Shareholder – New Zealand Bloom (NZ) Ltd
Director/Shareholder – New Zealand Bloom (California) Ltd
Director – Canterbury Fields Ltd

R J Black
Director/Shareholder – Tin Hau Farm Ltd
Director/Shareholder – Mark Six Company Ltd
Director/Shareholder – R and G Orchard Ltd
Director/Shareholder – Leafcutter Ltd
Commissioner – Earthquake Commission

N P Davies-Colley
Director – Northpower Fibre Ltd
Director – West Coast Energy Pty Ltd
Director – Northpower Western Australia Pty Ltd
Director – Farmlands Co-Operative Society Ltd
Director – Landcorp Farming Ltd

K C Hames
Director – Northpower Fibre Ltd
Director/Shareholder – Tomorata Dairy Farms Ltd
Director – Te Arai Farms Ltd
Partner – Ewenny Farms Partnership

M B D James
Director – Plant & Food Research Australia Pty Ltd
Director – Plant & Food Research USA Corporation
Director – CropSeed Ltd

DIRECTORS' REMUNERATION

Directors' remuneration paid during the period was:-

Northpower Limited:

R J Black	$ 57,000
D J Ballard	$ 57,000
N P Davies-Colley	$ 95,000
J J Ward	$ 57,000
K C Hames	$ 57,000
MBD James	$ 57,000
W W Moyes	$ 38,000
	$418,000

West Coast Energy Pty Ltd:

D Wright	$ 71,880
N P Davies-Colley	$ 16,750
D J Ballard	$ 16,750
A R Beach	$ 59,410
	$164,790

REMUNERATION OF EMPLOYEES

Bands:	Employees:	Bands:	Employees:
$100,000 - $109,999	121	$219,000 - $219,999	8
$110,000 - $119,999	79	$220,000 - $229,999	10
$120,000 - $129,999	54	$230,000 - $239,999	7
$130,000 - $139,999	48	$240,000 - $249,999	4
$140,000 - $149,999	35	$250,000 - $259,999	1
$150,000 - $159,999	28	$260,000 - $269,999	1
$160,000 - $169,999	29	$270,000 - $279,999	2
$170,000 - $179,999	29	$290,000 - $299,999	1
$180,000 - $189,999	14	$360,000 - $369,999	1
$190,000 - $199,999	13	$610,000 - $619,999	1
$200,000 - $209,999	8		

For and on behalf of the Board.

Nikki Davies-Colley
Chairman

Directors' responsibility statement

The Directors are responsible for preparing the financial 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 2015 and the results of their operations and cash flows for the year ended on that date.

The Directors consider that the financial 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 statements.

The Directors are pleased to present the financial statements of Northpower Limited and its Subsidiaries for the year ended 31 March 2015.

For and on behalf of the Board of Directors.

Nikki Davies-Colley
Chairman

Michael James
Director

Governance statement

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

Code of Conduct

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

- Responsibilities to shareholders
- Relations with customers and suppliers
- Employment practices
- Responsibilities to the community
- Board operations and membership.

The Board comprises up to six directors; a non-executive Chairman and five non-executive directors. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities.

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

The primary responsibilities of the Board include:-

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

Audit Committee

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

Treasury Committee

The Treasury Committee is responsible for the oversight and review of proposed treasury transactions including banking, cash and debt management, investment and treasury risk management. The Committee also monitors the effective implementation of the Group's financing strategy. The Committee met twelve 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 existing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and the implementation, where considered necessary and effective, of recommendations made by the external auditors.

Statement of service performance

Performance against targets set out in the Statement of Corporate Intent for the year ended 31 March 2015 was as follows:

	FY15 Actual	FY15 Target	FY14 Actual
Group			
Net profit after tax as a percentage of Shareholders' Funds			
including discount	-0.18%	5.40%	6.3%
excluding discount	1.01%		7.6%
Capital ratio	56.9%	>57%	60.3%
Network			
Earnings before interest and tax as a percentage of Total Assets			
including discount	6.03%	6%	6.7%
excluding discount	7.47%		8.3%
Network Reliability (SAIDI)			
planned	69	<55	52
unplanned	311	<90	104
Number of faults per 100 km of line	11.9	<10	8.2
Customer Satisfaction (residential)	88%	>85%	92%
Customer Satisfaction (commercial)	85%	>85%	87%
NZ Contracting			
Earnings before interest and tax as a percentage of Total Assets	5.31%	8.50%	8.7%
Lost Time Injury	16	0	6
Total injury frequency per million hours	21.8	<15	21
Australian Contracting (West Coast Energy)			
Earnings before interest and tax as a percentage of Total Assets			
pre Management Fees	-14.93%	4.80%	4.0%
post Management Fees	-16.8%		2.7%
Lost Time Injury	1	0	0
Total injury frequency per million hours	14.55	<15	14.42
Northpower Fibre			
Earnings before interest and tax as a percentage of Total Assets	-6.5%	-6%	-3.6%

Northpower did not achieve its Group SCI target for FY15 – the ratio of Group net profit after tax to average shareholders' funds was (0.18) % versus a target of 5.4%. Compared to prior year, the group financial performance was disappointing as current year result reported a group net loss of $0.5m. The group SCI performance was driven by underperformance of the Australian Contracting business.

The Network division met its FY 15 SCI financial target of 6% achieving a full year EBIT/ Total Assets of 6.03%. The target for planned and unplanned interruptions of 55 minutes and 90 minutes were not achieved with actual SAIDI score for the year being 69 minutes and 311 minutes. The winter and spring months were characterised by storms, strong winds, gales and a few severe gales causing issues to the Northpower network, and ultimately resulting to unplanned network interruptions.
Our annual customer satisfaction suggests our overall performance continues to be higher than target.

The NZ Contracting division achieved EBIT/ Total Assets of 5.31% which below the SCI target of 8.5%. NZ Contracting operating profit was impacted by maintenance volumes from an existing customer which were lower than anticipated.

The NZ Contracting division's most important SCI target is for all staff to return home safe at the end of everyday – our target is to have no lost time injuries. This was not achieved over the year ended 31 March 2015, despite significant efforts and continued focus on Health and Safety. Total injury frequency rate slightly increased to 21.8 to 21 from prior year.

The Australian Contracting division performed poorly and fell short of its SCI target for FY15 – the ratio of EBIT to average total assets was (14.93)% versus a target of 4.8%. The Australian Contracting Division reported an LTI of 1. This division met its target for total injury frequency rate for the year.

Northpower Fibre performance was also adverse compared to both target and prior year levels.

Comprehensive income statement

	Notes	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
Revenue	5(a)	**324,921**	307,796	**253,322**	237,008
Other income	5(b)	**555**	5,073	**941**	5,387
Materials/supplies expense		**136,628**	130,193	**100,981**	94,211
Employee benefit expenses	32	**132,360**	115,699	**96,027**	85,606
Transmission costs		**19,480**	17,715	**19,480**	17,715
Depreciation and amortisation expense		**18,037**	16,698	**15,840**	14,541
Impairment loss	13 & 14	**1,906**	-	**17,850**	-
Other expenses	6	**9,670**	6,714	**8,110**	5,331
Finance costs		**4,104**	3,749	**3,862**	3,368
Share of (profit)/ loss in associate		**858**	400	**-**	-
Profit before income tax		**2,433**	21,701	**(7,887)**	21,623
Income tax expense	7	**(2,880)**	(5,826)	**(2,880)**	(5,826)
Profit for the year attributable to the equity holders of the parent		**(447)**	15,875	**(10,767)**	15,797
Other comprehensive income					
Items that may be reclassified to profit or loss					
Net fair value gains/ (loss) on available-for-sale financial asset		**-**	(125)	**-**	(125)
Exchange differences on translation of foreign operations		**(409)**	(2,420)	**-**	-
Income tax relating to these items	7	**-**	-	**-**	-
Items that will not be reclassified to profit or loss					
Net fair revaluation gains/ (loss) on land and buildings		**-**	(1,300)	**-**	(1,300)
Income tax relating to these items	7	**-**	-	**-**	-
Other comprehensive income (loss) for the period, net of tax		**(409)**	(3,845)	**-**	(1,425)
Total comprehensive income for the year attributable to the equity holders of the parent		**(856)**	12,030	**(10,767)**	14,372

