Buller Electricity Limited
Financial Statements
for the year ended 31 March 2015

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 2015 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 2013.

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 2015.

For and on behalf of the Board of Directors:

F T Dooley
Director
29 June 2015

G A Naylor
Director
29 June 2015

INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF
BULLER ELECTRICITY LIMITED GROUP'S
FINANCIAL STATEMENTS AND STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2015**

The Auditor-General is the auditor of Buller Electricity Limited and its New Zealand domiciled subsidiaries and other controlled entities. 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 the statement of service performance of the group, consisting of Buller Electricity Limited and its subsidiaries and other controlled entities (collectively referred to as 'the Group'), on her behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the Group on pages 5 to 31, that comprise the statement of financial position as at 31 March 2013 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and

- the statement of service performance of the Group on page 31.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2015 and
        - its financial performance and cash flows for the year then ended; and
    - have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards.

- the statement of service performance of the Group:
    - presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2015 and
    - has been prepared in accordance with generally accepted accounting practice.

Our audit was completed on 29 June 2015. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and in the statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Group's financial statements and statement of service performance in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

An audit also involves evaluating:

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

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and the statement of service performance.

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

Responsibilities of the Board of Directors

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

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

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

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. During the year KPMG provided tax training to the Group and provided an audit of regulatory disclosures.

Other than the audit, we have no relationship with or interests in the Group.

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 2015

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Operating revenue	5	110,958	83,231	9,915	9,726
Other income	6	1,938	310	826	948
Operating expenses	7	(107,299)	(82,270)	(6,272)	(5,820)
Administrative expenses	8	(7,017)	(6,532)	(1,801)	(2,703)
Restructuring expenses		-	25	-	-
Profit/(Loss) from operating activities before net finance costs,		(1,420)	(5,236)	2,668	2,151
Finance income	11	394	129	213	259
Finance expenses	11	(1,439)	(946)	(594)	(574)
Net finance costs		(1,045)	(817)	(381)	(315)
Profit/(Loss) before movement in the fair value of derivatives and income tax expense		(2,465)	(6,053)	2,287	1,836
Movements in fair value of electricity derivatives	16	2,852	8,671	-	-
Movements in fair value of MCN derivatives	22	55		-	-
Profit/(Loss) before income tax		442	2,618	2,287	1,836
Income tax expense	12	(114)	(472)	(686)	(416)
Profit/(Loss) for the year		328	2,146	1,601	1,420
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges		(75)	128	(75)	128
Income tax on items of other comprehensive income	12	21	(36)	21	(36)
Other comprehensive income, net of tax, that may be reclassified subsequently to profit and loss		(54)	92	(54)	92
Total comprehensive income for the year		274	2,238	1,547	1,512
Profit attributable to:					
Owners of the Company		184	1,931	1,601	1,420
Non-controlling interest		144	215	-	-
Profit for the year		328	2,146	1,601	1,420
Total comprehensive income attributable to:					
Owners of the Company		130	2,023	1,547	1,512
Non-controlling interest		144	215	-	-
Total comprehensive income for the year		274	2,238	1,547	1,512

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

Buller Electricity Limited
Statement of Financial Position
As at 31 March 2015

In thousands of New Zealand dollars

	Note	Group 2015	Group 2014	Company 2015	Company 2014
Assets					
Property, Plant and Equipment	13	26,374	25,914	25,582	24,711
Intangible Assets	14	1,154	3,053	316	206
Investment in subsidiaries		-	-	9,714	9,714
Security Bonds	15	3,420	3,168	-	-
Electricity Price Derivatives	16	4,524	3,030	-	-
Non-current assets		35,472	35,165	35,612	34,631
Cash and cash equivalents	18	5,069	970	146	15
Trade and other receivables	19	11,969	10,990	1,461	1,080
Loan to subsidiaries		0	-	3,430	3,349
Electricity Price Derivatives	16	2,328	1,566	-	-
Inventories	20	364	330	113	119
Current assets		19,730	13,856	5,150	4,563
Total assets		55,202	49,021	40,762	39,194

	Note	Group 2015	Group 2014	Company 2015	Company 2014
Liabilities					
Loans and borrowings	21	1,405	8,329	-	7,118
Finance lease liability	23	2	40	-	-
Electricity Price Derivatives	16	240	1,584	-	-
Other Derivatives		91	16	91	16
Deferred Tax Liabilities	17	3,536	3,944	4,145	3,979
Mandatory Convertible Notes	22	4,852	-	-	-
Non-current liabilities		10,126	13,913	4,236	11,113
Trade and other payables	24	15,193	12,577	2,677	2,047
Loans and borrowings	21	9,709	3,440	8,009	1,741
Finance lease liability	23	26	101	-	-
Electricity Price Derivatives	16	1,166	418	-	-
Current liabilities		26,094	16,536	10,686	3,788
Total liabilities		36,220	30,449	14,922	14,901
Equity					
Share capital	25	7,550	7,550	7,550	7,550
Reserves	25	707	(324)	657	(205)
Retained earnings		8,785	8,869	17,633	16,948
Equity attributable to owners of the Company		17,042	16,095	25,840	24,293
Non-controlling interest		1,940	2,477	-	-
Total equity		18,982	18,572	25,840	24,293

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 2015

In thousands of New Zealand dollars

Group

	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	25								
Balance at 1 April 2013		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
Equity raising cost		-	-	-	-	(45)	(45)	0	(45)
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

