Buller Electricity Limited

Financial Statements

for the year ended 31 March 2014

Contents

Directors' Declaration

In the opinion of the directors of Buller Electricity Limited, the group financial statements and notes, on pages 5 to 31:

- comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the Group as at 31 March 2014 and the results of operations and cash flows for the year ended on that date;
- have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

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 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 and the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Buller Electricity Limited and Group for the year ended 31 March 2014.

For and on behalf of the Board of Directors:

F T Dooley	S P Roche
Director	Director
30 June 2014	30 June 2014

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF
BULLER ELECTRICITY LIMITED'S AND GROUPS
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2014

The Auditor-General is the auditor of Buller Electricity Limited (the company) and group. The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 5 to 31, that comprise the statement of financial position as at 31 March 2014, 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 company and group on page 31.

Opinion

Financial statements and the statement of service performance

In our opinion,

- the financial statements of the company and group on pages 5 to 31:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the company and group's:
    - financial position as at 31 March 2014; and
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company and group on page 31:
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 30 June 2014. 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 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 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 statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and 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 company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control 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 company and group's internal control.

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 all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

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

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. 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 preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

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 statement of service performance, whether in printed or electronic form.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements 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 we have carried out general accounting services assignments, which are compatible with those independence requirements. In addition, we are engaged to issue a report regarding the company's compliance with the Electricity Distribution (Information Disclosure) Requirements 2008.

Other than the audit and those assignments, we have no relationship with or interests in the company or any of its subsidiaries.

David Gates
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Buller Electricity Limited
Statement of Comprehensive Income
For the Year Ended 31 March 2014

In thousands of New Zealand dollars	Note	Group 2014	Group 2013	Company 2014	Company 2013
Operating revenue	5	83,231	79,081	9,726	9,713
Other income	6	310	240	948	1,425
Operating expenses	7	(82,270)	(75,704)	(5,820)	(5,673)
Administrative expenses	8	(6,532)	(5,997)	(2,703)	(2,341)
Restructuring expenses	23	25	(154)	-	-
Profit/(Loss) from operating activities before net finance costs, movements in fair value of electricity derivatives and income taxation expense		(5,236)	(2,534)	2,151	3,124
Finance income	11	129	185	259	132
Finance expenses	11	(946)	(879)	(574)	(579)
Net finance costs		(817)	(694)	(315)	(447)
Profit/(Loss) before movement in the fair value of electricity derivatives and income tax expense		(6,053)	(3,228)	1,836	2,677
Movements in fair value of electricity derivatives	16	8,671	(7,857)	-	-
Profit/(Loss) before income tax		2,618	(11,085)	1,836	2,677
Income tax expense	12	(472)	173	(416)	(532)
Profit/(Loss) for the year		2,146	(10,912)	1,420	2,145
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	16	128	(27)	128	(27)
Income tax on items of other comprehensive income		(36)	7	(36)	7
Other comprehensive income, net of tax, that may be reclassified subsequently to profit and loss		92	(20)	92	(20)
Total comprehensive income for the year		2,238	(10,932)	1,512	2,125
Profit attributable to:					
Owners of the Company		1,931	(8,054)	1,420	2,145
Non-controlling interest		215	(2,858)	-	-
Profit for the year		2,146	(10,912)	1,420	2,145
Total comprehensive income attributable to:					
Owners of the Company		2,023	(8,074)	1,512	2,125
Non-controlling interest		215	(2,858)	-	-
Total comprehensive income for the year		2,238	(10,932)	1,512	2,125

The accompanying notes form an integral part of these financial statements.

Buller Electricity Limited
Statement of Financial Position
As at 31 March 2014

In thousands of New Zealand dollars

	Note	Group 2014	Group 2013	Company 2014	Company 2013
Assets					
Property, Plant and Equipment	13	25,914	25,550	24,711	23,698
Intangible Assets	14	3,053	5,650	206	-
Investment in subsidiaries		-	-	9,714	9,214
Security Bonds	15	3,168	1,837	-	-
Electricity Price Derivatives	16	3,030	448	-	-
Non-current assets		35,165	33,485	34,631	32,912
Cash and cash equivalents	18	970	137	15	47
Trade and other receivables	19	10,990	9,301	1,080	1,134
Loan to subsidiaries		-	-	3,349	4,569
Electricity Price Derivatives	16	1,566	478	-	-
Inventories	20	330	627	119	488
Current assets		13,856	10,543	4,563	6,238
Total assets		49,021	44,028	39,194	39,150

	Note	Group 2014	Group 2013	Company 2014	Company 2013
Liabilities					
Loans and borrowings	21	8,329	1,043	7,118	-
Finance lease liability	22	40	140	-	-
Deferred Income-Guarantee Fee	30	-	-	-	-
Electricity Price Derivatives	16	1,584	4,882	-	-
Other Derivatives		16	145	16	145
Deferred Tax Liabilities	17	3,944	4,520	3,979	3,757
Non-current liabilities		13,913	10,730	11,113	3,902
Trade and other payables	23	12,577	9,205	2,047	2,658
Loans and borrowings	21	3,440	10,384	1,741	9,809
Finance lease liability	22	101	103	-	-
Electricity Price Derivatives	16	418	2,121	-	-
Current liabilities		16,536	21,813	3,788	12,467
Total liabilities		30,449	32,543	14,901	16,369
Equity					
Share capital	24	7,550	7,550	7,550	7,550
Reserves	24	(324)	(325)	(205)	(297)
Retained earnings		8,869	3,282	16,948	15,528
Equity attributable to owners of the Company		16,095	10,507	24,293	22,781
Non-controlling interest		2,477	978	-	-
Total equity		18,572	11,485	24,293	22,781

The accompanying notes form an integral part of these financial statements.

Buller Electricity Limited
Statement of Changes in Equity
For the Year Ended 31 March 2014

In thousands of New Zealand dollars

Group	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 April 2012	*24*	7,550	724	(916) -	85	11,336	18,609	3,802	22,411
Profit for the year		-	-	-	-	(8,054)	(8,054)	(2,858)	(10,912)
Other Comprehensive Income									
Net fair value gain/(loss) on equity instruments		-	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges		-	-	-	(27)	-	(27)	-	(27)
Income tax on items of other comprehensive income		-	-	-	7	-	7	-	7
Total other comprehensive income for the year		-	-	-	(20)	-	(20)	-	(20)
Total comprehensive income for the year		-	-	-	(20)	(8,054)	(8,074)	(2,858)	(10,932)
Transactions with owners of the Company									
Contributions by and distributions to owners of the Company									
Convertible notes converted to shares		-	-	-	-	-	-	-	-
Equity raising cost		-	-	-	-	-	-	-	-
Share-based payments in equity instruments of subsidiaries		-	-	6	-	-	6	-	6
Share purchase payment		-	-	-	-	-	-	-	-
Non-refundable share options not exercised in subsidiaries		-	-	(34)	-	-	(34)	34	-
Total contributions by and distributions to owners of the Company		-	-	(28)	-	-	(28)	34	6
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-	-	-
Balance at 31 March 2013		7,550	724	(944)	(105)	3,282	10,507	978	11,485

Group	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 April 2013	*24*	7,550	724	(944)	(105)	3,282	10,507	978	11,485
Profit for the year		-	-	-	-	1,931	1,931	215	2,146
Other Comprehensive Income									
Net fair value gain/(loss) on equity instruments		-	-	-	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges		-	-	-	128	-	128	-	128
Income tax on items of other comprehensive income		-	-	-	(36)	-	(36)	-	(36)
Total other comprehensive income for the year		-	-	-	92	-	92	-	92
Total comprehensive income for the year		-	-	-	92	1,931	2,023	215	2,238
Transactions with owners of the Company									
Contributions by and distributions to owners of the Company									
New shares issued and interest dilution		-	-	-	-	3,596	3,596	1,247	4,842
Dividends to equity holders		-	-	-	-	-	-	-	-
Equity raising cost		-	-	-	-	(45)	(45)	-	(45)
Share purchase payment		-	-	-	-	-	-	-	-
Share-based payments in equity instruments of subsidiaries		-	-	52	-	-	52	-	52
Lapse or cancellation of employee share options		-	-	(106)	-	106	-	-	-
Non-refundable share options not exercised in subsidiaries		-	-	(37)	-	-	(37)	37	-
Total contributions by and distributions to owners of the Company		-	-	(91)	-	3,657	3,566	1,284	4,850
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-	-	-
Balance at 31 March 2014		7,550	724	(1,035)	(13)	8,870	16,096	2,477	18,573