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

Balance sheet

	Notes	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
Assets					
Current assets					
Cash and cash equivalents	9	**1,863**	414	**1,122**	306
Trade and other receivables	10	**40,346**	39,625	**31,173**	31,234
Work in progress - construction contract	11	**23,423**	18,939	**20,163**	13,494
Inventory	30	**8,740**	8,874	**8,463**	8,474
Tax refund due		**1,565**	-	**1,565**	-
Total current assets		**75,937**	67,852	**62,486**	53,508
Non-current assets					
Available for sale financial assets	12	**817**	884	**817**	884
Investment in subsidiaries	13	**-**	-	**16,364**	29,634
Assets under construction		**12,178**	6,167	**12,178**	6,011
Goodwill and intangible assets	14	**5,700**	6,950	**5,700**	5,205
Investment in associates	26	**10,045**	8,149	**11,852**	9,098
Derivative financial instruments	22	**92**	867	**92**	867
Investment property	16	**3,924**	-	**3,924**	-
Property, plant and equipment	15	**334,191**	332,198	**321,812**	319,496
Total non-current assets		**366,947**	355,216	**372,739**	371,195
Total assets		**442,883**	423,068	**435,225**	424,703
Current liabilities					
Borrowings	17	**38,122**	**7,971**	**37,500**	**5,425**
Trade and other payables	18	**31,461**	25,230	**24,513**	19,948
Provision for dividend	19	**3,000**	5,529	**3,000**	5,529
Provision for tax		**-**	3,003	**-**	3,003
Derivative financial instruments	22	**116**	191	**116**	191
Employee entitlements	29	**9,546**	7,816	**7,721**	6,333
Total current liabilities		**82,245**	49,740	**72,850**	40,429
Non-current liabilities					
Employee entitlements	29	**1,509**	1,473	**1,509**	1,473
Borrowings	17	**49,031**	59,945	**47,950**	58,163
Derivative financial instruments	22	**649**	41	**649**	41
Deferred taxation	8	**57,401**	55,964	**57,401**	55,964
Total non-current liabilities		**108,590**	117,423	**107,509**	115,641
Total Liabilities		**190,835**	167,163	**180,359**	156,070
Net assets		**252,049**	255,905	**254,866**	268,633
Equity					
Share capital	20	**35,989**	35,989	**35,989**	35,989
Asset revaluation reserve		**39,670**	39,670	**39,670**	39,670
Available for sale reserve		**-**	-	**-**	-
Foreign currency translation reserve		**(3,519)**	(3,110)	**-**	-
Retained earnings		**179,909**	183,356	**179,207**	192,974
Equity attributable to equity holders of the parent		**252,049**	255,905	**254,866**	268,633
Total equity		**252,049**	255,905	**254,866**	268,633

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

Statement of changes in equity

GROUP	**Ordinary shares $000s**	**Retained Earnings $000s**	**Available For Sale Reserve $000s**	**Asset Revaluation Reserve $000s**	**Foreign Currency Translation Reserve $000s**	**Total $000s**
As at 1 April 2014	35,989	183,356	-	39,670	(3,110)	255,905
Profit for the period	-	(447)	-	-	-	(447)
Other comprehensive income for the period	-	-	-	-	(409)	(409)
Total comprehensive income for the period	-	(447)	-	-	(409)	(856)
Transactions with owners in their capacity as owners						
Dividends paid	-	(3,000)	-	-	-	(3,000)
As at 31 March 2015	**35,989**	**179,909**	**-**	**39,670**	**(3,519)**	**252,049**
As at 1 April 2013	35,989	173,010	125	40,970	(690)	249,404
Profit for the period	-	15,875	-	-	-	15,875
Other comprehensive income for the period	-	-	(125)	(1,300)	(2,420)	(3,845)
Total comprehensive income for the period	-	15,875	(125)	(1,300)	(2,420)	12,030
Transactions with owners in their capacity as owners						
Dividends paid	-	(5,529)	-	-	-	(5,529)
As at 31 March 2014	35,989	183,356	-	39,670	(3,110)	255,905

PARENT	**Ordinary shares $000s**	**Retained Earnings $000s**	**Available For Sale Reserve $000s**	**Asset Revaluation Reserve $000s**	**Foreign Currency Translation Reserve $000s**	**Total $000s**
As at 1 April 2014	35,989	192,974	-	39,670	-	268,633
Profit for the period	-	(10,767)	-	-	-	(10,767)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	(10,767)	-	-	-	(10,767)
Transactions with owners in their capacity as owners						
Dividends paid	-	(3,000)	-	-	-	(3,000)
As at 31 March 2015	**35,989**	**179,207**	**-**	**39,670**	**-**	**254,866**
As at 1 April 2013	35,989	182,706	125	40,970	-	259,790
Profit for the period	-	15,797	-	-	-	15,797
Other comprehensive income for the period	-	-	(125)	(1,300)	-	(1,425)
Total comprehensive income for the period	-	15,797	(125)	(1,300)	-	14,372
Transactions with owners in their capacity as owners						
Dividends paid	-	(5,529)	-	-	-	(5,529)
As at 31 March 2014	35,989	192,974	-	39,670	-	268,633

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

Cash flow statement

	Notes	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
Operating activities					
Receipts from customers		**321,365**	302,316	**249,025**	230,934
Interest received		**51**	1,120	**51**	1,120
Payments to suppliers		**(160,815)**	(155,421)	**(125,484)**	(116,322)
Payments to employees		**(130,506)**	(114,641)	**(94,603)**	(84,925)
Interest paid		**(3,640)**	(3,781)	**(3,398)**	(3,400)
Income tax paid		**(5,998)**	(2,299)	**(5,998)**	(2,299)
Net cash flows from operating activities	21	**$20,457**	$27,295	**$19,593**	$25,108
Investing activities					
Proceeds from sale of property, plant & equipment		**921**	481	**896**	429
Proceeds from sale of investment property		**-**	-	**-**	-
Proceeds from subsidiary		**-**	-	**1,566**	2,411
Advances to subsidiary		**-**	-	**(6,505)**	(4,871)
Advances to associate		**(2,754)**	(4,577)	**(2,754)**	(4,577)
Purchase of intangible assets		**(1,432)**	(1,848)	**(1,432)**	(1,848)
Purchase of available for sale financial assets		**-**	-	**-**	-
Purchase of property, plant & equipment		**(29,585)**	(18,710)	**(26,881)**	(18,155)
Net cash flows used in investing activities		**($32,850)**	($24,654)	**($35,110)**	($26,611)
Financing activities					
Proceeds from borrowings		**21,862**	-	**21,862**	-
Repayment of borrowings		**(1,836)**	(4,060)	**-**	(3,151)
Payment of finance lease liabilities		**(746)**	(3,232)	**-**	-
Dividends paid to equity holders of the parent	19	**(5,529)**	-	**(5,529)**	-
Net cash flows from/ (used in) financing activities		**$13,751**	($7,292)	**$16,333**	($3,151)
Net increase in cash & cash equivalents		**1,358**	(4,651)	**816**	(4,654)
Net foreign exchange differences		**91**	(224)	**-**	-
Cash and cash equivalents at the beginning of the year		**414**	5,289	**306**	4,960
Cash and cash equivalents at the end of the year	9	**$1,863**	$414	**$1,122**	$306

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 Group consists of Northpower Limited and its subsidiaries West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd along with an associate company Northpower Fibre Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

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

- West Coast Energy Pty Ltd is based in Western Australia. It operates an electricity contracting business.
- Northpower Western Australia Pty Ltd is based in Western Australia. It is an intermediate holding company.

2. 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'). The financial statements also comply with International Financial Reporting Standards ('IFRS').

The financial statements comply with the Companies Act 1993 and section 44 of the Energy Companies Act 1992. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). For the purposes of complying with NZ GAAP the entity is a profit-oriented entity.

b. Basis of preparation

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

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousands ($'000) unless otherwise stated.

The financial statements for the year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors on 24 June 2015.

c. New accounting standards and interpretations

(i) Changes in accounting policies and disclosures

These financial statements were prepared using accounting policies that are consistent with those of the previous financial year.

(ii) Accounting standards issued but not yet effective

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

- ***NZ IFRS 9 (2014) Financial Instruments.*** The final version of NZ IFRS 9 Financial Instruments has been issued, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. NZ IFRS 9 is effective for annual periods beginning on or after 1 January 2018, early adoption is permitted. Application date for the Group is 1 April 2018. Management is yet to determine the impact of this new standards on the financial statements.

- ***NZ IFRS 15 Revenue from Contracts with Customers.*** NZ IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and all other related Interpretations. The core principle of NZ IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services NZ IFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. Application date for the Group is 1 April 2017. Management is currently evaluating the impact of the new standard.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

c. New accounting standards and interpretations

(ii) Accounting standards issued but not yet effective

- **Amendments to NZ IFRS 10 and NZ IAS 28**. The amendments address an acknowledged inconsistency between the requirements in NZ IFRS 10 and those in NZ IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Standard requires the recognition of the full gain or loss on a transaction involving a business and a partial gain or loss on a transaction involving assets that do not constitute a business, regardless of whether the business or assets are within a subsidiary. The amendments are effective from annual periods commencing on or after 1 January 2016. Earlier application is permitted. Application date for the Group is 1 April 2016. Management is currently evaluating the impact of the new standard.

d. Basis of consolidation

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

Subsidiaries are all those entities over which the Group has control because it is exposed, or has rights, to variable returns from its involvement with a subsidiary and has the ability to affect those returns through its power over the subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a Group controls another entity.