Group

	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	25								
Balance at 1 April 2014		7,550	724	(1,035)	(13)	8,870	16,096	2,477	18,573
Profit for the year		-	-	-	-	184	184	144	328
Other Comprehensive Income									
Net fair value gain/(loss) on equity instruments		-	-	-	-	-	-	-	-
Transfer of share ownership reserves		-	-	171	-	(171)	-	-	-
Transfer of unrecoverable revaluation losses		-	-	916	-	(916)	-	-	-
Effective portion of changes in fair value of cash flow hedges		-	-	-	(75)	-	(75)	-	(75)
Income tax on items of other comprehensive income		-	-	-	21	-	21	-	21
Total other comprehensive income for the year		-	-	1,087	(54)	(1,087)	(54)	-	(54)
Total comprehensive income for the year		-	-	1,087	(54)	(903)	130	144	274
Transactions with owners of the Company									
Contributions by and distributions to owners of the Company									
New shares issued and interest dilution		-	-	(43)	-	815	772	(681)	91
Dividends to equity holders		-	-	-	-	-	-	-	-
Equity raising cost		-	-	-	-	(1)	(1)	-	(1)
Share purchase payment		-	-	-	-	-	-	-	-
Share-based payments in equity instruments of subsidiaries		-	-	45	-	-	45	-	45
Lapse or cancellation of employee share options		-	-	(4)	-	4	0	-	0
Non-refundable share options not exercised in subsidiaries		-	-	-	-	-	0	-	-
Total contributions by and distributions to owners of the Company		-	-	(2)	-	818	816	(681)	135
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	-	-	-
Total transactions with owners of the Company		-	-	-	-	-	-	-	-
Balance at 31 March 2015		7,550	724	50	(67)	8,785	17,042	1,940	18,982

Buller Electricity Limited
Statement of Changes in Equity
For the Year Ended 31 March 2015

In thousands of New Zealand dollars

Company

	Note	Share capital	Revaluation reserve	Cash Flow Hedge Reserve	Investment reserve	Retained earnings	Total equity
	25						
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
Net fair value gain/(loss) on equity instruments		-	-	-	-	-	-
Income tax on items of other comprehensive income		-	-	(36)	-	-	(36)
Total comprehensive income for the year		-	-	92	0	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

	Note	Share capital	Revaluation reserve	Cash Flow Hedge Reserve	Investment reserve	Retained earnings	Total equity
	25						
Balance at 1 April 2014		7,550	724	(13)	(916)	16,948	24,293
Profit for the year		-	-	-	-	1,601	1,601
Other Comprehensive Income							
Transfer of unrecoverable revaluation losses					916	(916)	
Effective portion of changes in fair value of cash flow hedges		-	-	(75)	-	-	(75)
Income tax on items of other comprehensive income		-	-	21	-	-	21
Total comprehensive income for the year		-	-	(54)	916	685	1,547
Transactions with owners of the Company							
Contributions by and distributions to owners of the Company							
Dividends to equity holders		-	-	-	-	-	-
Balance at 31 March 2015		7,550	724	(67)	0	17,633	25,840

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

Buller Electricity Limited
Statement of Cash Flows
For the Year Ended 31 March 2015

In thousands of New Zealand dollars

	Note	Group 2015	Group 2014	Company 2015	Company 2014
Cash flows from operating activities					
Cash receipts from customers		111,781	81,699	10,275	10,447
Cash paid to suppliers and employees		(108,918)	(79,610)	(6,672)	(6,864)
Interest received		318	128	80	110
Dividends received		3	2	-	-
Interest paid		(737)	(581)	(606)	(555)
Income tax received (paid)		(255)	0	(189)	0
Net cash from operating activities	*30*	2,192	1,638	2,888	3,138
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		74	49	-	-
Purchase of equity investments		-	-	-	(500)
Acquisition of subsidiary, net of cash acquired		-	-	-	-
Payment for Security Bond		388	(1,331)	-	-
Purchase of property, plant and equipment		(2,010)	(2,840)	(1,815)	(2,556)
Purchase of intangible assets and development expenditure		(319)	(596)	(145)	(206)
Loan to subsidiaries			-	53	1,043
Net cash from (used in) investing activities		(1,867)	(4,718)	(1,907)	(2,220)
Cash flows from financing activities					
Proceeds from borrowings		-	1,698	-	-
Proceeds from shareholder loans		-	-	-	-
Proceeds from issue of mandatory convertible notes		4,810	-	-	-
Issue costs of mandatory convertible notes		(229)	-	-	-
Proceeds from issue of shares		157	3,915	-	-
Equity Raising Costs		(1)	(45)	-	-
Repayment of advances		-	-	-	-
Repayment of borrowings		(850)	(1,525)	(850)	(950)
Payment of finance leases		(113)	(130)	-	-
Net cash from (used in) financing activities		3,774	3,913	(850)	(950)
Net (decrease)/increase in cash and cash equivalents		4,099	833	131	(32)
Cash and cash equivalents at beginning of year		970	137	15	47
Cash and cash equivalents at end of year	*18*	5,069	970	146	15

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 2015 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 29 June 2015.

(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

Except as described below, the accounting policies and methods of computation 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 2014.

Certain comparatives have been updated to reflect current year presentation.

(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 4(c), (d); and
- Note 26 - Determination of fair value of financial instruments.

(f) Standards issued but not yet effective

The Group has not elected to early adopt the following new standard:

- NZIFRS 15: Revenue from Contracts with Customers. This standard replaces NZ IAS 18: Revenue and related interpretations. NZIFRS 15 is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The Group is currently evaluating the impact of the new standard.