Buller Electricity Limited
Statement of Changes in Equity
For the Year Ended 31 March 2014

In thousands of New Zealand dollars

Company

	Note	Share capital	Revaluation reserve	Cash Flow Hedge Reserve	Investment reserve	Retained earnings	Total equity
	24						
Balance at 1 April 2012		7,550	724	(85)	(916)	13,383	20,656
Profit for the year		-	-	-	-	2,145	2,145
Other Comprehensive Income							
Effective portion of changes in fair value of cash flow hedges		-	-	(27)	-	-	(27)
Net fair value gain/(loss) on equity instruments		-	-	-	-	-	-
Income tax on items of other comprehensive income		-	-	7	-	-	7
Total comprehensive income for the year		-	-	(20)	0	2,145	2,125
Transactions with owners of the Company							
Contributions by and distributions to owners of the Company							
Dividends to equity holders		-	-	-	-	-	-
Balance at 31 March 2013		7,550	724	(105)	(916)	15,528	22,781

	Note	Share capital	Revaluation reserve	Cash Flow Hedge Reserve	Investment reserve	Retained earnings	Total equity
	24						
Balance at 1 April 2013		7,550	724	(105)	(916)	15,528	22,781
Profit for the year		-	-	-	-	1,420	1,420
Other Comprehensive Income							
Effective portion of changes in fair value of cash flow hedges		-	-	128	-	-	128
Income tax on items of other comprehensive income		-	-	(36)	-	-	(36)
Total comprehensive income for the year		-	-	92	-	1,420	1,512
Transactions with owners of the Company							
Contributions by and distributions to owners of the Company							
Dividends to equity holders		-	-	-	-	-	-
Balance at 31 March 2014		7,550	724	(13)	(916)	16,948	24,293

The accompanying notes form an integral part of these financial statements.

Buller Electricity Limited
Statement of Cash Flows
For the Year Ended 31 March 2014

In thousands of New Zealand dollars		Group		Company	
	Note	2014	2013	2014	2013
Cash flows from operating activities					
Cash receipts from customers		81,699	75,037	10,447	9,946
Cash paid to suppliers and employees		(79,610)	(73,267)	(6,864)	(7,247)
Interest received		128	204	110	63
Dividends received		2	2	-	-
Interest paid		(581)	(708)	(555)	(551)
Income tax received (paid)		-	224	-	224
Net cash from operating activities	*29*	1,638	1,492	3,138	2,435
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		49	-	-	-
Purchase of equity investments		-	-	(500)	-
Acquisition of subsidiary, net of cash acquired		-	-	-	-
Payment for Security Bond		(1,331)	1	-	-
Purchase of property, plant and equipment		(2,840)	(1,619)	(2,556)	(1,365)
Purchase of intangible assets and development expenditure		(596)	(231)	(206)	-
Loan to subsidiaries		-	-	1,043	(2,431)
Net cash from (used in) investing activities		(4,718)	(1,849)	(2,220)	(3,796)
Cash flows from financing activities					
Proceeds from borrowings		1,698	1,400	-	1,400
Proceeds from shareholder loans		-	-	-	
Proceeds from issue of shares		3,915	-	-	-
Equity Raising Costs		(45)	-	-	-
Repayment of advances		-	-	-	-
Repayment of borrowings		(1,525)	(1,100)	(950)	-
Payment of finance leases		(130)	(44)	-	-
Net cash from (used in) financing activities		3,913	256	(950)	1,400
Net (decrease)/increase in cash and cash equivalents		833	(101)	(32)	39
Cash and cash equivalents at beginning of year		137	238	47	8
Cash and cash equivalents at end of year	*18*	970	137	15	47

The accompanying notes form an integral part of these financial statements.

Buller Electricity Limited

Notes to the financial statements

1. Reporting entity

Buller Electricity Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993.

Financial statements of the Company (separate financial statements) and consolidated financial statements are presented for the current financial year. Company and group financial statements are are also presented for the prior year.

The consolidated financial statements of Buller Electricity Limited as at and for the year ended 31 March 2014 comprise the Company and its Subsidiaries (together referred to as the "Group").

Buller Electricity Limited is primarily involved in the reticulation of electricity, electricity retail and electrical contracting services.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on 30 June 2014.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets measured at fair value through profit and loss or other comprehensive income and non-system land and buildings which are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Change in Accounting Policy

The accounting policies which materially affect the measurement of profit and loss and the financial position have been applied on a basis consistent with those used in the audited Financial Statements for the year ended 31 March 2013.

(e) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements relating to the carrying value of investments and the recoverability of loans to subsidiaries take into account the strength of the subsidiary's future cash flows and assets, together with the commercial relationship with the Parent.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 14 - Intangible Assets
- Note 4(c), (d) and 26 - Determination of fair value of financial instruments

3. Significant accounting policies

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Investments in subsidiaries in the Company financial statements are stated at cost less impairment.

(b) Foreign currency
Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

(c) Non-derivative financial instruments
Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, customer deposits, equity investments, trade and other payables, loans and borrowings, and finance leases.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, other non-derivative financial instruments are measured as described below:

(i) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses.

(ii) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits and are classified as amortised cost. Subsequent to initial recognition they are measured at amortised cost.

Call deposits are held to collect contractual cash flows on specific dates that are solely payments of principal and interest.

(iii) Financial assets measured at fair value through other comprehensive income
The Group's investment in equity securities (other than investments in subsidiaries of the Company) are classified as financial assets measured at fair value through other comprehensive income. After initial recognition these assets are measured at fair value with gains and losses being recognised in other comprehensive income (equity). Dividend income on these investments is recognised in the profit or loss. Shares received as consideration in lieu of cash are recognised in the profit or loss.

(iv) Interest free loans
A loan that carries no interest is measured at the present value of all future cashflows discounted using the prevailing market rates of interest for a similar instrument with a similar credit rating.

(v) Other financial liabilities
The Group's trade and other payables, loans and borrowings and finance leases are classified as other non-derivative financial instruments and are stated at amortised cost using the effective interest method.

(d) Derivative financial instruments, including hedge accounting
Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative financial instrument is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Group designates certain derivative financial instruments as either:
- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or
- hedges of highly probable forecast transactions (cash flow hedge).

Fair value hedge
Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedge
The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised in Other Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Amounts accumulated in other comprehensive income are recycled to profit and loss in the year when the hedged item will affect the profit and loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship such that the derivative financial instrument no longer qualifies for hedge accounting, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in profit and loss.

Derivative financial instruments that do not qualify for hedge accounting
Certain derivative financial instruments do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognised immediately in profit and loss.

(e) Property, plant and equipment

(i) Recognition and measurement

All items of property, plant and equipment are measured at cost, except for non-system land and buildings which are carried at fair value less accumulated depreciation and impairment losses in the case of land and buildings.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- electricity distribution system 3 – 60 years SL
- freehold buildings 40 – 50 years SL
- motor vehicles 3 – 10 years SL
- plant and equipment 2 – 10 years SL
- leasehold improvements 3 – 10 years SL
- leased assets are depreciated over the term of the lease

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iv) Subsequent Measurement

Non-system land and buildings are subsequently measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of non-system land and buildings is not materially different from fair value.

Any revaluation increase arising on the revaluation of non-system land and buildings is recognised in other comprehensive income and presented in the asset revaluation reserve in equity. To the extent that a revaluation reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, the increase is credited to the profit or loss up to the amount of the decrease previously charged. A decrease in carrying amount arising on the revaluation of non-system land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

(f) Intangible Assets

(i) Patents and Trademarks

Patents and trademarks include costs incurred in registering patents/trademarks and copyrights in New Zealand and overseas. Patents and trademarks, which have a finite useful life, are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents and trademarks over their estimated useful life of five years.

(ii) Research and Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of development activities over the estimated useful life of five years from the date that the development is asset is available for use.

(iii) Computer Software

Computer software has a finite useful life and is measured at cost less accumulated amortisation and accumulated impairment losses. Cost is amortised on a straight-line basis over the estimated useful life of the software of between three and five years. Leased computer software is amortised over the term of the lease.

(iv) Customer lists

Customer lists are recognised as intangible assets when the asset recognition criteria are met. Customer lists intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method over the estimated useful economic life of between 3 and 4 years.

(g) Leased assets

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.