The financial statements of the subsidiaries are prepared in the same reporting period as the Group, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by the Parent are accounted for at cost in the separate financial statements of the Parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate statement of comprehensive income of the Parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

e. Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

When the Group acquires a subsidiary, it recognises at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference of the aggregate of the consideration transferred and the amount of any non-controlling interest over the net fair value of the acquiree's identifiable assets and liabilities is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined in NZ IFRS 8 Operating Segments.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss in disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of operation disposed of and the portion of the cash-generating unit retained

Impairment losses recognised for goodwill are not subsequently reversed.

f. 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 transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

(iii) Translation of Group companies' functional currency to presentation currency

The results of the Australian subsidiaries are translated into New Zealand dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

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

g. Revenue recognition

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

Line charges

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

Line contributions

Line contribution revenue represents third party contributions towards the construction of property plant and equipment. Revenue is recognised in the Comprehensive Income Statement to reflect the percentage of completion of the construction of the related items. Contributions received in excess of those recognised in the Comprehensive Income Statement are recognised as deferred income in the balance sheet.

Interest income

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

Construction contracts

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

g. Revenue recognition (continued)

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

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

Farming

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

h. Property, plant and equipment

Distribution system assets

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

Depreciation on revalued network assets is charged to profit or loss in the Comprehensive Income Statement .

Land and buildings

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.

Plant, equipment and vehicles

Plant, equipment and vehicles 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 overhead. 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.

Meters, fibre and generation assets are valued at cost less accumulated depreciation.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

h. Property, plant and equipment (continued)

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 profit or loss.

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

Depreciation

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

Distribution system	5-70 years
Generation	5-50 years
Meters	4 years
Fibre assets	10-50 years
Buildings -free hold	10-50 years
Buildings - infrastructure	10-20 years
Motor vehicles	5-15 years
Plant and equipment	3-20 years

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

Disposal

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

i. Investment property

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

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

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

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

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

j. Inventories

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 to be incurred in marketing, selling and distribution.

k. Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

> When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

> When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

> When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss except when it relates to items charged or credited outside profit or loss, in which case the deferred tax is dealt with either directly in equity or in other comprehensive income (such as asset revaluations).

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

Notes to the financial statements

2. Summary of significant accounting policies (continued)

l. 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 cost of acquisition of the asset or 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 statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

m. 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:

Loan and receivables

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 as 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 readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

Financial assets at fair value through profit or loss

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

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

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

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

The full fair value of a foreign exchange 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. The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profile.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

Available for sale investments

Available for sale investments are non derivative financial assets, principally equity securities, not classified as financial assets designated at fair value through profit and loss, loans and receivables, or held to maturity financial assets. After initial recognition, available for sale equity instruments are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in a separate component of equity until the investment is derecognised or until the investment is deemed to be impaired, at which time the cumulative gain or loss previously accumulated in equity is recognised in profit or loss in the Comprehensive Income Statement.

Fair values of instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. Fair value of unlisted shares are based on the unlisted entity's published fair valuation.

Financial liabilities at amortised cost

Financial liabilities at amortised cost consist of trade and other payable 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.

n. Investment in associates

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

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

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

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

o. 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 its sale must be highly probable.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

p. 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 the expenditure is incurred.

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

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

q. Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale or use, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

r. 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually or more frequently when there is an indication that the asset may be impaired.

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 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 estimated 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.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

r. Impairment of non financial assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised 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.

s. Leases

Northpower entities lease certain plant and equipment. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, 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 the 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.

<u>Provision for onerous lease</u>

Provision for onerous contracts are obligations that have arisen under non-cancellable leases for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

t. Provisions and employee benefits

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

Provision 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.

u. Trade and other payables

Trade and other payables are recognised when the Group becomes obligated to make future payments resulting from purchase of goods and services.

Trade payables are not discounted given there short term nature.

Notes to the financial statements

2. Summary of significant accounting policies (continued)

v. Borrowings

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

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

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

Capitalised Borrowing Costs

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

w. Capital and reserves

Share Capital

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

Asset Revaluation Reserve

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

Foreign Currency Translation Reserve

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

Available for Sale Reserve

The available for sale reserve is used to record movements in the fair value of available for sale financial assets.

x. 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.

Notes to the financial statements

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise trade & other receivables, trade & other payables, borrowings, available for sale investments, interest rate swaps, forward exchange contracts and cash & cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group may enter into forward exchange currency contracts and interest rate swaps to manage interest rate and foreign exchange currency risks arising from the Group's operations. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below, including the setting of limits for hedging cover of foreign currency and interest risk, credit allowances and future cash flow forecast projections.

Credit Risk:

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

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

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

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

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

Liquidity Risk

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

The Group has a maximum amount that can be drawn down against its lending facilities of NZD$97,000,000 (2014: NZD$90,000,000). There are no restrictions on the use of the facilities.

The Parent also has in place a credit card facility with a combined credit limit over all cards issued of NZD$1,000,000 (2014: NZD1,000,000).

The Group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements and matching the maturity 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.

Notes to the financial statements

3. Financial risk management objectives and policies (continued)

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

	2015				2014			
	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years
Group								
Trade and Other Payables	**26,003**	**-**	**-**	-	21,639	-	-	-
Finance Leases Payable	**725**	**-**	**703**	**435**	469	425	759	1,193
Interest Bearing Loans	**-**	**37,500**	**31,750**	**16,200**	7,242	-	24,550	33,604
	26,728	**37,500**	**32,453**	**16,635**	29,350	425	25,309	34,797
Parent								
Trade and Other Payables	**18,991**	**-**	**-**	**-**	17,153	-	-	-
Finance Leases Payable	**-**	**-**	**-**	**-**	-	-	-	-
Interest Bearing Loans	**-**	**37,500**	**31,750**	**16,200**	5,425	-	24,550	33,604
	18,991	**37,500**	**31,750**	**16,200**	22,578	-	24,550	33,604

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.

	2015				2014			
	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years
Group								
Derivatives	**(116)**	**-**	**54**	**(612)**	(171)	(20)	215	611
Parent								
Derivatives	**(116)**	**-**	**54**	**(612)**	(171)	(20)	215	611

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 existing financial assets and liabilities as well as to enable an effective controlling of future risks, Northpower has established comprehensive risk reporting covering its business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Fair values:

The fair value of all financial instruments approximate the carrying value recorded in the Balance Sheet.

Fair value hierarchy disclosures

For those instruments recognised at fair value on the statement of financial position, 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).

Notes to the financial statements

3. Financial risk management objectives and policies (continued)

The following table summarises the fair value measurement hierarchy of the Group assets and liabilities.

Fair value hierarchy	2015 Level 1 $000s	2015 Level 2 $000s	2014 Level 1 $000s	2014 Level 2 $000s
Group				
Financial assets				
Interest rate swaps	-	92	-	867
Available for sale investments	785	32	852	32
	785	124	852	899
Financial liabilities				
Foreign currency forward exchange contracts	-	109	-	-
Interest rate swaps	-	656	- -	232
	-	765	- -	232
Parent				
Financial assets				
Interest rate swaps	-	92	-	867
Available for sale investments	785	32	852	32
	785	124	852	899
Financial liabilities				
Foreign currency forward exchange contracts	-	109		
Interest rate swaps	-	656	- -	232
	-	765	- -	232

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

MARKET RISKS

a) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The group has no material exposure to price risk.

b) Foreign Currency Risk

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

As a result of investment operations in Australia, the Group's balance sheet can be affected significantly by movements in the exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in Australian dollars.

Notes to the financial statements

3. Financial risk management objectives and policies (continued)

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

At balance date the principal or contract amounts of foreign currency forward exchange contracts in $NZD are:

	Group		Parent	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Foreign currency forward exchange contracts	**2,101**	1,129	**2,101**	1,129

At balance date, the fair value of the above forward exchange contracts were considered immaterial. At balance date the Parent has Australian borrowings of A$nil (2014:A$13,225,000) held in foreign currency that are not hedged.

At 31 March 2015, the Group had the following exposure to $AUD:

	Group		Parent	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Financial Assets				
Cash and cash equivalents	**725**	101	**-**	-
Trade and other receivables	**9,028**	8,465	**-**	-
Financial Liabilities				
Trade and other payables	**6,857**	5,223	**-**	-
Interest bearing loans and borrowings	**1,665**	14,925	**-**	13,225
Net Exposure	**1,231**	(11,582)	**-**	(13,225)

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

At 31 March 2015, 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)	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Group				
NZD Strengthen +5%	**(60)**	590	**-**	-
NZD Weaken -5%	**66**	(652)	**-**	-
Parent				
NZD Strengthen +5%	**-**	673	**-**	-
NZD Weaken -5%	**-**	(744)	**-**	-

c) 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.

Notes to the financial statements

3. Financial risk management objectives and policies (continued)

At balance date the notional value of interest rate swaps outstanding are:

	Group		Parent	
	2015 $000s	2014 $000s	**2015 $000s**	2014 $000s
Interest rate swaps	**48,000**	53,345	**48,000**	53,345

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

At 31 March 2015, 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)	
	2015 $000s	2014 $000s	**2015 $000s**	2014 $000s
Group				
+1% (100 basis points)	**855**	663	**-**	-
-0.5% (50 basis points)	**(427)**	(332)	**-**	-
Parent				
+1% (100 basis points)	**855**	663	**-**	-
-0.5% (50 basis points)	**(427)**	(332)	**-**	-

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.