(g) Goods and Services Tax (GST)

All amounts are shown exclusive of Goods and Services (GST), except for receivables and payables, which are stated inclusive of GST. The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables/payables in the Statement of Financial Position.

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 (except for the property, plant and equipment of Pulse Energy Limited, which are depreciated on a diminishing value 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 – 16 years SL
- plant and equipment 2 – 30 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) Development

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 on a completed contract basis.

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.

For Pulse, Meter services revenue is charged and recognised on a per day basis.

(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. Interest expense is accrued on a time basis using the effective interest method

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 2015	Group 2014	Company 2015	Company 2014
Line Charges	8,340	8,114	9,561	9,377
Capital Contributions	250	214	250	214
Vested assets	71	117	71	117
Contracting revenue	2,595	1,413	33	18
Total Line and Contracting revenue	11,256	9,858	9,915	9,726
Retail electricity revenue	99,407	73,060	-	-
Meter service revenue	295	313	-	-
Total Retail and Metering revenue	99,702	73,373	-	-
Total operating revenue	**110,958**	**83,231**	**9,915**	**9,726**

6 Other Income

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Guarantee Fees	*31*	-	-	566	845
Bad debts recovered		430	-	-	-
Rentals and sundry income		1,508	310	260	103
		1,938	**310**	**826**	**948**

7 Operating expenses

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Operating expenses include:					
Depreciation and Amortisation	*13, 14*	3,649	4,656	1,170	966
Transmission costs		3,133	2,902	3,133	2,902
Electricity, gas, line and meter costs		89,255	62,897	-	-

8 Administrative expenses

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Administrative expenses include:					
Impairment of property, plant and equipment		60	-	-	-
Net loss on sale/disposal of property, plant and equipment		84	262	152	259
Provision for Impairment of Trade Receivables	*26*	998	1,368	(4)	0
Directors' Fees		376	364	128	137
Rent & Leasing Costs		543	626	0	8
Community Sponsorships		56	156	56	156
Auditor's remuneration to KPMG comprises:					
Audit fees		215	197	75	67
Other audit-related services		19	32	19	21
Other professional services		4	28	4	28
Total auditor's remuneration		238	257	98	116

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 training services on Tax Accounting and Compliance provided by KPMG Wellington for the Group.

9 Personnel expenses

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

In thousands of New Zealand dollars		Group 2015	Group 2014	Company 2015	Company 2014
Wages and salaries		9,435	9,274	1,194	1,221
Contributions to defined contribution plans		91	99	32	40
Equity settled share-based payments	*10*	45	52	-	-
		9,571	**9,425**	**1,226**	**1,261**

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 2015	Group 2014	Company 2015	Company 2014
Share-based payment transactions-employee compensation	45	52	-	-
	45	**52**	**-**	**-**

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 2013). 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 expirewithin 15 business days of a successful takeover bid.
- 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 2015	Group 2014
Number of options outstanding at the beginning of the year (000's)	5,461	2,896
Number of options granted during the year (000s)	2,160	3,490
Number of options exercised during the year (000s)	(2,621)	(250)
Number of options cancelled/expired during the year (000s)	(1,050)	(675)
Number of options outstanding at the end of the year (000s)	3,950	5,461

The weighted average exercise price of options exercisable at the end of the year was $0.06 (2014:$0.06). The weighted average exercise price of options granted during the year was $0.06 (2014: $0.06).

The weighted average vesting period remaining for the share options outstanding as at 31 March 2015 is 0.5 years (2014: 0.61 years). The weighted average exercise price of options not yet exercisable at the end of the year was $0.06 (2014: $0.06).

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 2015	Group 2014
Share price at date of issue	$0.07	$0.06
Employee exit rates	21%	17%
Employee exercise multiple	1	1
Share price volatility	55%	55%
Risk free rate	3.20%	4.20%
Dividend rate	0%	0%

11 Finance income and expense

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Interest income on financial assets measured at amortised cost		394	129	213	259
Finance income		**394**	**129**	**213**	**259**

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
Interest expense on financial liabilities measured at amortised cost	(1,439)	(946)	(594)	(574)
Finance expense	**(1,439)**	**(946)**	**(594)**	**(574)**

12 Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
Current tax expense				
Current period	66	200	533	260
Losses utilised in current year	-	-	-	0
Adjustment for prior periods	(61)	(45)	(34)	(29)
	5	**155**	**499**	**231**
Deferred tax expense				
Origination and reversal of temporary differences	96	317	204	185
Adjustments for prior periods	13	0	(17)	0
Total deferred tax expense	109	317	187	185
Income tax expense/(benefit) for the year	**114**	**472**	**686**	**416**

Income tax expense for the year

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
Profit/(Loss) before tax	442	2,618	2,287	1,836
Income tax:				
Income tax (expense)/benefit for period	(124)	(733)	(640)	(514)
Subvention payment / Loss utilisation	52	318	-	59
Other	(42)	(57)	(46)	39
Income tax (expense)/benefit on profit or loss	**(114)**	**(472)**	**(686)**	**(416)**
Profit after income tax	328	2,146	1,601	1,420
Reconciliation of effective tax rate				
Profit before tax	442	2,618	2,287	1,836
Income tax using domestic tax rate 28% (2012: 28%)	124	733	640	514
Adjustments:				
Losses utilised within Group	(52)	(59)	-	(59)
Non-deductible expenses	7	173	1	2
Unrecognised losses	-	(363)	-	-
Recognition of deferred tax not previously recognised	-	-	-	-
Other	35	(12)	45	(41)
Under/(over) provided in prior periods	-	-	-	0
	114	**472**	**686**	**416**

Tax on items of Other Comprehensive Income

	Company and Group					
	2015			2014		
In thousands of New Zealand dollars	**Before Tax**	**Tax (expense) benefit**	**Net of Tax**	**Before Tax**	**Tax (expense) benefit**	**Net of Tax**
Effective portion of changes in fair value of cash flow hedges	(75)	21	(54)	128	(36)	92
	(75)	**21**	**(54)**	**128**	**(36)**	**92**

Imputation credits available for use in subsequent reporting periods

The imputation credits available to the Group for use in subsequent reporting periods is $1,441 thousand, and for the Company is $1,323 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 $13,713,974 (2014: $10,902,422). No deferred tax asset has been recognised in respect of these losses.