As the Group has adopted NZ IFRS 9 (2009), all fair value movements on financial assets classified as fair value through other comprehensive income are recognised through other comprehensive income, and not recycled through profit or loss.

(i) Impairment of investments and receivables

The recoverable amount of the Group's investments and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Intangible assets not yet available for use are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the risk free interest rate. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Any share-based payment settled using equity instruments of subsidiaries granted to employees is recognised as an employee expense in the profit and loss with a corresponding increase in non-controlling interest in equity on group level.

(k) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(L) Revenue

(i) Goods sold

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Lines charges represent income charged to energy retailers based on their meter readings during the period. An allowance is made for unbilled line charges from energy retailers to the end of the period.

Customer consumption of electricity is measured and billed by calendar month for half hourly metered customers and in line with meter reading schedules for non-half hourly metered customers. Accordingly revenues from electricity sales include an estimated accrual for units sold but not billed at the end of the reporting period.

(iii) Assets and capital contributions

Vested assets and capital contributions are recognised as revenue at the fair value of the assets at the point that assets are connected to the network.

(iv) Dividend Income

Dividend income is recognised when the right to received payment has been established, and is presented in other income.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(n) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings and losses on hedging instruments that are recognised in profit or loss.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(o) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(q) Goods and Services Tax

All items in the financial statements are net of Goods and Services Tax except for debtors and creditors which are shown in the statement of financial position inclusive of GST.

(r) New standards adopted and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group except for NZ IFRS 9 (2010), which could change the classification and measurement of financial liabilities.

The Group has adopted NZ IFRS 9 (2009) since the annual periods beginning on 1 April 2010 but has not adopted NZ IFRS 9 (2010). NZ IFRS 9 (2009) covers classification and measurement of financial assets. NZ IFRS 9 (2010) covers the classification and measurement of financial liabilities. The Group is not required to adopt NZ IFRS 9 (2010) until the year beginning on or after 1 January 2015.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of non-system land and buildings is recognised based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(b) Intangible assets

The fair value of customer relationships acquired in a business combination is determined using a capitalisation of earnings methodology by the appropriate earnings to be derived from the customer relationship at the time of acquisition.

(c) Electricity price derivatives

For electricity price derivatives which are not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. These fair value measurements are categorised as level 2 in accordance with the fair value hierarchy in NZ IFRS 7 (Note 26).

(d) Interest rate swaps

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(e) Inventory

The fair value of inventory acquired in a business combination is determined based on the expected selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(f) Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating revenue

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Line Charges	8,114	7,485	9,377	8,744
Capital Contributions	214	605	214	605
Vested assets	117	68	117	68
Contracting revenue	1,413	2,311	18	296
Total Line and Contracting revenue	9,858	10,469	9,726	9,713
Retail electricity revenue	73,060	68,234	-	-
Meter service revenue	313	378	-	-
Total Retail and Metering revenue	73,373	68,612	-	-
Total operating revenue	**83,231**	**79,081**	**9,726**	**9,713**

6 Other Income

In thousands of New Zealand dollars	Note	Group 2014	Group 2013	Company 2014	Company 2013
Guarantee Fee	*30*	-	-	845	1,350
Rentals and sundry income		310	240	103	75
		310	**240**	**948**	**1,425**

7 Operating expenses

In thousands of New Zealand dollars	Note	Group 2014	Group 2013	Company 2014	Company 2013
Operating expenses include:					
Depreciation and Amortisation	*13, 14*	4,656	4,449	966	901
Provision for Impairment of Trade Receivables	*25*	1,368	2,211	-	11
Transmission costs		2,902	2,473	2,902	2,473
Electricity, line and meter costs		62,897	57,812	-	-

8 Administrative expenses

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Administrative expenses include:				
Net loss on sale of property, plant and equipment	262	316	259	256
Bad Debts Written-off	0	-	-	-
Directors' Fees	364	288	137	141
Rent & Leasing Costs	626	355	8	13
Community Sponsorships	156	162	156	162
Auditor's remuneration to KPMG comprises:				
Audit fees	197	186	67	58
Other audit-related services	32	27	21	27
Other professional services	28	48	28	48
Total auditor's remuneration	257	261	116	133

For the current year, other audit-related services include audits of Lines Business *Information Disclosures* prepared by the parent company pursuant the provisions of Part 4 of the *Commerce Act 1986*. Other professional services relates to general accounting support services provided by KPMG Christchurch for the Group.

9 Personnel expenses

Included in operating and administrative expenses are personnel expenses as follows:

In thousands of New Zealand dollars		Group 2014	Group 2013	Company 2014	Company 2013
Wages and salaries		9,274	8,473	1,221	1,360
Contributions to defined contribution plans		99	113	40	44
Equity settled share-based payments	*10*	52	6	-	-
		9,425	**8,592**	**1,261**	**1,404**

10 Share-based payment expenses

The total expense recognised in the statement of comprehensive income in respect of share-based payment transactions is as follows:

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Share-based payment transactions-employee compensation	52	6	-	-
	52	**6**	**-**	**-**

Employee share option plan (ESOP) - Pulse Energy Limited*

Pulse Energy Limited (formerly Pulse Utilities NZ Limited) was acquired by Buller Electricity Limited on 19 August 2011. Pulse Energy Limited has an employee share option plan issued using its own equity instruments. The share options are granted to new and existing employees. The ESOP is designed to align participants' interests with those of shareholders by increasing the value of the Pulse Energy Limited's shares.

** Pulse Utilities NZ Limited announced it was changing its name to Pulse Energy Limited on 4 December 2013 (with effect from 19 December 2014). In these notes to the accounts any references that may have related to Pulse Utilities NZ Limited are now referred to as Pulse Energy Limited or PEL.*

The options will expire on the occurrence of certain events:

- The options of a specific employee will expire should their employment at the Company be terminated.
- The options will expire if a takeover bid is successful.
- The options will expire if the employee grants a security interest in the option.

Employees are able to exercise their options at any point on or after the vesting date as long as the options have not expired as described above.

Summaries of options granted under ESOP - Pulse Energy Limited

	Group 2014	Group 2013
Number of options outstanding at the beginning of the year ((	2,896	617
Number of options granted during the year (000s)	3,490	2,581
Number of options exercised during the year (000s)	(250)	
Number of options expired during the year (000s)	(674)	(302)
Number of options outstanding at the end of the year (000s)	5,462	2,896

The weighted average fair value of options exercisable at the end of the year was $0.01 (2013:$0.02). All options granted this year have an exercise price of $0.06. The weighted average fair value of options granted during the year was $0.01 (2013: $0.004). The share options were not granted with a specific expiry date.
The options that were issued in the 2010 and 2011 financial years, with an excersie price of $0.70, were cancelled as they were not providing the intended incentive to employees as a consequence of the high exercise price compared with the current share price.

The weighted average vesting period remaining for the share options outstanding as at 31 March 2014 is 0.61 years (2013: nil). The weighted average fair value of options not yet exercisable at the end of the year was was $0.02 (2013: Nil).

Option pricing model for ESOP - Pulse Energy Limited

The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Trinomial Option Pricing Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs used in the model:

	Group 2014	Group 2013
Share price at date of issue	$0.06	$0.06
Employee exit rates	17%	17%
Employee exercise multiple	1	2.5
Share price volatility	55%	55%
Risk free rate	4.20%	3.70%
Dividend rate	0%	0%

11 Finance income and expense

In thousands of New Zealand dollars	**Note**	Group 2014	Group 2013	Company 2014	Company 2013
Interest income on financial assets measured at amortised cost		129	185	259	132
Finance income		**129**	**185**	**259**	**132**

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Interest expense on financial liabilities measured at amortised cost	(946)	(879)	(574)	(579)
Finance expense	**(946)**	**(879)**	**(574)**	**(579)**

12 Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Current tax expense				
Current period	200	197	260	385
Losses utilised in current year	-	(24)	-	(212)
Adjustment for prior periods	(45)	0	(29)	0
	155	**173**	**231**	**173**
Deferred tax expense				
Origination and reversal of temporary differences	317	(380)	185	371
Adjustments for prior periods	-	34	-	(12)
Total deferred tax expense	317	(346)	185	359
Income tax expense/(benefit) for the year	**472**	**(173)**	**416**	**532**