4. 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 other various factors it believes to be reasonable under the circumstances, the result 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 future period if it also affects future periods.

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

Nature of Investment in Northpower Fibre Ltd (NFL)

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

- each shareholder shares in the risks and returns of the arrangement and neither party has the power to affect those benefits or returns
- during the concession period neither Northpower or CFH have the unilateral right to make decisions regarding NFL activities;
- Northpower and CFH both have the right to appoint two of the five directors on the NFL Board and neither is able to control the majority of votes of the Board.

Notes to the financial statements

4. Significant accounting judgements, estimates and assumptions (continued)

Discounted cash flows

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

Construction contracts

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

Impairment of goodwill

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 14.

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. Changes to market conditions or assumptions made in the estimation of carrying value of trade receivables.

Estimation of useful lives of assets

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

Assessment of impairment in the carrying value of Northpower Fibre Limited

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

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

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

- The expected rate of revenue growth
- Margins expected to be achieved
- Capital expenditure required to support the outcomes; and
- Appropriate discount rate to apply when discounting future cash flows

Notes to the financial statements

4. Significant accounting judgements, estimates and assumptions (continued)

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.

Revaluation of assets

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

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 2013 (see note 15) indicates that the valuation of the distribution system assets is most sensitive to changes in the weighted average cost of capital (WACC) and moderately sensitive to operating costs and real price growth rate.

Assumptions	Valuation assumptions adopted	Low	High	Valuation Impact
Discount rate	6.2%	6.6%	5.8%	- $9.3 million/+$9.6 million
Operating costs	Per forecast	Increase by 5%	Decrease by 5%	- $5.0 million/+$4.9 million
Real price growth rate (per annum)	1%	0.75%	1.25%	- $2.9 million/+$3 million

Revenue recognition

Part of the network charges are 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 refund given. These adjustment amounts are not significant compared with total network revenue.

Notes to the financial statements

5. Revenue

		Group		Parent	
		2015 $000s	2014 $000s	**2015 $000s**	2014 $000s
5a	**Revenue**				
	Gross line revenues	**67,535**	64,911	**67,535**	64,911
	Discount	**(4,194)**	(4,676)	**(4,194)**	(4,676)
	Net line revenues	**63,341**	60,235	**63,341**	60,235
	Line contributions	**1,864**	2,019	**1,864**	2,019
	Contracting work income	**259,242**	244,048	**187,643**	173,260
	Interest income	**51**	1,120	**51**	1,120
	Income from farming	**423**	374	**423**	374
		324,921	307,796	**253,322**	237,008
5b	**Other income**				
	Net gain on foreign exchange	**-**	1,828	**-**	1,828
	Fair valuation gain on derivative instruments	**-**	1,321	**-**	1,321
	Sundry income	**555**	1,924	**941**	2,238
		555	5,073	**941**	5,387
6	**Other Expenses**				
	Loss on foreign exchange contracts	**106**	-	**106**	-
	Auditor's remuneration				
	- Audit of financial statements	**205**	205	**133**	130
	- Audit of regulatory disclosures	**24**	24	**24**	24
	Bad debts written off	**304**	22	**304**	22
	Fair valuation loss on derivative instruments	**1,287**	-	**1,287**	-
	Net loss on foreign exchange	**674**	-	**674**	-
	Directors' fees	**582**	529	**436**	388
	Rental and operating lease costs	**6,100**	5,746	**4,846**	4,639
	Research and development	**43**	48	**43**	48
	Loss on sale of assets	**345**	139	**257**	80
		9,670	6,714	**8,110**	5,331
7	**Taxation**				
	Accounting profit before income tax	**2,433**	21,701	**(7,887)**	21,623
	At New Zealand's statutory tax rate of 28% (2014: 28%)	**681**	6,076	**(2,208)**	6,054
	Plus/(less) tax effect of:				
	Non-deductible expense	**2,146**	121	**5,035**	143
	Prior period adjustment	**53**	(371)	**53**	(371)
	Deferred tax arising from change in tax treatment of buildings	**-**	-	**-**	-
		2,880	5,826	**2,880**	5,826
	The Taxation Charge is Represented by:				
	Current taxation	**1,670**	8,385	**1,670**	8,385
	Deferred taxation	**1,157**	(2,524)	**1,157**	(2,524)
	Prior period adjustment relating to current tax	**(228)**	(473)	**(228)**	(473)
	Prior period adjustment relating to deferred tax	**281**	438	**281**	438
	Deferred tax arising from change in tax treatment of buildings	**-**	-	**-**	-
		2,880	5,826	**2,880**	5,826

Notes to the financial statements

7. Taxation (continued)

	Group		Parent	
	2015 $000s	2014 $000s	**2015 $000s**	2014 $000s
Amounts charged or credited to other comprehensive income				
Effect of change in tax rate on asset revaluation reserve	**-**	-	**-**	-
Income tax expense recorded in other comprehensive income	**-**	-	**-**	-
Imputation credits available for use in subsequent reporting periods	**28,721**	28,233	**28,721**	28,233

The Group has unrecorded tax losses relating to its Australian business of A$15.4m (2014: A$10.5m). These losses have not been booked as a deferred tax asset in the current year due to unpredictability and volatility of future taxable profits.

8 Recognised deferred tax assets and liabilities

	Property, plant & equipment	Financial Instruments	Employee entitlements	Others	Total
Group	$000s	$000s	$000s	$000s	$000s
Balance as at 1 April 2014	**(54,182)**	**-**	**1,912**	**(3,694)**	**(55,964)**
Charged to profit/loss	**(480)**	**-**	**333**	**(1,290)**	**(1,437)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**
Balance as at 31 March 2015	**(54,662)**	**-**	**2,245**	**(4,984)**	**(57,401)**
Parent					
Balance as at 1 April 2014	**(54,182)**	**-**	**1,912**	**(3,694)**	**(55,964)**
Charged to profit/loss	**(480)**	**-**	**333**	**(1,290)**	**(1,437)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**
Balance as at 31 March 2015	**(54,662)**	**-**	**2,245**	**(4,984)**	**(57,401)**
Group					
Balance as at 1 April 2013	(53,954)	(86)	1,772	(5,781)	(58,049)
Charged to profit/loss	(228)	86	140	2,087	2,085
Charged to other comprehensive income	-	-	-	-	-
Balance as at 31 March 2014	(54,182)	-	1,912	(3,694)	(55,964)
Parent					
Balance as at 1 April 2013	(53,954)	(86)	1,772	(5,781)	(58,049)
Charged to profit/loss	(228)	86	140	2,087	2,085
Charged to other comprehensive income	-	-	-	-	-
Balance as at 31 March 2014	(54,182)	-	1,912	(3,694)	(55,964)

Notes to the financial statements

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
9 Cash and cash equivalents				
Bank	**1,859**	410	**1,118**	302
Cash on hand	**4**	4	**4**	4
	1,863	414	**1,122**	306

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 approximate its fair value.

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
10 Trade and other receivables				
Trade and other receivables	**40,396**	39,675	**31,223**	31,284
Less provision for impairment	**(50)**	(50)	**(50)**	(50)
	40,346	39,625	**31,173**	31,234

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 it the Group's policy to transfer (on-sell) receivables to special purpose entities.

As at 31 March 2015 the ageing analysis of trade receivables is as follows:

	2015			2014		
Parent	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
0 - 30 days	**29,553**	**-**	**29,553**	27,099	-	27,099
31 - 60 days	**984**	**-**	**984**	2,631	-	2,631
61 - 90 days	**69**	**-**	**69**	410	-	410
91 days plus	**617**	**(50)**	**567**	1,144	(50)	1,094
	31,223	**(50)**	**31,173**	31,284	(50)	31,234
Group						
0 - 30 days	**37,922**	**-**	**37,922**	34,439	-	34,439
31 - 60 days	**1,178**	**-**	**1,178**	3,473	-	3,473
61 - 90 days	**302**	**-**	**302**	577	-	577
91 days plus	**993**	**(50)**	**943**	1,185	(50)	1,135
	40,396	**(50)**	**40,346**	39,675	(50)	39,625

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

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

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is $943k (2014: $1,135k).

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

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Balance at 1 April	**50**	50	**50**	50
Additional provisions made during the year	**-**	-	**-**	-
Receivables written off during the year	**-**	-	**-**	-
Balance at 31 March	**50**	50	**50**	50

Notes to the financial statements

	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
11 Work in progress - construction contracts				
Customer progress billings made during the year	**(102,500)**	(83,508)	**(65,282)**	(48,055)
Aggregate of costs incurred	**75,403**	76,269	**45,084**	46,507
Recognised profits (less recognised losses) to date	**50,520**	26,179	**40,361**	15,042
	23,423	18,940	**20,163**	13,494

12 Available for sale financial assets

	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
At fair value				
Fonterra Co-operative Group Limited	**785**	852	**785**	852
Ravensdown Fertiliser Co-operative Limited	**32**	32	**32**	32
	817	884	**817**	884

The available for sale financial assets consists of 140,439 shares (2014: 140,619 shares) Fonterra Co-operative Group Limited and 31,612 shares (2014: 31,612 shares) Ravensdown Fertiliser Co-operative Limited.