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 2013	26,402	610	1,366	1,826	75	3,839	34,118
Acquisition through business combination	-	-	-	-	-	-	-
Additions	1,677	-	138	-	46	315	2,177
Disposals	(252)	-	-	(51)	(73)	(37)	(413)
Transfer between asset classes	-	-	-	-	-	-	-
Balance at 31 March 2014	27,827	610	1,504	1,775	48	4,117	35,882
Balance at 1 April 2014	27,827	610	1,504	1,775	48	4,117	35,882
Additions	1,845	-	4	80	-	207	2,136
Disposals	(164)	-	-	(15)	-	-	(179)
Balance at 31 March 2015	29,508	610	1,508	1,840	48	4,324	37,839
Depreciation and impairment losses							
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
Balance at 1 April 2014	6,036	-	236	1,324	-	2,383	9,980
Depreciation for the year	840	-	26	103	10	446	1,425
Impairment losses	-	-	-	-	-	60	60
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2015	6,876	-	263	1,427	10	2,889	11,465
Carrying amounts							
At 1 April 2013	21,176	610	1,158	594	62	1,949	25,550
At 31 March 2014	21,797	610	1,268	454	49	1,734	25,912
At 31 March 2015	22,632	610	1,245	413	39	1,435	26,374

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 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
Balance at 1 April 2014	28,671	610	1,485	1,109	1,579	33,454
Additions	2,075	-	4	-	93	2,172
Disposals	(166)	-	-	-	-	(166)
Balance at 31 March 2015	30,581	610	1,489	1,109	1,672	35,460
Depreciation and impairment losses						
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
Balance at 1 April 2014	6,036	-	229	1,073	1,405	8,743
Depreciation for the year	996	-	25	13	100	1,135
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 March 2015	7,032	-	254	1,086	1,505	9,878
Carrying amounts						
At 1 April 2013	21,642	610	1,145	52	249	23,698
At 31 March 2014	22,635	610	1,256	36	174	24,711
At 31 March 2015	23,548	610	1,234	23	167	25,582

In 2015, Pulse Energy Limited recognised an impairmant charge ($59.5K) against legacy electricity meters it had been carrying as Plant and Equipment. It is intended to replace these meters with smart meters, and the impairment charge reduces the carrying value of the legacy meters to the estimated recoverable amount. The impariment charge appears in Administrative expenses.
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 NorWest Valuations Limited, dated 4 May 2015), 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 26.
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 (2014: $114,458) and the carrying value of buildings would be $1,049,553 (2014: $1,045,553 corrected from $837,033). For the Company, the carrying value of land would be $114,458 (2014: $114,458) and the carrying value of buildings would be $1,037,671.25 (2014: $1,033,671.25 corrected from $825,151).

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 23. The carrying amounts at balance date are:

	2015	2014
Hardware and office equipment	42	71
Laptops and personal computers	2	3
	44	74

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 2013	528	192	6	4,825	100	5,650
Year ended 31 March 2014						
Acquisition through business combination	-	-	-	-	-	-
Additions	434	154	8			596
Disposals	(3)					(3)
Amortisation	(170)	(192)	(4)	(2,824)	-	(3,190)
Impairment losses charged to profit or loss	-	-	-	-	-	-
Carrying amount at 31 March 2014	789	154	10	2,001	100	3,053
Year ended 31 March 2015						
Additions	180	145	-	-	-	325
Disposals	-					-
Amortisation	(188)	(29)	(6)	(2,001)	-	(2,223)
Carrying amount at 31 March 2015	781	270	4	(0)	100	1,155

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 2013	-	-	-	-	-	-
Additions	52	154	-	-	-	206
Amortisation	-	-	-	-	-	-
Carrying amount at 31 March 2014	52	154	0	0	0	206
Year ended 31 March 2015						
Additions	-	145	-	-	-	145
Amortisation	(6)	(29)	-	-	-	(35)
Carrying amount at 31 March 2015	46	270	0	0	0	316

On 1 October 2014, the Company commissioned the first stage of its Financial Management Information System. The software and development costs incurred to 1 October 2014 have been amortised from this date. Project costs relating to the second stage have been capitalised as development costs but have not been amortised as this stage of the project has not been completed.

The Group has leased certain computer software under a finance lease (Note 23). The carrying amount at balance date is:

	2015	2014
Computer software	46	61

15 Security Bonds

	Group		Company	
In thousands of New Zealand dollars	2015	2014	2015	2014
Security Bonds	3,420	3,202	-	-

Security Bonds comprise of cash deposits with the New Zealand Exchange Limited (NZX) in its capacity as Clearing Manager in accordance with the Electricity Industry Participation Code 2010, security deposits with electricity lines businesses in accordance with electricity network use of systems agreements, and security deposits and initial margins with electricity derivative counterparties. Security is also provided in the form of bank guarantees. The total value of bank guarantees on issue at 31 March 2014 was $6,303,000 (2014: $6,587,500). Refer Note 29.
In addition to the electricity industry security bonds, $15,000 is held by the NZX in its role as trading exchange for the Company's shares.