Income tax expense for the year

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Profit/(Loss) before tax	2,618	(11,085)	1,836	2,677
Income tax:				
Income tax (expense)/benefit for period	(733)	251	(514)	(750)
Subvention payment / Loss utilisation	318	-	59	212
Other	(57)	(78)	39	6
Income tax (expense)/benefit on profit or loss	**(472)**	**173**	**(416)**	**(532)**
Profit after income tax	2,146	(10,912)	1,420	2,145
Reconciliation of effective tax rate				
Profit before tax	2,618	(11,085)	1,836	2,677
Income tax using domestic tax rate 28% (2012: 28%)	733	(3,103)	514	750
Adjustments:				
Losses utilised within Group	(59)	-	(59)	(212)
Non-deductible expenses	173	50	2	2
Unrecognised losses	(363)	2,840	-	-
Recognition of deferred tax not previously recognised	-	-	-	-
Other	(12)	2	(41)	1
Under/(over) provided in prior periods	-	38	-	(9)
	472	**(173)**	**416**	**532**

Tax on items of Other Comprehensive Income

In thousands of New Zealand dollars	Company and Group 2014 Before Tax	2014 Tax (expense) benefit	2014 Net of Tax	2013 Before Tax	2013 Tax (expense) benefit	2013 Net of Tax
Effective portion of changes in fair value of cash flow hedges	128	(36)	92	(27)	7	(20)
	128	**(36)**	**92**	**(27)**	**7**	**(20)**

Imputation credits available for use in subsequent reporting periods

The imputation credits available to the Group for use in subsequent reporting periods is $720 thousand, and for the Company is $702 thousand.

Unrecognised deferred tax balances

Pulse Energy limited (formerly Pulse Utilities New Zealand Limited) has tax losses available to be carried forward to future years totalling $10,902,422 (2013: $6,524,560). No deferred tax asset has been recognised in respect of these losses.

Notes to the financial statements (continued)

13 Property, Plant and Equipment

In thousands of New Zealand dollars	Electricity distribution system	Land (at fair value) Level 3	Buildings (at fair value) Level 3	Motor vehicles	Leasehold improvements	Plant and equipment	Total
Group							
Cost / revalued amount							
Balance at 1 April 2012	24,954	610	1,357	1,766	31	3,711	32,429
Acquisition through business combination	-	-	-	-	-	-	-
Additions	1,705	-	9	60	44	217	2,035
Disposals	(257)	-	-	-	-	(89)	(346)
Transfer between asset classes	-	-	-	-	-	-	-
Balance at 31 March 2013	26,402	610	1,366	1,826	75	3,839	34,118
Balance at 1 April 2013	26,402	610	1,366	1,826	75	3,839	34,118
Additions	1,677	-	138	-	46	315	2,177
Disposals	(245)	-	-	(47)	(73)	(37)	(402)
Balance at 31 March 2014	27,834	610	1,504	1,779	48	4,117	35,893
Depreciation and impairment losses							
Balance at 1 April 2012	4,475	-	181	1,116	5	1,355	7,132
Depreciation for the year	751	-	27	115	8	535	1,436
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2013	5,226	-	208	1,231	13	1,890	8,568
Balance at 1 April 2013	5,226	-	208	1,231	13	1,890	8,568
Depreciation for the year	810	-	28	93	15	510	1,457
Impairment losses	-	-	-	-	-	-	-
Disposals	-	-	-	-	(28)	(17)	(45)
Balance at 31 March 2014	6,036	-	236	1,324	(0)	2,383	9,980
Carrying amounts							
At 1 April 2012	20,479	610	1,176	649	26	2,356	25,297
At 31 March 2013	21,176	610	1,158	595	62	1,949	25,550
At 31 March 2014	21,798	610	1,268	455	49	1,734	25,913

Notes to the financial statements (continued)

In thousands of New Zealand dollars	Electricity distribution system	Land (at fair value) Level 3	Buildings (at fair value) Level 3	Motor vehicles	Plant and equipment	Total
Company						
Cost / revalued amount						
Balance at 1 April 2012	24,954	610	1,338	1,433	1,723	30,058
Additions	2,171	-	9	-	15	2,195
Disposals	(257)	-	-	(323)	(198)	(778)
Balance at 31 March 2013	26,868	610	1,347	1,110	1,540	31,475
Balance at 1 April 2013	26,868	610	1,347	1,110	1,540	31,475
Additions	2,048	-	138	-	52	2,238
Disposals	(245)	-	-	(1)	(13)	(259)
Balance at 31 March 2014	28,671	610	1,485	1,109	1,579	33,454
Depreciation and impairment losses						
Balance at 1 April 2012	4,475	-	177	1,042	1,182	6,876
Depreciation for the year	751	-	25	16	109	901
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 March 2013	5,226	-	202	1,058	1,291	7,777
Balance at 1 April 2013	5,226	-	202	1,058	1,291	7,777
Depreciation for the year	810	-	27	15	114	966
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 March 2014	6,036	-	229	1,073	1,405	8,743
Carrying amounts						
At 1 April 2012	20,479	610	1,161	391	541	23,182
At 31 March 2013	21,642	610	1,145	52	249	23,698
At 31 March 2014	22,635	610	1,256	36	174	24,711

Non-system land and buildings were re-valued at 31 March 2009 using valuations provided by Coast Valuations Limited, an independent registered valuer, in accordance with the New Zealand Institute of Valuers' Asset Valuation Standards. In the current financial year, the Board (with reference to an updated valuation report from Coast Valuations Limited, dated 9 April 2014), considered the value movements in the Company's land and buildings to be immaterial and have therefore continued to base the carrying value of land and buildings on the 2009 valuation.

The fair value of financial and non-financial assets follows a hierarchy based on the source of inputs used in the valuation. The three levels of valuation in the hierarchy are described in Note 25. The valuation approach for non-system land and buildings is a combination of depreciated replacement cost and market comparables where this information is available and are all Level 3 valuations. There has been no impact in net profit, or other comprehensive income in the current period due to valuation changes. Key valuation inputs include the value per square metre of land and the cost of the industrial buildings in the valuation. Increases in any of these assumptions will increase the value of the land and buildings. When valuation reports are required, management obtain valuations from independent valuers.

If non-system land and buildings in the Group were measured using the cost model the carrying value of land would be $114,458 (2013: $369,000) and the carrying value of buildings would be $837,033 (2013: $701,000). For the Company, the carrying value of land would be $114,458 (2013: $369,000) and the carrying value of buildings would be $825,151 (2013: $687,303).

No borrowing costs have been capitalised in the current or comparative periods.

Security

The assets are subject to a negative pledge (refer Note 21).

Leased Assets

The Group has leased certain office equipment under a finance lease which is included within Note 22. The carrying amounts at balance date are:

	2014	2013
Hardware and office equipment	76	76
Laptops and personal computers	3	6
	79	82

14 Intangible assets

In thousands of New Zealand dollars	Software	Development cost	Patents and Trademarks	Customer list	Brand	Total
Group						
Carrying amount at 1 April 2012	404	272	8	7,649	100	8,434
Year ended 31 March 2013						
Acquisition through business combination	-	-	-	-	-	-
Additions	231	-	-	-	-	229
Amortisation	(107)	(80)	(2)	(2,824)	-	(3,013)
Impairment losses charged to profit or loss	-	-	-	-	-	-
Carrying amount at 31 March 2013	528	192	6	4,825	100	5,650
Year ended 31 March 2014						
Additions	434	154	8			596
Disposals	(3)					(3)
Amortisation	(170)	(192)	(4)	(2,824)	-	(3,190)
Carrying amount at 31 March 2014	789	154	10	2,001	100	3,053

Patents include costs incurred in registering patents/trademarks and copyrights in New Zealand and overseas.

In thousands of New Zealand dollars	Software	Development cost	Patents and Trademarks	Customer list	Brand	Total
Company						
Carrying amount at 1 April 2012	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Carrying amount at 31 March 2013	0	0	0	0	0	0
Year ended 31 March 2014						
Additions	52	154	-	-	-	206
Amortisation	-	-	-	-	-	-
Carrying amount at 31 March 2014	52	154	0	0	0	206

During the year, the Company initiated a project to replace its Financial Management Information System. The software and development costs incurred to date have not been amortised as the project has not been completed.