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

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

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

13 Investment in subsidiaries

	PARENT 2015 $'000	PARENT 2014 $'000
Debentures	**30,372**	27,102
Advances to subsidiaries	**1,726**	416
Shares in subsidiaries (unlisted) - at cost	**3,781**	3,781
Allowance for impairment	**(19,515)**	(1,665)
	16,364	29,634

The group assessed the recoverable value of the investment in subsidiaries at balance date. This resulted in the recognition of impairment loss amounting to $17,850k (2014: nil). The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amount was based on a value in use calculation using five year cash flows projections and strategic plan approved by the Board of Directors.

The group reviewed and adjusted the future cash flows of the business to reflect a realistic forecast in consideration of factors such as accumulated trading losses, changes in Australian market and the current business environment.

The recoverable value of the investment as at balance date was determined to be $16,364k.

The separate financial statements of Northpower Western Australia Pty Ltd (NPWA) have been prepared on a going concern basis. The ability of NPWA to continue operating viably is conditional on the continued support of its ultimate New Zealand parent, Northpower Limited. Accordingly, no adjustments have been made on the separate financial statements of NPWA in relation to the measurement and classification of its assets and liabilities that may have been necessary if NPWA was determined to be unable to continue as a going concern.

Subsidiary	Principal Activity	Country of Incorporation	Balance Sheet Date	Interest held at 31 March 2015	Interest held at 31 March 2014
West Coast Energy Pty Ltd	Electricity contracting	Australia	31 March	100%	100%
Northpower Western Australia Pty Ltd	Intermediate holding company	Australia	31 March	100%	100%

Notes to the financial statements

14 Goodwill and Intangible Assets

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
GROUP				
Cost				
At 1 April 2014	**4,122**	**7,931**	**453**	**12,506**
Addition	**-**	**1,432**	**-**	**1,432**
Disposal		**(1,252)**	**-**	**(1,252)**
At 31 March 2015	**4,122**	**8,111**	**453**	**12,686**
Accumulated Amortisation and Impairment				
At 1 April 2014	**-**	**5,556**	**-**	**5,556**
Amortisation for the year	**-**	**870**	**-**	**870**
Impairment	**1,745**	**-**	**-**	**1,745**
Disposal	**-**	**(1,185)**	**-**	**(1,185)**
At 31 March 2015	**1,745**	**5,241**	**-**	**6,986**
Net carrying amount at 31 March 2015	**2,377**	**2,870**	**453**	**5,700**
Cost				
At 1 April 2013	4,414	6,536	-	10,950
Addition	-	1,395	453	1,848
Disposal	-	-	-	-
Foreign Exchange Differences	(292)	-	-	(292)
At 31 March 2014	4,122	7,931	453	12,506
Accumulated Amortisation and Impairment				
At 1 April 2013	-	4,863	-	4,863
Amortisation for the year	-	693	-	693
Disposal	-	-	-	-
Foreign Exchange Differences	-	-	-	-
At 31 March 2014	-	5,556	-	5,556
Net carrying amount at 31 March 2014	4,122	2,375	453	6,950

Notes to the financial statements

14 Goodwill and Intangible Assets (continued)

	Goodwill $000s	Software $000s	Easements $000s	Total $000s
PARENT				
Cost				
At 1 April 2014	**2,377**	**7,931**	**453**	**10,761**
Addition	**-**	**1,432**		**1,432**
Disposal	**-**	**(1,252)**	**-**	**(1,252)**
At 31 March 2015	**2,377**	**8,111**	**453**	**10,941**
Accumulated Amortisation				
At 1 April 2014	**-**	**5,556**	**-**	**5,556**
Amortisation for the year	**-**	**870**	**-**	**870**
Disposal	**-**	**(1,185)**	**-**	**(1,185)**
At 31 March 2015	**-**	**5,241**	**-**	**5,241**
Net carrying amount at 31 March 2015	**2,377**	**2,870**	**453**	**5,700**
Cost				
At 1 April 2013	2,377	6,536	-	8,913
Addition	-	1,395	453	1,848
Disposal	-	-	-	-
At 31 March 2014	2,377	7,931	453	10,761
Accumulated Amortisation				
At 1 April 2013	-	4,863	-	4,863
Amortisation for the year	-	693	-	693
Disposal	-	-	-	-
At 31 March 2014	-	5,556	-	5,556
Net carrying amount at 31 March 2014	2,377	2,375	453	5,205

There are no intangible assets whose title is restricted.

(i) Allocation of goodwill to cash generating units

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

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

Australian Contracting - The recoverable amount has been determined based on a value in use calculation using cash flow projections based on five year cash flow projections and strategic business plan approved by the Board of Directors. Cash flows beyond the five-year period are extrapolated using terminal value growth rate that assumes zero real growth with norminal growth rate at the rate of inflation. In performing the value in use calculation, the group has applied post-tax discount rate of 11.2% (2014: 11.3%) to discount the forecast future attributable post-tax cash flows.

Notes to the financial statements

14 Goodwill and Intangible Assets (continued)

(i) Allocation of goodwill to cash generating units

Regional Contracting - is Northpower's North Island contracting area excluding Central and Auckland. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering five-year period.

For modelling purposes, a growth rate of 2% (2013: 2%) is used. The pre-tax discount rate applied to cash flow projections is 11.3% (2014: 11.3%).

Central Contracting - is Northpower's central North Island contracting area. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts covering a five-year period.
For modelling purposes, a growth rate of 2% (2014: 2%) is used. The pre-tax discount rate applied to cash flow projections is 11.3% (2014: 11.3%).

(ii) Impairment

During the year, in conjunction with the group's strategic plan, the group identified indicators of impairment in the Australian operation. As such, the group assessed the recoverable value of the cash generating unit within the business. The group reviewed and adjusted the projected cash flows of the business to reflect a realistic forecast in consideration of factors such as accumulated trading losses, changes in the Australian market and current business environment.

The recoverable value of the cash generating unit was determined to be $13,620k (A$13,330k) representing value in use.

Consequently, the group recognised the following impairment by asset type:

	GROUP	
	2015	2014
	$000s	$000s
Intangible assets	**1,745**	-
Property, plant and equipment	**161**	-
Total impairment loss	**1,906**	-

(iii) Carrying value of goodwill allocated to each group of cash generating units

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Western Australia	**-**	1,745	**-**	-
Regional Contracting	**877**	877	**877**	877
Central Contracting	**1,500**	1,500	**1,500**	1,500
	2,377	4,122	**2,377**	2,377

(iv) The calculation of value in use in calculations for cash generating units

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

Gross Margins
Discount Rates
Growth Rates

Gross margins are based on the expected results as per next year's budget and future year's forecast.
Discount rates are based on Northpower's internal return on investment hurdle rate.

(v) 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.

Notes to the financial statements

15 Property, Plant and Equipment

	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Group										
Cost or fair value										
At 1 April 2014	**14,901**	**13,554**	**5,697**	**274,211**	**4,689**	**1,352**	**13,654**	**35,353**	**59,142**	**422,553**
Addition	-	**146**	**1,238**	**11,936**	**213**	**955**	**555**	**4,032**	**5,643**	**24,717**
Acquisitions through trade purchase	-	-	-	-	-	-	-	-	-	-
Transfers	**(2,905)**	**(1,230)**	-	**(53)**	-	-	-	-	-	**(4,188)**
Revaluation adjustment	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	**(74)**	-	-	-	-	**(1,021)**	**(3,332)**	**(4,427)**
Foreign exchange differences	-	-	**(44)**					**(155)**	**(879)**	**(1,079)**
At 31 March 2015	**11,996**	**12,470**	**6,817**	**286,094**	**4,902**	**2,307**	**14,209**	**38,208**	**60,573**	**437,576**
Accumulated Depreciation and Impairment										
At 1 April 2014	-	**1,463**	**1,174**	**23,469**	**1,802**	**402**	**7,283**	**23,466**	**31,295**	**90,354**
Depreciation Charge for the Year	-	**384**	**361**	**6,702**	**1,117**	**201**	**473**	**2,735**	**5,075**	**17,048**
Transfers	-	**(211)**	-	**(55)**	-	-	-	-	-	**(266)**
Impairment	-	-	**10**	-	-	-	-	**20**	**131**	**161**
Revaluation adjustment	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	**(28)**	-	-	-	-	**(901)**	**(2,439)**	**(3,368)**
Foreign exchange differences	-	-	**(4)**					**(74)**	**(467)**	**(544)**
At 31 March 2015	-	**1,636**	**1,514**	**30,116**	**2,919**	**603**	**7,756**	**25,246**	**33,595**	**103,385**
Net carrying amount at 31 March 2015	**11,996**	**10,834**	**5,303**	**255,978**	**1,983**	**1,704**	**6,453**	**12,961**	**26,979**	**334,191**