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	2015	2014
Current assets	2,328	1,566
Non-current assets	4,524	3,030
Current liabilities	(1,166)	(418)
Non-current liabilities	(240)	(1,584)
Carrying value at end of year	**5,446**	**2,594**

The non-cash total change in fair value of electricity price derivatives recorded in the statement of comprehensive income of (gain) $2,852,102 (2014: (gain) $8,670,760) is due to movements 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 2015	Group 2014	Company 2015	Company 2014
Deferred tax asset	446	452	76	51
Deferred tax liabilities	(3,982)	(4,396)	(4,221)	(4,030)
Net Deferred tax liability	(3,536)	(3,944)	(4,145)	(3,979)

Deferred tax assets and liabilities are attributable to the following:

Group

In thousands of New Zealand dollars	Assets 2015	Assets 2014	Liabilities 2015	Liabilities 2014	Net 2015	Net 2014
Property, plant and equipment	-	-	(3,954)	(3,836)	(3,954)	(3,836)
Intangible assets	-	-	(28)	(560)	(28)	(560)
Bad debt provision	257	271	-	-	257	271
Losses available	-	-			-	-
Other Derivatives	25	4			25	4
Employee Benefits	164	177	-	-	164	177
Other	-	-			-	-
Net tax assets/(liabilities)	446	452	(3,982)	(4,396)	(3,536)	(3,944)

Company

In thousands of New Zealand dollars	Assets 2015	Assets 2014	Liabilities 2015	Liabilities 2014	Net 2015	Net 2014
Property, plant and equipment	-	-	(4,221)	(4,030)	(4,221)	(4,030)
Bad debt provision	1	-	-	-	1	-
Other Derivatives	25	4	-	-	25	4
Employee Benefits	50	47	-	-	50	47
Net tax assets/(liabilities)	76	51	(4,221)	(4,030)	(4,145)	(3,979)

Movement in temporary differences during the year:

Group

In thousands of New Zealand dollars	Balance 1-Apr-13	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combination	Balance 31-Mar-14	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-15
Property, plant and equipment	(3,719)	(117)		-	(3,836)	(118)		(3,954)
Intangible assets	(1,346)	786		-	(560)	532		(28)
Bad debt provision	274	(3)	-	-	271	(14)	-	257
Losses available	-	-		-	-	-		-
Other Derivatives	41	-	(37)	-	4	-	21	25
Employee Benefits	141	36		-	177	(13)		164
Other	89	(89)			-	-		-
	(4,520)	613	(37)	-	(3,944)	387	21	(3,536)

Company

In thousands of New Zealand dollars	Balance 1-Apr-13	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-14	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-15
Property, plant and equipment	(3,855)	(175)	-	(4,030)	(191)	-	(4,221)
Other Derivatives	40	-	(36)	4	-	21	25
Bad debt provision	-		-	-	1	-	1
Employee Benefits	58	(11)	-	47	3	-	50
	(3,757)	(186)	(36)	(3,979)	(187)	21	(4,145)

18 Cash and cash equivalents

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
Bank balances	5,069	970	146	15
	5,069	**970**	**146**	**15**

19 Trade and other receivables

In thousands of New Zealand dollars	Note	Group 2015	Group 2014	Company 2015	Company 2014
Trade receivables		12,328	11,426	837	604
Less: Provision for impairment of trade receivables		(918)	(967)	(4)	-
Trade receivables-net		11,410	10,459	833	604
Due from related party	*31*	-	-	349	336
Prepayments		162	178	102	68
Income tax receivable		-	-	-	-
Other receivables		397	353	177	73
Short term loan		-	-	-	-
		11,969	**10,990**	**1,461**	**1,080**

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

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 26.

20 Inventories

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
Work in progress	141	90	4	13
Finished Goods	223	240	109	106
	364	**330**	**113**	**119**

Inventories recognised as an expense for the year ended 31 March 2015 totalled $1,143,383 (2014: $890,875) for the Group and $Nil (2014: $Nil) 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 2015	Group 2014	Company 2015	Company 2014
Unsecured Loan - Buller Electric Power Trust	30	1,741	1,741	1,741	1,741
Unsecured term loans		1,405	1,211		
Interest free loan		-	-	-	-
Secured loan		7,968	8,818	6,268	7,118
		11,114	11,770	8,009	8,859
Current		9,709	3,441	8,009	1,741
Non-current		1,405	8,329	-	7,118
		11,114	11,770	8,009	8,859

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.

At 31 March 2015 the Company and Pulse both held a multi-option credit facility that matured on 30 September 2015, but these facilities were actively in the process of being renegotiated (see Note 33). The facility limit is $9m 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.

There is a balance drawn down by the Company on the multi-option credit facility at 31 March 2015 of $6,268,513 (2014: $7,118,513). This carries an interest rate determined at the time amounts are drawn down plus a margin of 1.75%. The Company's facility is subject to a negative pledge over the assets of the Group. Pulse has drawn down $1,700,303 of its facility at 31 March 2014 (2014: $1,699,512). Pulse has provided a first ranking General Security to the bank as security for the loans drawn.