The Group has leased certain computer software under a finance lease (Note 22). The carrying amount at balance date is:

	2014	2013
Computer software	20	95

15 Security Bonds

	Group		Company	
In thousands of New Zealand dollars	2014	2013	2014	2013
Security Bonds	3,168	1,837	-	-

Security Bonds comprise of cash deposits with the New Zealand Exchange Limited (NZX) in its capacity as Clearing Manager in accordance with the Electricity Governance Rules 2003 and security deposits with electricity lines businesses in accordance with electricity network use of systems agreements, security deposits and initial margins with electricity derivative counter parties. Security is also provided in the form of bank guarantees. The total value of bank guarantees on issue at 31 March 2014 was $6,587,500 (2013: $7,981,250). Refer Note 28.

16 Electricity Price Derivatives

In the normal course of business, the Group is exposed to a variety of financial risks which include the volatility in electricity wholesale prices. The Group's overall risk management programme focuses on the unpredictability of the electricity markets and seeks to minimise potential adverse effects on financial performance. The Group uses derivative financial instruments to hedge these risk exposures.

	Group	
In thousands of New Zealand dollars	2014	2013
Current assets	1,566	478
Non-current assets	3,030	448
Current liabilities	(418)	(2,121)
Non-current liabilities	(1,584)	(4,882)
Carrying value at end of year	**2,594**	**(6,077)**

The non-cash total change in fair value of electricity price derivatives recorded in the statement of comprehensive income of (gain) $8,670,760 (2013: (loss) $7,856,777) is due to a movement in electricity price hedges that have not been designated in a cash flow hedge relationship. The movement in the electricity price derivatives is due to changes in the forecast market price path.

17 Deferred tax assets and liabilities

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Deferred tax asset	452	545	51	98
Deferred tax liabilities	(4,396)	(5,065)	(4,030)	(3,855)
Net Deferred tax liability	(3,944)	(4,520)	(3,979)	(3,757)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
In thousands of New Zealand dollars	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	(3,836)	(3,719)	(3,836)	(3,719)
Intangible assets	-	-	(560)	(1,346)	(560)	(1,346)
Bad debt provision	271	274	-	-	271	274
Losses available	-	-		-	-	-
Other Derivatives	4	41		-	4	41
Employee Benefits	177	141	-	-	177	141
Other	-	89			-	89
Net tax assets/(liabilities)	452	545	(4,396)	(5,065)	(3,944)	(4,520)

Company	Assets		Liabilities		Net	
In thousands of New Zealand dollars	2014	2013	2014	2013	2014	2013
Property, plant and equipment	-	-	(4,030)	(3,855)	(4,030)	(3,855)
Bad debt provision	-	-	-	-	-	-
Other Derivatives	4	40	-	-	4	40
Employee Benefits	47	58	-	-	47	58
Net tax assets/(liabilities)	51	98	(4,030)	(3,855)	(3,979)	(3,757)

Movement in temporary differences during the year:

Group *In thousands of New Zealand dollars*	Balance 1-Apr-12	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combination	Balance 31-Mar-13	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-14
Property, plant and equipment	(3,514)	(205)	-	-	(3,719)	(117)		(3,836)
Intangible assets	(2,151)	805	-	-	(1,346)	786		(560)
Bad debt provision	33	234	7	-	274	(3)	-	271
Losses available	550	(550)	-	-	-	-		-
Other Derivatives	75	(34)	-	-	41	-	(37)	4
Employee Benefits	134	7	-	-	141	36		177
Other	-	89			89	(89)		-
	(4,873)	346	7	-	(4,520)	613	(37)	(3,944)

Company *In thousands of New Zealand dollars*	Balance 1-Apr-12	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-13	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-14
Property, plant and equipment	(3,514)	(341)	-	(3,855)	(175)	-	(4,030)
Other Derivatives	33	-	7	40	-	(36)	4
Bad debt provision	3	(3)	-	-		-	-
Employee Benefits	71	(13)	-	58	(11)	-	47
	(3,407)	(357)	7	(3,757)	(186)	(36)	(3,979)

18 Cash and cash equivalents

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Bank balances	970	137	15	47
	970	**137**	**15**	**47**

19 Trade and other receivables

In thousands of New Zealand dollars	Note	Group 2014	Group 2013	Company 2014	Company 2013
Trade receivables		11,426	9,552	604	698
Less: Provision for impairment of trade receivables		(967)	(978)	-	-
Trade receivables-net		10,459	8,574	604	698
Due from related party	*30*	-	-	336	140
Prepayments		178	171	68	133
Income tax receivable		-	-	-	-
Other receivables		353	556	73	163
Short term loan		-	-	-	-
		10,990	**9,301**	**1,080**	**1,134**

At 31 March 2014, aggregate costs incurred under open construction contracts and recognised profits, net of recognised losses, amounted to $nil (2013: $nil).

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 25.

20 Inventories

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
Work in progress	90	447	13	343
Finished Goods	240	180	106	145
	330	**627**	**119**	**488**

Inventories recognised as an expense for the year ended 31 March 2014 totalled $890,875 (2013: $962,000) for the Group and $Nil (2013: $351,000) for the Company. This expense has been included in the operating expenses line item as a cost of inventories.

21 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see Note 26.

In thousands of New Zealand dollars	Note	Group 2014	Group 2013	Company 2014	Company 2013
Unsecured loans – Buller Electric Power Trust	30	1,741	1,741	1,741	1,741
Unsecured term loans		1,211	1,043		-
Interest free loan		-	-	-	-
Secured loans		8,818	8,643	7,118	8,068
		11,770	11,427	8,859	9,809
Current		3,441	10,384	1,741	9,809
Non-current		8,329	1,043	7,118	-
		11,770	11,427	8,859	9,809

The loan from Buller Electric Power Trust is unsecured and repayable on demand. The interest rate is 8%.

The unsecured term loans are interest free and are repayable in July 2016. The loans were issued in accordance with a deed of variation accepted on convertible notes issued by Pulse Energy Limited. The carrying value is measured at the present value of all future cashflows discounted using the prevailing market rates of interest for a similar instrument with a similar credit rating.

Both the Company and Pulse have a multi-option credit facility that matures 30 September 2015. The facility limit is $9.5m and $2m for the Company and Pulse respectively. For the Company, the facility limit reduces by $500,000 each year (commencing 31 July 2013) until the facility limit is reduced to $7.5 million. This facility, in conjunction with interest rate swaps has provided the Company with what are effectively term borrowings.
On May 2, 2014, Pulse Energy sought, and received, a waiver for a breach of a covenant in it's multi-option credit facility with Westpac. The covenant related to interest cover on financing expenditures that is assessed on an annual basis at fiscal year end. The company has agreed to negotiate alternative covenants on a go forward basis that reflects the stage of development the company is currently experiencing and the growth realised in this past year.

There is a balance drawn down by the Company on the multi-option credit facility at 31 March 2014 of $7,118,513 (2013: $8,068,513). This carries an interest rate determined at the time amounts are drawn down plus a margin of 1.75%. The facility is subject to a negative pledge over the assets of the Group. Pulse has drawn down $1,699,512 of its facility at 31 March 2014 (2013: Nil).

22 Finance lease liability

In thousands of New Zealand dollars	Group	
	2014	**2013**
Finance Lease and Hire Purchase Contracts		
Minimum lease payments		
Less than 1 year	113	124
Between 1 – 5 years	41	150
Greater than 5 years	-	-
Total future minimum lease payments	154	274
Less future finance charges	(13)	(31)
Present value of finance lease liability	141	243
Current portion	113	123
Less future finance charges	(12)	(20)
Total Current Portion	101	103
Non-current portion	41	151
Less finance charges	(1)	(11)
Total Term Portion	40	140

The finance leases are for periods of up to 3 years, the lease payments are fixed and the effective interest rates are between 11% and 20% (2013: 11% and 13%). The Group has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements. The leases do not impose any material restrictions on the Group's future leasing or debt raising. Finance leases are secured over the related assets (note 13).

23 Trade and other payables

		Group		Company	
In thousands of New Zealand dollars	**Note**	**2014**	**2013**	**2014**	**2013**
Current					
Trade payables and accruals		11,077	6,904	618	321
Restructuring provision		-	154	-	-
Due to related party	*30*	-	-	921	1,471
Employee entitlements		696	484	215	230
Income tax payable		235	80	235	80
Other payables		570	1,583	58	39
Income received in advance		-	-	-	-
Deferred Income - Guarantee Fee		-	-	-	518
Total		12,579	9,205	2,047	2,659
Non-Current					
Deferred Income - Guarantee Fee		-	-	-	-
Total Trade and Other Payables		12,579	9,205	2,047	2,659

24 Capital and reserves

The Company has 7,550,000 (2013: 7,550,000) ordinary shares on issue. There have been no changes in the number of shares on issue in the current or prior financial year.