	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Cost or fair value										
At 1 April 2013	16,012	13,452	5,349	259,387	4,584	1,352	13,356	33,414	59,071	405,978
Addition	64	276	388	14,771	112	-	298	2,728	5,421	24,058
Acquisitions through trade purchase	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	53	-	-	-	-	-	53
Revaluation adjustment	(1,175)	(174)	-	-	-	-	-	-	-	(1,349)
Disposal	-	-	(2)	-	(7)	-	-	(152)	(2,110)	(2,270)
Foreign exchange differences	-	-	(38)					(638)	(3,240)	(3,917)
At 31 March 2014	14,901	13,554	5,697	274,211	4,689	1,352	13,654	35,353	59,142	422,553
Accumulated Depreciation										
At 1 April 2013	-	1,131	881	17,050	703	319	6,827	21,272	29,763	77,946
Depreciation Charge for the Year	-	381	309	6,419	1,099	83	456	2,674	4,457	15,878
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment	-	(49)	-	-	-	-	-	-	-	(49)
Disposal	-	-	(1)	-	-	-	-	(94)	(1,531)	(1,626)
Foreign exchange differences	-	-	(14)					(387)	(1,394)	(1,795)
At 31 March 2014	-	1,463	1,174	23,469	1,802	402	7,283	23,466	31,295	90,354
Net carrying amount at 31 March 2014	14,901	12,091	4,523	250,742	2,887	950	6,371	11,887	27,847	332,198

Notes to the financial statements

15 Property, Plant and Equipment (continued)

	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Parent										
Cost or fair value										
At 1 April 2014	**14,901**	**13,554**	**5,474**	**274,211**	**4,689**	**1,352**	**13,654**	**31,555**	**39,843**	**399,233**
Addition	**-**	**146**	**411**	**11,936**	**213**	**955**	**555**	**3,297**	**4,647**	**22,160**
Acquisitions through trade purchase	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers	**(2,905)**	**(1,230)**	**-**	**(53)**	**-**	**-**	**-**	**-**	**-**	**(4,188)**
Revaluation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposal	**-**	**-**	**(35)**	**-**	**-**	**-**	**-**	**(992)**	**(3,293)**	**(4,320)**
At 31 March 2015	**11,996**	**12,470**	**5,850**	**286,094**	**4,902**	**2,307**	**14,209**	**33,860**	**41,197**	**412,885**
Accumulated Depreciation										
At 1 April 2014	**-**	**1,463**	**1,096**	**23,469**	**1,802**	**402**	**7,283**	**21,186**	**23,036**	**79,737**
Depreciation Charge for the Year	**-**	**384**	**301**	**6,702**	**1,117**	**201**	**473**	**2,364**	**3,428**	**14,970**
Transfers	**-**	**(211)**	**-**	**(55)**	**-**	**-**	**-**	**-**	**-**	**(266)**
Revaluation adjustment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposal	**-**	**-**	**(28)**	**-**	**-**	**-**	**-**	**(901)**	**(2,439)**	**(3,368)**
At 31 March 2015	**-**	**1,636**	**1,369**	**30,116**	**2,919**	**603**	**7,756**	**22,649**	**24,025**	**91,073**
Net carrying amount at 31 March 2015	**11,996**	**10,834**	**4,481**	**255,978**	**1,983**	**1,704**	**6,453**	**11,211**	**17,172**	**321,812**
Cost or fair value										
At 1 April 2013	16,012	13,452	5,109	259,387	4,584	1,352	13,356	29,297	38,236	380,785
Addition	64	276	367	14,771	112		298	2,384	3,606	21,878
Acquisitions through trade purchase	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	53	-	-	-	-	-	53
Revaluation adjustment	(1,175)	(174)	-	-	-	-	-	-	-	(1,349)
Disposal	-	-	(2)	-	(7)	-	-	(126)	(1,999)	(2,134)
At 31 March 2014	14,901	13,554	5,474	274,211	4,689	1,352	13,654	31,555	39,843	399,233
Accumulated Depreciation										
At 1 April 2013	-	1,131	809	17,050	703	319	6,827	19,077	21,648	67,564
Depreciation Charge for the Year	-	381	288	6,419	1,099	83	456	2,203	2,919	13,848
Transfers	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment	-	(49)	-	-	-	-	-	-	-	(49)
Disposal	-	-	(1)	-	-	-	-	(94)	(1,531)	(1,626)
At 31 March 2014	-	1,463	1,096	23,469	1,802	402	7,283	21,186	23,036	79,737
Net carrying amount at 31 March 2014	14,901	12,091	4,378	250,742	2,887	950	6,371	10,369	16,807	319,496

During the year, certain freehold land and buildings were transferred to investment property (refer to note 16).

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

Notes to the financial statements

15 Property, Plant and Equipment (continued)

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 2013. 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 include 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 are discussed in detail in note 4 (ii).

The valuers estimated a range of values attributable to the group's distribution system assets between $229.2 million and $243.3 million as at 31 March 2013. The carrying value of the distribution system is within the range of estimated fair values as a result of valuation exercise. Accordingly, no revaluation adjustments were recognised as the carrying value of the distribution system did not differ materially from its fair value.

Revaluation of Land and Buildings

The Group engaged Telfer Young (Northland), a registered independent valuer, to determine the fair value of its land and buildings as at 31 March 2013. Fair value is determined by direct reference to recent market transactions on arms length terms. Fair value is assessed with reference to the "highest & best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". As at 31 March 2013, the fair value of the land and buildings amounted to $16.05 million and $14.49 million, respectively. No revaluation adjustments were recognised as the carrying amount of the land and buildings did not differ materially from its fair value as at balance date.

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

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

2015	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution system
Group				
Cost	**10,599**	**11,767**	**2,142**	**264,193**
Accumulated depreciation and impairment	**-**	**2,125**	**626**	**56,823**
Net carrying amount	**10,599**	**9,642**	**1,516**	**207,370**
Parent				
Cost	**10,599**	**11,767**	**2,142**	**264,193**
Accumulated depreciation and impairment	**-**	**2,125**	**626**	**56,823**
Net carrying amount	**10,559**	**9,642**	**1,516**	**207,370**

2014	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution system
Group				
Cost	13,504	12,851	2,139	252,263
Accumulated depreciation and impairment	-	2,042	549	50,492
Net carrying amount	13,504	10,809	1,590	201,771
Parent				
Cost	13,504	12,851	2,139	252,263
Accumulated depreciation and impairment	-	2,042	549	50,492
Net carrying amount	13,504	10,809	1,590	201,771

Notes to the financial statements

16 Investment Property

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Opening balance as at 1 April	**-**	-	**-**	-
Transfers	**3,924**	-	**3,924**	-
Net gain/ (loss) from fair value adjustments	**-**	-	**-**	-
Closing balance as at 31 March	**3,924**	-	**3,924**	-

During the year farm properties which consists of Land and Buildings with carrying values of $2,905k and $1,019k, respectively were transferred from property, plant & equipment to investment property.

The investment properties are carried at fair value, which has been determined by an independent Telfer Young Ltd during the year.

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

There are no contractual capital obligations.

17 Borrowings

		GROUP		PARENT	
	Maturity	**2015**	2014	**2015**	2014
		$000s	$000s	**$000s**	$000s
Current					
Bank overdrafts	On demand	**-**	-	**-**	-
Unsecured loans	30-270 days	**37,500**	5,425	**37,500**	5,425
Secured loans	30-90 days	**-**	1,817	**-**	-
Finance lease liability		**622**	729	**-**	-
Total current portion		**38,122**	7,971	**37,500**	5,425
Non Current					
Finance lease liability		**1,081**	1,782	**-**	-
Unsecured loans	Within 2 yrs	**31,750**	24,550	**31,750**	24,550
	Within 2 and 3 yrs	**16,200**	33,613	**16,200**	33,613
Total non-current portion		**49,031**	59,945	**47,950**	58,163
		87,153	67,916	**85,450**	63,588

(a) *Fair Values*

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

(b) *Terms and Conditions*

Bank overdrafts and loans

The Group operates an unsecured overdraft facility at floating interest rates and is due on demand.

The Group operates lending facilities with the current facility expiring in November 2015 and the non current facility expiring in November 2016 and November 2017.

Interest rates paid on $NZD borrowings averaged 4.46% (2014: 3.5%). Interest rates paid on $AUD borrowings averaged 7.85% (2014: 6.55%)

(c) *Financing Facilities Available*

The Group operates a $97,000,000 lending facility.

There is also an additional $1,000,000 credit card facility.

Notes to the financial statements

17 Borrowings (continued)

(d) *Assets Pledged as Security*

There are commercial secured facilities issued by the National Australia Bank which are secured by the Group's parent entity.

Finance lease liabilities are secured by the underlying assets.

Security held by the bank over the unsecured loans 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 of 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 0.72 (2014: 0.66)

Analysis of finance leases	**GROUP**		**PARENT**	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Minimum lease payments payable:				
Not later than one year	**725**	3,412	**-**	-
Later than one year and not later than five years	**1,140**	1,546	**-**	-
Later than five years	**-**	-	**-**	-
Total minimum lease payments	**1,866**	4,958	**-**	-
Future finance charges	**(163)**	(356)	**-**	-
Present value of minimum lease payments	**1,702**	4,602	**-**	-
Present value of minimum lease payments payable:				
Not later than one year	**622**	3,177	**-**	-
Later than one year and not later than five years	**1,080**	1,425	**-**	-
Later than five years	**-**	-	**-**	-
Total present value of minimum lease payments	**1,702**	4,602	**-**	-

The Group has entered into finance leases for Motor Vehicles and the net carrying amount of these assets at balance date are $3,641,653 (2014: $4,449,721). The leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Group has the option to purchase the asset at the end of the lease term. There are no restrictions placed on the Group by any of the finance leasing arrangements.