22 Mandatory convertible notes

In thousands of New Zealand dollars	Note	Group 2015	Group 2014
Liability component carried at amortised cost		4,469	-
Embedded derivative at fair value through profit and loss		383	
		4,852	0

Mandatory convertible notes (MCNs), which have a face value of $4.81 million, were issued by Pulse Energy Limited in three tranches between 13 November 2014 and 23 December 2014. Interest is payable on the notes at a rate of 10% per annum paid six monthly in arrears. The notes mature on 31 October 2017 at which time they will be converted to ordinary shares. The number of conversion shares to be issued to note holders will be determined by dividing the face value of the notes held by the conversion share price. The conversion share price means the lower of the average market price or NZ$0.10 (Price Cap). The average market price means a 10% discount to the volume weighted average price of a Pulse share on the NZAX over the twenty business day period preceding the maturity date.

When determining the principal value of the loan component at maturity the price cap is ignored, as this is accounted for separately, however standards require that the cost of issuing shares at a 10% discount to the fair value of shares at maturity needs to be recognised. The presence of this discount in the conversion feature means that for every $1 face value of note the expected principal value of the debt component at maturity date is considered to be $1.111. The effective interest rate required to accrete the carrying value of the loan component from inception, after allowing for coupon payments, to the principal value at maturity is 18.2%. This means that the interest expense recognised in the income statement will be based on 18.2% while the interest paid in the cash flow statement will be at 10%.

There is a derivative component embedded into the notes by reason of the price cap implicit in the conversion share price. This component has been separately valued using a Black Scholes option pricing model and is classified as Level 3 in the fair value hierarchy. Subsequent changes in valuation of this component will be recognised through the income statement.

The input assumptions in the option pricing model are the Pulse Share price, time to maturity, exercise price, risk free rate and volatility of share price returns. The risk free rate applied is a continuously compounded rate based on the interpolated average of the 1 year and 5 year New Zealand Government Bond yields. A point estimate of volatility equal to 37.5% was assessed and applied by an independent expert when valuing the embedded derivative at inception. Due to the short period from inception to year end the volatility assumption has not been reassessed. The following table demonstrates the movement in fair value of the embedded derivative from opening to closing:

In thousands of New Zealand dollars	Group	
	2015	**2014**
Balance at beginning of year	-	-
Fair value recognised on inception	438	-
Fair value gain/(loss) on embedded derivative MCN recognised in profit and loss	(55)	-
Balance at end of year	383	0

Although Pulse believes that the above estimate of the fair value of the embedded derivative is appropriate, the use of a different methodology or assumptions could lead to a different measurement of fair value. In this case the most significant unobservable input relates to the volatility in share price returns. If volatility of 35% had been applied the income statement would have been favourably impacted by $50,564, while volatility of 40% would unfavourably impact the income statement by $51,626.

23 Finance lease liability

In thousands of New Zealand dollars	Group	
	2015	**2014**
Finance Lease and Hire Purchase Contracts		
Minimum lease payments		
Less than 1 year	27	113
Between 1 – 5 years	2	41
Greater than 5 years	-	-
Total future minimum lease payments	29	154
Less future finance charges	(1)	(13)
Present value of finance lease liability	28	141
Current portion	27	113
Less future finance charges	(1)	(12)
Total Current Portion	26	101
Non-current portion	2	41
Less finance charges	(0)	(1)
Total Term Portion	2	40

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% (2014: 11% and 20%). 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).

24 Trade and other payables

		Group		Company	
In thousands of New Zealand dollars	**Note**	**2015**	**2014**	**2015**	**2014**
Current					
Trade payables and accruals		13,804	11,077	470	618
Due to related party	*31*	-	-	1,234	921
Employee entitlements		485	696	155	215
Income tax payable		546	235	546	235
Other payables		348	570	272	58
Provision for remediation costs on closed jobs		10	-	-	-
Income received in advance		-	-	0	-
Total		15,193	12,578	2,677	2,047
Non-Current					
Deferred Income - Guarantee Fee		-	-	-	-
Total Trade and Other Payables		15,193	12,578	2,677	2,047

25 Capital and reserves

The Company has 7,550,000 (2014: 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 2015 (2014: $nil)

Notes to the financial statements (continued)

26 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 2015**	**Impairment 2015**	**Net receivable 2015**	**Gross receivable 2014**	**Impairment 2014**	**Net receivable 2014**
Trade receivables						
Current	9,907	-	9,907	9,059	-	9,059
Past due 0-30 days	1,056	-	1,056	951	-	951
Past due 31-60 days	192	-	192	206	-	206
Past due more than 61 days	1,173	(918)	255	1,211	(967)	244
Total	**12,328**	**(918)**	**11,410**	**11,427**	**(967)**	**10,460**

Company

In thousands of New Zealand dollars	**Gross receivable 2015**	**Impairment 2015**	**Net receivable 2015**	**Gross receivable 2014**	**Impairment 2014**	**Net receivable 2014**
Trade receivables						
Current	1,135	-	1,135	915	-	915
Past due 0-30 days	-	-	-	23	-	23
Past due 31-60 days	-	-	-	-	-	-
Past due more than 61 days	6	(4)	2	2	-	2
Total	**1,141**	**(4)**	**1,137**	**940**	**0**	**940**

Movement in Provision for impairment of trade receivables

In thousands of New Zealand dollars	Group 2015	Group 2014	Company 2015	Company 2014
At the beginning of the year	(967)	(978)	-	-
Acquired at acquisition	0	0	-	-
Less bad debts written off	1,047	1,379	-	-
Charged to profit and loss	(998)	(1,368)	(4)	-
Provision for impairment of trade receivables	**(918)**	**(967)**	**(4)**	**-**