All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Investment reserve

The investment reserve comprises the cumulative net change in the fair value of equity instruments classified as financial assets measured at fair value through other comprehensive income.

Revaluation reserve

The revaluation reserve relates to the revaluation of non-system land and buildings.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Dividends

No dividends ($nil) were declared or paid by the Company for the year ended 31 March 2014 (2013: $nil)

25 Financial instruments

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Financial instruments which potentially subject the Group to credit risk are cash and cash equivalents and trade receivables.

With respect to cash and cash equivalents, the Company and Group are predominantly net borrowers, and therefore credit risk is minimised in relation to counterparty (investee) risk. With any surplus funds, the Group's policy is to place its cash with high quality financial institutions and to limit the amount of exposure to any one financial institution. With respect to trade receivables, due to the fact that there are a small number of electricity retailers in New Zealand there are high concentrations of credit risk for the Company.

Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and delivery terms and conditions are offered.

The Group's exposure to geographical credit risk is entirely within New Zealand.

The status of trade receivables at the reporting date is as follows:

Group

In thousands of New Zealand dollars	**Gross receivable 2014**	**Impairment 2014**	**Net receivable 2014**	**Gross receivable 2013**	**Impairment 2013**	**Net receivable 2013**
Trade receivables						
Current	9,059	-	9,059	6,705	-	6,705
Past due 0-30 days	951	-	951	1,195	-	1,195
Past due 31-60 days	206	-	206	439	-	439
Past due more than 61 days	1,211	(967)	244	1,213	(978)	235
Total	**11,427**	**(967)**	**10,460**	**9,552**	**(978)**	**8,574**

Company

In thousands of New Zealand dollars	**Gross receivable 2014**	**Impairment 2014**	**Net receivable 2014**	**Gross receivable 2013**	**Impairment 2013**	**Net receivable 2013**
Trade receivables						
Current	915	-	915	821	-	821
Past due 0-30 days	23	-	23	-	-	-
Past due 31-60 days	-	-	-	2	-	2
Past due more than 61 days	2	-	2	15	-	15
Total	**940**	**-**	**940**	**838**	**0**	**838**

Movement in Provision for impairment of trade receivables

In thousands of New Zealand dollars	Group 2014	Group 2013	Company 2014	Company 2013
At the beginning of the year	(978)	(1,853)	-	(11)
Acquired at acquisition	-	0	-	-
Less bad debts written off	1,379	3,086	-	11
Charged to profit and loss	(1,368)	(2,211)	-	0
Provision for impairment of trade receivables	**(967)**	**(978)**	**-**	**-**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's liquidity position is monitored on a regular basis by the Board of Directors.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group

31-Mar-14

	Note	Carrying amount	Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	*23*	12,579	12,579	12,579	-	-	-
Finance lease liability	*22*	141	153	125	28		-
Loans and borrowings	*21*	11,770	11,740	1,741	8,788	1,211	-
		24,490	24,472	14,445	8,816	1,211	-
Derivative financial liabilities							
Electricity Price Derivatives	*16*						
- Inflow		(4,596)	(5,008)	(3,916)	(818)	(274)	-
- Outflow		2,002	2,541	936	1,295	310	-
Interest Rate Swaps		16	16	5		11	-
Total financial liabilities		(2,578)	(2,451)	(2,975)	477	47	0

31-Mar-13

	Note	Carrying amount	Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	*23*	9,205	10,956	10,956	-	-	-
Finance lease liability	*22*	243	315	111	98	106	-
Loans and borrowings	*21*	11,427	10,285	8,591	-	1,694	-
		20,875	21,556	19,658	98	1,800	-
Derivative financial liabilities							
Electricity Price Derivatives	*16*						
- Inflow		(926)	(956)	(481)	(475)	-	-
- Outflow		7,003	7,529	2,190	2,665	2,674	-
Interest Rate Swaps		145	145	-	-	145	-
Total financial liabilities		6,222	6,718	1,709	2,190	2,819	0

Notes to the financial statements (continued)

Company

	Note	Carrying amount	Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
				31-Mar-14			
				Contractual Cash Flows			
Non-derivative financial liabilities							
Trade and other payables	*23*	2,047	2,047	2,047			
Loans and borrowings	*21*	8,859	8,859	1,741	7,118		
Total financial liabilities		**10,906**	**10,906**	**3,788**	**7,118**	**-**	**-**
Derivative financial liabilities							
Interest rate swaps		16	16	5		11	
Total financial liabilities		**16**	**16**	**5**	**-**	**11**	**-**

	Note	Carrying amount	Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
				31-Mar-13			
				Contractual Cash Flows			
Non-derivative financial liabilities							
Trade and other payables	*23*	2,658	2,140	2,140			
Loans and borrowings	*21*	9,809	9,809	9,809			
Deferred Income - Guarantee Fee	*23*	-	-		-		
Total financial liabilities		**12,467**	**11,949**	**11,949**	**-**	**-**	**-**
Derivative financial liabilities							
Interest rate swaps		145	145	-	-	145	
Total financial liabilities		**145**	**145**	**-**	**-**	**145**	

The contractual cash flows are the undiscounted amounts and may therefore differ from the carrying values disclosed in the Statement of Financial Position. Contractual cash flows disclosed where the amount payable is not fixed, such as for Electricity Price Derivatives, are determined by reference to the conditions at the end of the reporting period. For derivative financial liabilities which are gross settled, the tables above disclose the contractual undiscounted cash outflows/(inflows). The contractual cash flows of derivatives is based on the forward price curve as at the reporting date.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices, electricity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The company has minimal currency risk given that financial instruments are principally transacted in New Zealand dollars.

Interest rate risk

The Group uses interest rate swaps / derivatives to manage interest rate risks on its core debt funding. The remaining external financial assets and liabilities of the Group are subject to interest rate risk but are re-priced within 6 months of the balance sheet date. In the absence of hedging, the Group is exposed to interest rate risk on its related party loan, external loan and on short term deposits.

Electricity price risk

The Group purchases its electricity from the electricity spot market. The Group sells electricity at a fixed price. This leaves the Group exposed to fluctuations in the electricity spot prices. To manage its electricity price risks the Group operates under an electricity hedge policy which limits the Group's exposure to electricity prices risks by utilising electricity price derivatives. Losses incurred on electricity price derivatives that have not been designated in a hedge relationship are taken directly to the Statement of Comprehensive Income. At year-end there were no derivatives in hedge relationships.

Sensitivity Analysis

In managing interest rate, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2014, it is estimated that a general increase of one percent in interest rates would not have any significant impact on the Group's profit or loss. This is because the Group's gearing is modest, and over 50% of borrowed monies was financed by way of fixed rate loans and borrowings throughout the year.

The following tables summarise the impact of increases/decreases of the relevant forward electricity prices on the Group's result for the year and on other components of equity. The sensitivity analysis is based on the assumption that the relevant forward electricity prices had increased/decreased with all other variables held constant as a result of the fair value change in electricity price derivatives. The values provided in the table below represent the changes in fair values of the hedge contracts and do not affect cash flow as change in the fair values will be offset by electricity purchases on the spot market.

Group	2014		2013	
	Profit/loss	Equity	Profit/loss	Equity
A 10% increase in electricity forward price	9,964	9,964	7,158	7,158
A 10% decrease in electricity forward price	(9,958)	(9,958)	(7,158)	(7,158)

Capital Management

The Group's capital includes share capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and shareholder confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the period.

Notes to the financial statements (continued)

Accounting classification and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows.