Notes to the financial statements

		GROUP		PARENT	
18	**Trade and other payables**	**2015**	2014	**2015**	2014
		$000s	$000s	**$000s**	$000s
	Trade Payables (GST Inclusive)	**20,243**	16,019	**14,331**	11,601
	Accrued Payables (GST Exclusive)	**8,554**	8,413	**7,518**	7,549
	Income in advance	**2,664**	797	**2,664**	797
		31,461	25,230	**24,513**	19,947

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

19 Dividends paid and proposed

During the year fully imputed dividends of $5,529k were paid ($7,679k inclusive of imputation credits).

Recognised amounts				
Declared during the year				
Dividends on ordinary shares:				
Final imputed dividend for 2015: 8.34 cents (2014: 15.36 cents)	**3,000**	5,529	**3,000**	5,529

20 Share Capital

(a) Ordinary Shares

As at 31 March 2015	**35,989**	35,989	**35,989**	35,989
Represented by 35,981,848 ordinary shares				
Total Issued and paid up capital	**35,989**	35,989	**35,989**	35,989

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

(b) Capital Management

The company considers the following as part of its capital: Shares, reserves and retained earnings. When managing capital, the board's objective is to ensure the entity continues as a going concern maintaining adequate working capital ensuring obligations can be met on time as well as to maintain returns to shareholders as set out in the Statement of Corporate intent.

For year ended 31 March 2015 the Group declared dividends of $3,000,000 ($2014: $5,529,000). As outlined in the Statement of Corporate Intent, the Group's dividend policy is to pay a minimum of 35% of Net Profit after Tax as a dividend.

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

Notes to the financial statements

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
21 Cash flow statement reconciliation				
Reconciliation of net profit after tax to net cash flows from operations				
Net profit after income tax	**(447)**	15,875	**(10,767)**	15,797
Adjustments for:				
Depreciation and amortisation	**18,037**	16,698	**15,840**	14,541
Loss on sale of property, plant & equipment	**257**	80	**257**	80
Impairment of available for sale investment	**67**	-	**67**	-
Impairment of investment in subsidiary	**1,906**	-	**17,850**	-
Non cash line contribution revenue	**(1,864)**	(2,019)	**(1,864)**	(2,019)
Fair valuation (gain)/ loss on derivative financial instruments	**1,308**	(1,321)	**1,308**	(1,321)
Capitalised interest expense	**(139)**	(32)	**(139)**	(32)
Unrealised foreign currency loss/ (gain)	**780**	(1,828)	**780**	(1,828)
Share in loss/ (profits) of associate	**858**	400	**-**	-
Changes in assets and liabilities				
Increase in trade & other payables	**6,329**	(466)	**4,565**	308
Increase/ (decrease) in construction work in progress	**(4,615)**	2,945	**(6,669)**	1,959
Decrease/ (increase) in tax refund	**(4,568)**	5,612	**(4,568)**	5,612
Increase/ (decrease) in trade and other receivables	**(867)**	(7,809)	**61**	(7,428)
Decrease in inventory	**124**	564	**11**	843
Increase/ (decrease) in deferred tax liabilities	**1,437**	(2,085)	**1,437**	(2,085)
Increase in employee entitlements	**1,854**	681	**1,424**	681
Net cash from operating activities	**20,457**	27,295	**19,593**	25,108

Notes to the financial statements

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
22 Derivative Financial Instruments				
Current Asset portion				
Interest rate swap contracts	**-**	-	**-**	-
Non-current Asset portion				
Interest rate swap contracts	**92**	867	**92**	867
Current liability portion				
Interest rate swap contracts	**116**	191	**116**	191
Non-current liability portion				
Interest rate swap contracts	**649**	41	**649**	41
Net financial derivative asset/ (liability) position	**(673)**	635	**(673)**	635

Instruments used by the Group

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

(i) 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 from 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 $48,000,000 (2014: $53,345,307).
The fixed interest rates of interest rate swaps vary from 3.15% to 4.65%.

Notes to the financial statements

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
23 Guarantees and contingencies				
Performance bonds in relation to contract work	**20,273**	15,776	**16,492**	15,776
Letters of credit in relation to contract work	**3,057**	3,472	**3,057**	3,472
Guarantee for leased premises	**100**	98	**-**	-
	23,430	19,346	**19,549**	19,248

Performance bonds relate to guarantees given to customers to guarantee completion of contracting work.
Letters of Credit relate to guarantees given to off-shore customers for work completed.
No liability was recognised in relation to the above guarantees as the fair value is considered immaterial.

Northpower is a participant in the DBP Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme operated by National Provident Fund. If the other participating employers ceased to participate in the scheme, Northpower could be responsible for the entire deficit of the scheme (see note 28). Similarly, if a number of employers ceased to partipate in the Scheme, Northpower could be responsible for an increased share of the deficit.

24 Commitments

As lessee in Operating leases

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

	Group 2015	Group 2014	Parent 2015	Parent 2014
Within one year	**3,403**	2,750	**2,463**	2,263
After one year but not more than five years	**9,247**	6,987	**5,876**	3,247
More than five years	**4,417**	4,641	**1,290**	536
Total non-cancellable operating leases	**17,066**	14,378	**9,629**	6,046

As lessor in Operating leases

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

	Group 2015	Group 2014	Parent 2015	Parent 2014
Within one year	**23**	41	**23**	41
After one year but not more than five years	**86**	72	**86**	72
More than five years	**31**	32	**31**	32
Total non-cancellable operating leases	**140**	145	**140**	145

No contingent rents have been recognised during the period.

	Group 2015	Group 2014	Parent 2015	Parent 2014
Capital commitments contracted for at balance sheet date	**4,443**	1,129	**4,443**	1,129

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

Notes to the financial statements

25 Related Parties

(a) Subsidiaries

(i) Terms and conditions of transactions with related parties

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

(ii) Outstanding balances

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

	PARENT	
	2015	2014
	$000s	$000s
Transactions during the year		
Sales to subsidiaries	**536**	268
Management fees charged to subsidiary	**485**	420
Purchases from subsidiaries	**-**	-
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	**-**	-
Accounts receivable from subsidiaries	**51**	301
Debenture to subsidiary	**30,372**	27,102
Loan to subsidiary	**1,726**	416
(b) Associates (Refer to note 25)		
Transactions during the year		
Sales to associate	**4,348**	16,303
Purchases from associate	**87**	166
Other transactions	**221**	204
Outstanding balances as at 31 March		
Payable to associate	**-**	-
Receivable from associate	**272**	1,117

(c) Directors

One of the Directors of Northpower Ltd is also a Director of West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd. One of the Directors of Northpower Ltd is also a Director of Northpower Fibre Ltd. The Chief Executive of Northpower Ltd is also a Director of Northpower Fibre Ltd.

(d) Key Management

The compensation of the directors and executives, being the key management personnel of the entity is set out below:

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Compensation of key management personnel				
Short-term employee benefits	**4,044**	4,111	**2,215**	2,275

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.

Notes to the financial statements

25 Related Parties (continued)

Transactions between the company and key management personnel

Mr Ercoli Allen Angelo is a Trustee of Northpower. He is also the Director of D B Quinn Trustees Ltd and shareholder of Diesel Maintenance Ltd.
During the year Northpower made purchases from D B Quinn Trustees Ltd of $nil (2014: $nil) and Diesel Maintenance Ltd of $160 (2014:$10,153).

Mr Anthony Davies-Colley is a Trustee of Northpower. He is also the Director of Blackdog Steelworks Ltd and Westpoint Management Ltd and Port Nikau Joint Venture. During the year Northpower made purchases from Blackdog Steelworks Ltd of $nil (2014: $nil) and provided services to Westpoint Management Ltd of $10,404 (2014: $12,221) and Blackdog Steelworks Ltd of $nil (2014: $nil). During the year, Northpower made sales to Port Nikau Joint Venture of $141,316 (2014:$31,475).

Mrs Nicole Davies-Colley was a director of Northpower, its subsidiary West Coast Energy Pty Ltd, its associate Northpower Fibre Ltd for part of the year and also a Director of Farmlands Trading Society Ltd and Landcorp Farming Ltd. During the year Northpower made purchases from Farmlands Co-operative Society to the value of $15,773 (2014: $3,109) and sales to Landcorp Farming Ltd of $nil (2014: $338).

During the year Northpower made sales to Mrs Davies-Colley amounting to $3,000 (2014: $nil).

Messrs Lloyd Richards and Richard Pearce are board members of the Electricity Engineers' Association and during the year Northpower made purchases from this organisation totalling $78,593 (2014: $66,328) and made sales of $2,540 (2014:$nil).