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-15

	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	*24*	15,193	15,193	15,193	-	-	-
Finance lease liability	*23*	28	29	27	2	-	-
Loans and borrowings	*21*	11,114	11,409	9,715	1,694	-	-
Mandatory convertible notes	*22*	4,852	(1,416)	(453)	(482)	(481)	
		31,187	25,215	24,482	1,214	(481)	-
Derivative financial liabilities							
Electricity Price Derivatives	*16*						
- Inflow		(6,852)	(5,635)	(2,542)	(3,054)	(39)	-
- Outflow		1,406	1,203	1,148	55	0	-
Interest Rate Swaps		91	91	-	33	58	-
Total financial liabilities		25,832	20,873	23,087	(1,752)	(462)	0

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	*24*	12,579	12,579	12,579	-	-	-
Finance lease liability	*23*	141	153	125	28		-
Loans and borrowings	*21*	11,770	11,740	1,741	8,788	1,211	-
Mandatory convertible notes		-	-	-	-	-	-
		24,489	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		21,912	22,021	11,470	9,293	1,258	0

Company

	Note	31-Mar-15 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	*24*	2,677	2,677	2,677			
Loans and borrowings	*21*	8,009	8,009	8,009	-		
Total financial liabilities		**10,686**	**10,686**	**10,686**	**-**	**-**	**-**
Derivative financial liabilities							
Interest rate swaps		91	91		33	58	
Total financial liabilities		**91**	**91**	**-**	**33**	**58**	**-**

	Note	31-Mar-14 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	*24*	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**	

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 2015 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	2015		2014	
	Profit/loss	Equity	Profit/loss	Equity
A 10% increase in electricity forward price	8,095	8,095	9,964	9,964
A 10% decrease in electricity forward price	(7,877)	(7,877)	(9,958)	(9,958)

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.

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 2015 *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	-	-	5,069	5,069	5,069
Trade and other receivables	-	-	11,969	11,969	11,969
Security Bond	-	-	3,420	3,420	3,420
Electricity Price Derivatives	-	6,852	-	6,852	6,852
Total financial assets	-	6,852	20,458	27,310	27,310

Financial Liabilities-under IAS 39					
Trade and other payables	-	-	15,193	15,192	15,192
Loans and borrowings	-	-	11,114	11,114	11,095
Finance lease liability	-	-	27	27	27
Electricity Price Derivatives	-	1,406	-	1,406	1,406
Other derivatives	91	-	-	91	91
Mandatory convertible notes	-	383	4,469	4,852	4,852
Total financial liabilities	91	1,789	30,803	32,682	32,663

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	-	-	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

Company

Year ended 31 March 2015 *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	-	-	146	146	146
Trade and other receivables	-	-	1,461	1,461	1,461
Loan to subsidiaries	-	-	3,430	3,430	3,430
Total financial assets	-	-	5,037	5,037	5,037

Financial Liabilities - under IAS 39					
Trade and other payables	-	-	2,677	2,677	2,677
Loans and borrowings	-	-	8,009	8,009	8,009
Other Derivatives	91	-	-	91	91
Total financial liabilities	91	-	10,686	10,777	10,777

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

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 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Electricity price derivatives - Contracts for Difference	-	-	3,304	3,304
Electricity price derivatives - Futures	-	1,076	-	1,076
Electricity price derivatives - Options	-	-	(258)	(258)
Electricity price derivatives - Financial transmission rights			127	127
Electricity price derivatives - Generation purchase agreements	-	-	1,196	1,196
Interest Rate Swaps	-	(91)	-	(91)
	-	985	4,369	5,354

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)
	0	434	2,144	2,578

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	
	2015	**2014**
	$	$
Balance at the beginning of the year	2,144	(5,785)
Transfers	-	-
Total gain/(losses) recognised in the Income Statement (Fair Value Gains/(Losses) on Electricity Derivatives)	2,226	7,929
	4,370	**2,144**

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 5% (2014: 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 altered 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 2015	$	$
Contracts for Difference - For location factor	92,334	(92,334)
Contracts for Difference - For adjustment factor	1,057,858	(1,057,858)
Generation purchase agreements	382,696	(382,696)
Electricity Options	13,613	(11,971)
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)

Company

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

27 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	
	2015	**2014**	**2015**	**2014**
Within one year	819	721	15	15
After one year but no more than five years	1,516	2,285	4	18
More than five years	-	-	-	-
	2,335	3,006	19	33

28 Capital and other 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, providing the sponsorship does not adversely affect the Company's financial position. No sponsorship has been paid or provided in respect of the year ended 2015. The Board is in discussions with the Council regarding this.

29 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

Throughout the year Buller Electricity Limited has continued to provide 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 2015, PEL has drawn down $9,000,000 (2014: $9,000,000) with Westpac.
Subsequent to balance date, Westpac permanently released the Company from its guarantee obligations (see Note 33).