Group

Year ended 31 March 2014 *In thousands of New Zealand dollars* **Financial Assets-under IFRS 9 (2009)**	fair value through other comprehensive income	fair value through profit and loss	financial assets / liabilities measured at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	970	970	970
Trade and other receivables	-	-	10,990	10,990	10,990
Security Bond	-	-	3,168	3,168	3,168
Electricity Price Derivatives	-	4,596	-	4,596	4,596
Total financial assets	-	4,596	15,128	19,724	19,724
Financial Liabilities-under IAS 39					
Trade and other payables	-	-	12,577	12,577	12,577
Loans and borrowings	-	-	11,770	11,770	12,052
Finance lease liability	-	-	141	141	141
Electricity Price Derivatives	-	2,002	-	2,002	2,002
Other derivatives	16	-	-	16	16
Total financial liabilities	16	2,002	24,488	26,506	26,788

Year ended 31 March 2013 *In thousands of New Zealand dollars* **Financial Assets - under IFRS 9 (2009)**	fair value through other comprehensive income	fair value through profit and loss	financial assets measured at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	137	137	137
Trade and other receivables	-	-	9,301	9,301	9,301
Security Bond	-	-	1,837	1,837	1,837
Electricity Price Derivatives	-	926	-	926	926
Total financial assets	-	926	11,275	12,201	12,201
Financial Liabilities - under IAS 39					
Trade and other payables	-	-	9,205	9,205	9,205
Loans and borrowings	-	-	11,427	11,427	11,709
Finance lease liability	-	-	243	243	243
Electricity Price Derivatives	-	7,003	-	7,003	7,003
Other Derivatives	145	-	-	145	145
Total financial liabilities	145	7,003	20,875	28,023	28,305

Company

Year ended 31 March 2014 *In thousands of New Zealand dollars* **Financial Assets - under IFRS 9 (2009)**	fair value through other comprehensive income	fair value through profit and loss	financial assets measured at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	15	15	15
Trade and other receivables	-	-	1,080	1,080	1,080
Loan to subsidiaries	-	-	3,349	3,349	3,349
Total financial assets	-	-	4,444	4,444	4,444
Financial Liabilities - under IAS 39					
Trade and other payables	-	-	2,047	2,047	2,047
Loans and borrowings	-	-	8,859	8,859	8,859
Other Derivatives	16	-	-	16	16
Total financial liabilities	16	-	10,906	10,922	10,922

Year ended 31 March 2013 *In thousands of New Zealand dollars* **Financial Assets - under IFRS 9 (2009)**	fair value through other comprehensive income	fair value through profit and loss	financial assets measured at amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	47	47	47
Trade and other receivables	-	-	1,134	1,134	1,134
Loan to subsidiaries	-	-	4,569	4,569	4,569
Total financial assets	-	-	5,750	5,750	5,750
Financial Liabilities - under IAS 39					
Trade and other payables	-	-	2,658	2,658	2,658
Loans and borrowings	-	-	9,809	9,809	9,809
Other Derivatives	145	-	-	145	145
Total financial liabilities	145	-	12,467	12,612	12,612

Fair value hierarchy

The fair value of financial instruments follows a hierarchy based on the source of inputs used in the valuation, as defined by NZ IFRS 7.

Level 1: Quoted market prices (unadjusted) for identical assets or liabilities are classified.

Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset and liability that are not based on observable market data (unobservable inputs) and estimated using a discounted cash flow valuation model involving an adjusted observable applicable forward price curve and a discount rates

Fair value measurements recognised in the Statement of Financial Position

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevent models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Discounted cash flow analysis is used for various electricity price hedges that are not traded in an active market. As a result of this calculation it has been concluded that the carrying value of derivative contracts approximates the fair value. For the purposes of the discounted cash flow analysis, the forward curve is derived from a combination of market quoted prices and management's best estimates. The discount rate is assumed as the counterparty's cost of funds for the period of the instrument. A description of the significant unobservable inputs is provided below.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognisition at fair value, grouped into Level 1 to 3 as described above

Group

In thousands of New Zealand dollars

At 31 March 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Electricity price derivatives - Contracts for Difference	-	-	2,235	2,235
Electricity price derivatives - Futures	-	450	-	450
Electricity price derivatives - Options	-	-	(523)	(523)
Electricity price derivatives - Financial transmission rights			(16)	(16)
Electricity price derivatives - Generation purchase agreements	-	-	448	448
Interest Rate Swaps	-	(16)	-	(16)
	-	434	2,144	2,578

In thousands of New Zealand dollars

At 31 March 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Electricity price derivatives - Contracts for Difference	-	-	(3,974)	(3,974)
Electricity price derivatives - futures	-	(292)	-	(292)
Electricity price derivatives - Options	-	-	(840)	(840)
Electricity price derivatives - Generation purchase agreements	-	-	(971)	(971)
Interest Rate Swaps	-	(145)	-	(145)
	0	(437)	(5,785)	(6,222)

There were no transfers between Level 1 and Level 2 in the period.

The following table shows the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Group and Parent	
	2014	**2013**
	$	$
Balance at the beginning of the year	(5,785)	177
Transfers	-	12
Total gain/(losses) recognised in the Income Statement (Fair Value Gains/(Losses) on Electricity Derivatives)	7,929	(5,973)
	2,144	**(5,785)**

Although the Group believes that the estimates of the fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For the fair value measurements in Level 3 of the fair value hierarchy, the result of changing one or more of the following unobservable inputs used, to 'reasonably possible alternative

- For contracts for differences the most significant unobservable inputs relate to correlation of changes in prices between different Grid Exit Points (GXP). The location factor adjustment is based on the historic five year average location factors published by the Electricity Authority which ranges between 0.92 and 1.14. In addition, an adjustment factor of 3% is applied based on the observable futures market.

- For generation contracts the most significant unobservable inputs relates to correlation of changes in prices between different Grid Exit Points (GXP). The location factor adjustments range between 0.92 and 1.14.

- For the electricity options, the most significant unobservable input relates to the use of the historical price path to determine forecast price spikes.

The favourable and unfavourable effects of using 'reasonably possible alternative assumptions' for level 3 instruments have been calculated using the following assumptions:

- Reasonably possible alternative assumptions for level 3 contracts for differences have been calculated based on a 10% change from the mean and using the adjustment factor by 2% (for unfavourable) and 2% (for favourable).

- Reasonably possible alternative assumptions for level 3 generation contracts have been calculated based on a 10% change from the mean.
- Reasonably possible alternative assumptions for level 3 electricity options have been calculated by using a change in the historical price path.

Impact on Income Statement	**Favourable**	**Unfavourable**
As at 31 March 2014	$	$
Contracts for Difference - For location factor	74,096	(74,096)
Contracts for Difference - For adjustment factor	1,279,634	(1,279,634)
Generation purchase agreements	21,488	(21,488)
Electricity Options	44,626	(39,154)
As at 31 March 2013	$	$
Contracts for Difference - For location factor	53,099	(53,099)
Contracts for Difference - For adjustment factor	970,037	(970,037)
Generation purchase agreements	19,855	(19,855)
Electricity Options	68,124	(31,579)

Company

All financial instruments carried at fair value in the Company are classified as Level 2 in the fair value hierachy.

26 Lease commitments

Future minimum rentals payable under non-cancellable operating leases at 31 March are as follows:

In thousands of New Zealand dollars	Group		Company	
	2014	**2013**	**2014**	**2013**
Within one year	721	284	15	15
After one year but no more than five years	2,285	257	18	33
More than five years	-	-	-	-
	3,006	541	33	48

27 Capital commitments

Buller Electricity Limited has an agreement with the Buller District Council for naming rights for the aquatic centre. Buller Electricity Limited is committed to sponsorship of $100,000 per annum until 30 June 2017. The Company has also entered into a contract with Acumen Consulting Limited for the implementation of the Financial Management Information System. Approximately $70,000 remains outstanding on this contract at 31 March 2014.

28 Contingent liabilities

There is a contingent liability for discrepancies that may arise on the reconciliation of energy transported versus energy charged by the various energy retailers. The potential maximum liability is not able to be estimated.

Guarantees and Security Agreement

Buller Electricity Limited has provided Westpac a guarantee for $8,000,000 in order for Pulse Energy Limited to meet its obligations under the prudential security requirements to purchase electricity on the wholesale market, and $1,000,000 in respect of PEL's overdraft facility. As Buller Electricity Limited has a General Security Deed over the assets of Pulse Energy Limited, in the event that Buller Electricity Limited do incur a liability under the guarantee, any liability would be covered by the realisable assets of PEL. As at 31 March 2014, PEL has drawn down $9,000,000 (2013: $7,981,250) with Westpac. If the guarantee is exercised, then Westpac would call on Buller Electricity Limited for its full $9,000,000 commitment.