Mark Gatland is a board member of the Energy Networks Association and during the year Northpower made payments to this organisation of $120,750 (2014:$63,250). As at 31 March 2015 $34,500 is still to be paid.

Mr Warren Moyes is also a council member of Northtec Polytechnic. During the year Northpower made sales to Northtec of $nil (2014: $418). During the year Northpower made sales to Mr Moyes amounting to $316 (2014: $3,969)

David Wright is a director of WEL Networks Ltd. During the year Northpower transacted purchases of $19,206 (2014: $96,139) and sales of $1,628,019 (2014: $2,575,045) with WEL Networks.

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

26 Investment in associates

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

(a) Provide working capital to the NFL in return for shares.

(b) Purchase shares in NFL from CFH, as and when end users are connected to the UFB network.

(c) Participate in the governance and management of NFL, including the appointment of two directors to the Board of NFL and the provision of management services to NFL.

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

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Beginning balance	**8,149**	3,612	**9,098**	4,161
Additional investment made	**2,754**	4,937	**2,754**	4,937
Share of profit/ (loss) after income tax	**(694)**	(315)	**-**	-
Unrealised profit adjustment	**(194)**	(101)	**-**	-
Realised profit adjustment	**30**	16	**-**	-
Ending balance	**10,045**	8,149	**11,852**	9,098

Notes to the financial statements

26 Investment in associates (continued)

	PARENT 2015 $000s	PARENT 2014 $000s
(b) Summarised financial information		
Extract from the associate's statement of financial position:		
Current assets	**450**	1,308
Non-current assets	**31,848**	29,426
Current liabilities	**413**	776
Non-current liabilities	**593**	339
Net assets	**31,292**	29,619
Share of associate's net assets	**10,608**	6,812
Extract from the associate's statement of comprehensive income:		
Revenue	**1,837**	857
Net profit/(loss)	**(2,060)**	(1,112)

27 Categories of other financial assets and liabilities

The carrying amount of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	GROUP 2015 $000s	GROUP 2014 $000s	PARENT 2015 $000s	PARENT 2014 $000s
Financial Assets at fair value	**92**	867	**92**	867
Loans and Receivables				
Cash and cash equivalents	**1,863**	414	**1,122**	306
Trade and other receivables	**39,016**	39,625	**31,173**	31,234
Total loans and receivables	**40,879**	40,039	**32,295**	31,540
Available for sale instruments				
Unlisted shares	**817**	884	**817**	884
Financial liabilities at fair value	**765**	41	**765**	41
Financial liabilities measured at amortised cost				
Short term borrowings	**38,122**	7,971	**37,500**	5,425
Long term borrowings	**49,031**	59,945	**47,950**	58,163
Trade and other payables	**26,003**	21,639	**18,991**	17,153
	113,156	89,554	**104,441**	80,741

Notes to the financial statements

28 Defined benefit superannuation scheme

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

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

The actuarial examination as at 31 March 2014 indicated that the scheme had a past service surplus of $16.2 million (8% of the total liabilities).

This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

29 Employee entitlements

	GROUP		PARENT	
	2015	2014	**2015**	2014
Current employee entitlements are represented by:	**$000s**	$000s	**$000s**	$000s
Accrued salaries and wages	**1,892**	1,241	**1,892**	1,241
Annual leave	**7,629**	6,550	**5,804**	5,067
Sick leave	**25**	25	**25**	25
Total current portion	**9,546**	7,816	**7,721**	6,333
Non-current employee entitlements are represented by:				
Retirement and long service leave	**1,509**	1,473	**1,509**	1,473
Total non-current portion	**1,509**	1,473	**1,509**	1,473
Total employee entitlements	**11,055**	9,289	**9,230**	7,806
30 Inventory				
Inventory held for use in the provision of goods and services	**8,740**	8,874	**8,463**	8,474
Cost of inventories recognised as expense	**85,677**	81,023	**58,959**	53,544

The carrying amount of inventories held for distribution are measured on a weighted average cost basis.

Inventory written down during the period amounted to $55 (2014: 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 $90,797 (2014: $20,282). The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation is 4.5% (2014: 3.6).

Notes to the financial statements

32 Employee Benefit expenses

	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Salaries and wages	**126,261**	110,499	**92,276**	82,536
Defined contribution plan employer contributions	**4,300**	4,091	**2,327**	2,389
Movement in employee entitlements	**1,799**	1,109	**1,424**	681
	132,360	115,699	**96,027**	85,606

33 Auditor's Remuneration

The auditor of Northpower Limited is Audit New Zealand	GROUP		PARENT	
	2015	2014	**2015**	2014
	$000s	$000s	**$000s**	$000s
Fees to Audit New Zealand for:				
Audit of financial statements	**133**	130	**133**	130
Special audits required by regulators	**24**	24	**24**	24
	157	154	**157**	154
Fees paid to non Audit New Zealand firms for:				
Audit of financial statements of subsidiary	**72**	71	**-**	-
Advisory services	**72**	120	**72**	120
	144	191	**72**	120

34 Events After Balance Date

(a) Acquisition of Transpower Assets

On 1 April 2015, Northpower acquired a group of assets from Transpower New Zealand Limited in accordance with the Transfer of Assets Agreement dated July 2014. The consideration transferred was $4.4 million. The group has recognised fair values of identifiable assets on acquisition date based upon the best information available as of the reporting date. The business combination accounting is as follows:

	Fair value at acquistion date	Carrying value at acquistion date
	$000s	$000s
Property, plant and equipment	4,443	4,443
Fair value of identifiable assets	4,443	
Purchase consideration transferred	4,443	
Net cash flow on acquisition	4,443	

The fair value of the acquired assets approximates the consideration paid.

(b) Restructure

Subsequent to balance date, the Board approved a restructuring plan involving the closure of the Victorian operation of its subsidiary, West Coast Energy Pty Ltd.

The group expects to incur $805k in severance and termination benefits and $571k in other exit costs. The Melbourne depot is expected to cease operations by June 2015. The amounts of all estimates are subject to change.

(c) Other

There were no other significant events after reporting date.

DIRECTORY

Northpower Limited:

Chair
N P Davies-Colley, BBS, MBA. FM Inst D.

Directors:
D J Ballard, BE (Hons), MBA.
K C Hames, BAg, M Inst D.
J J Ward, BE (Hons), MIPENZ.
R J Black, BE (Civil) (Hons), FREng, FIPENZ
M B James, BCom, CA

Executive officers:

Chief Executive
M R Gatland, BE, MIPENZ, MBA.

Chief Financial Officer
P Mc Elwee, BMS, CA, MBA.

General Manager, Network
G A C Dawson, NZCE

General Manager, Business Support
B S Harrison, BBus.

General Manager, Contracting
L B Richards, NZCE, REA, Tec IPENZ.

General Manager, Business Development, Strategy & Marketing
R Pearce, MBA, BE (Hons) Electrical and Electronic

General Counsel
J Boyd, LLB (Hons)/BA

West Coast Energy Pty Limited:

Chairman
D Wright, MBA Distinction, B Tech (Food) (Hons).

Directors:
T Beach, MAICD, MIE Aust, CP Eng.
N P Davies-Colley, BBS, MBA. AF Inst D (until September 2014).
D J Ballard, BE (Hons), MBA (from October 2014).

Executive officers:

Chief Executive
S Horgan, BMS (Hons), MMS, AMS (INSEAD).

Commercial Operations Manager
N Ellett, BAppMgt, CSCP, AIMM.

Area Manager Perth
W Huia.

HSQE and Technical Standards Manager
A Macleod

Area Manager Melbourne
R Wilson, NZCE Electrical.

Northpower Electric Power Trust

Chairman
E A Angelo, CA ANZIM.

Deputy Chairman
R J Drake, MNZM.

Trustees
A J Davies-Colley, BAgSci.
I M Durham, BBM, Grad Dip (Fin).
S K Mckenzie.
K R Provan.
W E Rossiter, QSM.

Bankers	Westpac Banking Corporation ANZ Banking Corporation.
Head Office	Mount Pleasant Road, Raumanga, Whangarei.
Auditors	Audit New Zealand, Whangarei, on behalf of the Auditor-General.
Registered Office	28 Mount Pleasant Road, Whangarei.

Northpower

"safe, reliable, hassle free service"

NEW ZEALAND

Auckland	09 274 4545	Rotorua	07 348 6800
Dargaville	09 439 3114	Tauranga	07 542 9310
Hamilton	07 846 9760	Waiheke	09 372 7969
Matamata	07 888 4326	Warkworth	09 425 8015
Maungaturoto	09 431 8228	Wellington	04 912 2190
Paeroa	07 862 8412	Whangarei	09 430 1803
Paraparaumu	04 912 2614		

AUSTRALIA

Perth	0061 9 1412 4900

KEY NORTHPOWER CONTACT NUMBERS

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Northpower Electrical Services:	0800 66 78 47
No Hot Water Fault:	0800 10 40 40
Northpower Vegetation Department:	0800 66 78 47
Complaints & Compliments:	09 430 1784
Northpower Electric Power Trust (NEPT):	0800 43 41 00

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