29 Reconciliation of the profit for the period with the net cash from operating activities

	Group		Company	
In thousands of New Zealand dollars	**2014**	**2013**	**2014**	**2013**
Profit for the period after tax	2,146	(10,912)	1,420	2,145
Adjustments for:				
Tax expense not yet paid	472		416	
Depreciation	1,458	1,436	966	901
Amortisation of intangible assets	3,190	2,223	-	-
Net (Profit)/Loss on Sale of Fixed Assets	311	315	259	257
Net value change in derivatives through profit and loss	(8,671)	7,857	-	-
Deferred Income	-	-	(518)	(1,350)
Share-based payments expense	52	6	-	-
Amortisation of imputed interest on Unsecured Loans	168	145	-	-
Bad and doubtful debts	1,369	3,060	-	-
Vested assets	(117)	(68)	(117)	(68)
Capital Contributions	-	-	-	-
Elimination of intercompany margin on capital works	371	326	-	-
Items reclassified as investing or financing activities	-	(1,399)	-	-
Expenditure paid on behalf of Electro Services Limited	-	-	267	(38)
Change in deferred tax liability	-	578	-	351
Change in trade and other receivables	(2,565)	(1,135)	54	755
Intercompany balances initially included in receivables	-	-	(164)	(169)
Change in inventories	296	129	369	(44)
Change in trade and other payables	2,362	(1,145)	(611)	(381)
PPE recognised in trade and other payables	435	(757)	435	(757)
Non cash balances recognised in trade and other paya	361	833	362	833
Net cash from operating activities	**1,638**	**1,492**	**3,138**	**2,435**

30 Related parties

Parent and ultimate controlling party

The immediate and ultimate parent of the Group is Buller Electric Power Trust.

Transactions with key management and Directors of Buller Electricity Limited

Key management personnel compensation comprised:	Company	
In thousands of New Zealand dollars	**2014**	**2013**
Short-term employee benefits (salaries & Directors' fees)	906	820
Other long-term benefits		-
Other post employment benefits		-
	906	**820**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having influence over the financial or operating policies of these entities, this includes the Senior Management Team and Directors.

The Company also provides non-cash benefits to executive officers.

Related party transactions with Subsidiaries and Ultimate Parent

In thousands of New Zealand dollars		Transaction value for the year ended 31 March		Balance outstanding as at 31 March	
Company and Group		**2014**	**2013**	**2014**	**2013**
Interest paid to Buller Electric Power Trust		139	139	-	-
Loan from Buller Electric Power Trust				1,741	1,741
Company					
Interest bearing loan to Pulse Energy Limited				500	1,000
Interest charged to Pulse Energy Limited		94	77	4	17
Interest bearing loans and advances to Electro Services Limited				2,849	1,398
Interest charged to Electro Services Limited		163	70	-	-
Non-interest bearing advances to Electro Services Limited				-	2,172
Deferred income-Guarantee fee from Pulse Energy Limited		518	1,350	-	518
Guarantee fee from Pulse Energy Limited		327	-	45	-
Purchases from Electro Services Limited		2,906	3,367	-	-
Charges from the Company to Electro Services Limited		220	415	7	7
Line charges from the Company to Pulse Energy Limited		1,263	1,258	109	91
Director Fees from Pulse Energy Limited to the Company		40	23	-	23
Trade and other receivables due from susidiaries	*Note 19*	-	-	336	140
Trade and other creditors owed to subsidiaries	*Note 23*	-	-	921	1,471

As part of the consideration paid by the Company for the acquisition of Pulse Energy Limited on 18 August 2011, the Company guaranteed $9,000,000 of facilities provided by Westpac to PEL for two years. In the year ended 31 March 2014, the $9,000,000 facility was renegotiated with Pulse Energy Limited. Revenue from guarantee fees of $845,000 in 2014 (2013: $1,350,000) is recognised in other income (Note 6).

On 7th October 2013, Pulse issued 48,333,334 shares for a consideration of $2,900,000. Of this, 10,000,000 shares were issued to a nominee of F. T. Dooley, a Director of the Company.

S. P. Roche is a Director of IT at Work Limited for which Group entities purchased IT equipment and computing peripherals from, worth $39,963 (2013: $1,050)

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

31 Group Entities

	Country of Incorporation	Ownership Interest	
		2014	**2013**
Electro Services Limited	New Zealand	100%	100%
Pulse Energy Limited	New Zealand	56%	69%

On 19 August 2011, the Group obtained control of Pulse Energy Limited by acquiring a further 65% of the shares and voting interests in the company. As a result, the Group's equity interest in PEL increased from 8% to 73%. In September 2011, PEL offered a Share Purchase Plan to its shareholders which diluted the Group's shareholding in PEL to 69%. In the current year further shares were issued. This diluted the Group's shareholding to 56.4%. As at acquisition date, the carrying amount of the Company's investment in Pulse Energy Limited was $393,614. As at 31 March 2014, the carrying amount of the Company's investment in Pulse Energy Limited was $9,713,614 (2013: $9,213,614) as during the current year BEL converted $500,000 of loans into equity as part of the shares issued by PEL. Pulse Energy Limited is an electricity retailer and metering business.

32 Subsequent event

There are no events occurring after balance date that require disclosure in these financial statements.

33 Statement of Service Performance

Company commercial performance targets	Actual 2014	Target 2014	Actual 2013	Target 2013
After tax return on shareholders funds	6.03%	7.60%	9.42%	5.50%
Return on total assets (%)	3.63%	4.40%	5.48%	3.30%
Equity ratio (%)	61.98%	58.00%	58.19%	63.00%
Network Capital Expenditure ($m)	$2.0	$2.0	2.2	2

Company directory

NATURE OF BUSINESS	Electricity Distribution Network Services Owner of an Electricity Contracting business and majority owner of an Electricity Retail business.
REGISTERED OFFICE	Robertson Street Westport 7825 New Zealand
DIRECTORS	Francis T. Dooley (Chairman) Murray W. Frost Warren B. McNabb Sharon P. Roche Peter W. Young *(Resigned 1 August 2013)* Graham A. Naylor *(Appointed 1 August 2013)*
MANAGEMENT	Erik C.Westergaard (Chief Executive) Alan G. Hawes (Operations Manager) Peter R. Best (Chief Financial Officer) Dale L. Ross (Engineering Manager) William J. Green* (General Manager Contracting - *Electro Services Ltd*) ** Resigned 31 October 2013*
SHAREHOLDER	Buller Electric Power Trust
AUDITOR	David Gates using the resources of KPMG on behalf of the Auditor General
BANKERS	Westpac Banking Corporation
SOLICITORS	Buddle Findlay (Christchurch)
BUSINESS LOCATION	Westport
POSTAL ADDRESS	PO Box 243 Westport 7866 New Zealand

For the year ended 31 March 2014

Statutory Disclosures

Remuneration of Directors

Remuneration and other benefits received or due by directors holding office during the year were as follows:

Company 2014			
F T Dooley	$50,000	G A Naylor	$16,000
W B McNabb	$22,333	S P Roche	$22,333
M W Frost	$22,333	P W Young	$7,283

Executive Employees Remuneration & Other Benefits

Remuneration band ($000)	Current and former employees
110-120	1
150-160	1
180-190	1
240-250	1

Disclosure of Interests

Section 139(1) of the Companies Act 1993 requires the directors of the company to disclose particular details of interest to the Board.

Directors Interests in Contracts

The following director has declared that she is to be regarded as having an interest in contracts made with the entity listed below by virtue of her directorship or membership of this entity.

SP Roche is a shareholder and director of ITatWork NZ Limited (trading as IT@work) which has provided services to Buller Electricity Limited and its subsidiaries valued at $39,963.

Directors Code of Governance

Directors in discharging their duties draw on and apply relevant Corporate Governance best practice principles in relation to Buller Electricity and its subsidiaries.

Directors Loans

There were no loans made by the company to directors.

Use of Company Information

During the year the Board received no notices from directors of the company requesting to use company information received in their capacity as directors.

Directors Insurance

The company has arranged for policies of directors liability insurance cover for $12.5 million, which ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded for example the incurring of penalties and fines which may be imposed in respect of breaches of the law.

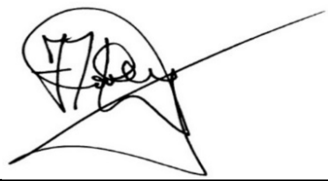
Auditor

In accordance with Section 45 of the Energy Companies Act 1992 the Controller and Auditor-General will be reappointed as auditor for the company. The Audit Service Provider is David Gates using the resources of KPMG on behalf of the Auditor General.

Dividends

As at 31 March 2014 the Directors have not recommended payment of any dividend to the Buller Electric Power Trust.

For and on behalf of the Board



Chairman

Director

30 June 2014