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

In thousands of New Zealand dollars	Group		Company	
	2015	**2014**	**2015**	**2014**
Profit for the period after tax	328	2,146	1,601	1,420
Adjustments for:				
Tax expense	114	472	686	416
Depreciation	1,424	1,458	1,135	966
Amortisation of intangible assets	2,223	3,190	35	-
Net (Profit)/Loss on Sale of Fixed Assets	84	311	152	259
Net value change in derivatives	(2,960)	(8,671)	(54)	-
Deferred Income	-	-	-	(518)
Share-based payments expense	45	52	-	-
Amortisation of imputed interest on Unsecured Loans	194	168	-	-
Bad and doubtful debts	998	1,369	4	-
Vested assets	(71)	(117)	(71)	(117)
Impairment of assets	60	-	-	-
Elimination of intercompany margin on capital works	166	371	-	-
Non cash interest charge on mandatory convertible not	155	-	-	-
Expenditure paid on behalf of Electro Services Limited	-	-	-	267
Change in deferred tax asset/liability	165	-	165	-
Change in trade and other receivables	(2,376)	(2,565)	(542)	54
Intercompany balances initially included in receivables	-	-	-	(164)
Change in inventories	27	296	8	369
Change in trade and other payables	1,886	2,362	39	(611)
PPE recognised in trade and other payables	(270)	435	(270)	435
Non cash balances recognised in trade and other paya	-	361	-	362
Net cash from operating activities	**2,192**	**1,638**	**2,888**	**3,138**

31 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 and directors' compensation comprised:

In thousands of New Zealand dollars	Company	
	2015	**2014**
Short-term employee benefits (salaries & Directors' fees)	793	906
Other long-term benefits	-	-
Other post employment benefits	-	-
	793	**906**

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 manageement 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	
		2015	2014	2015	2014
Company and Group					
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
Interest charged to Pulse Energy Limited		76	94	-	4
Interest bearing loans and advances to Electro Services Limited				3,430	2,849
Interest charged to Electro Services Limited		137	163	-	-
Non-interest bearing advances to Electro Services Limited				-	-
Deferred income-Guarantee fee from Pulse Energy Limited		-	518	-	-
Guarantee fee from Pulse Energy Limited		566	327	45	45
Purchases from Electro Services Limited		3,236	2,906		
Charges from the Company to Electro Services Limited		312	220		
Line charges from the Company to Pulse Energy Limited		1,221	1,263	90	109
Director Fees from Pulse Energy Limited to the Company		18	40	-	-
Trade and other receivables due from susidiaries	*Note 19*			349	336
Trade and other creditors owed to subsidiaries	*Note 24*			1,234	921

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 $566,000 in 2015 (2014: $845,000) is recognised in other income (Note 6). Subsequent to balance date, Pulse negotiated new banking arrangements with the BNZ, and no longer required any guarantee facility from the Company (see Note 33).

S. P. Roche is a Director of IT at Work Limited for which Group entities purchased IT equipment and computing peripherals from, worth $19,040 (2014: $39,963). A closely held company associated with the CFO also provided services to the Company during the year worth $12,600 (2014: $nil). 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.

32 Group Entities

	Country of Incorporation	Ownership Interest	
		2015	2014
Electro Services Limited	New Zealand	100%	100%
Pulse Energy Limited	New Zealand	56.0%	56.4%

Pulse Energy Limited is an electricity retailer and metering business.
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 subsequent years, including the current year, further PEL shares were issued. BEL last acquired PEL shares when it converted $500,000 of loans into equity as part of the shares issued by PEL in 2014. Overall, the issue of shares by PEL has diluted the Company's shareholding in PEL to 55.99% as at 31 March 2015 (2014: 56.44%). As at acquisition date, the carrying amount of the Company's investment in Pulse Energy Limited was $393,614. As at 31 March 2015, the carrying amount of the Company's investment in Pulse Energy Limited was $9,713,614 (2014: $9,713,614). Independent valuations of PEL have been provided to PEL and BEL in support of new funding arrangements.

33 Subsequent events

Subsequent to balance date the Company entered into an additional $2m peak funding agreement with Pulse, which matures in July 2016. This supplements an 'omnibus' $2.5m peak funding agreement negotiated with Pulse in November 2014 which effectively rolled up all previous funding arrangements between the Company and Pulse.
Further, on 12 June Pulse signed a three year Multi Option Facility Agreement with the Bank of New Zealand. The Bank of New Zealand facility is based around an invoice financing structure and the available facility is linked to Pulse's receivables - with a maximum available facility of $10,000,000. The BNZ arrangements have replaced Pulse's Westpac facility and Westpac's general security over the assets of Pulse will be replaced by a Bank of New Zealand general security. As a consequence, Westpac has released Buller Electricity Limited from its guarantee of Pulse's Westpac facility, and has renegotiated the Company's MOCL facility. From 25 June 2015, the Company's facility limit increases from $9m to $11.5m, and there is no longer any annual reduction of the facility limit. The renegotiated MOCL has an expiry date of 31 July 2016.

34 Statement of Service Performance

Company commercial performance targets (BEL & ESL)	Actual 2015	Target 2015	Actual 2014	Target 2014
After tax return on shareholders funds	7.21%	5.40%	5.68%	7.60%
Return on total assets (%)	4.52%	3.30%	3.62%	4.40%
Equity ratio (%)	63.39%	60.00%	65.61%	58.00%
Network Capital Expenditure ($m)	$1.8	$1.8	$1.7	$0.9

Network operational performance targets	Actual 2015	Target 2015	Actual 2014	Target 2014
SAIDI	195	285.6	172.1	300.0
SAIFI	2.12%	1.71	1.59	1.8
CAIDI	92	166.9	108	166.0

SAIDI: Is the total number of minutes the power is off divided by the total number of consumers connected to the network
SAIFI: Is the total number of consumers affected by an outage divided by the total number of consumers connected
CAIDI: Is the average length of time of each outage of an outage for each consumer affected

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 *(Resigned 5 June 2014)* Sharon P. Roche *(Resigned 15 January 2015)* Graham A. Naylor
MANAGEMENT	Eamon J. Ginley (Chief Executive) *(Appointed 2 March 2015)* Alan G. Hawes (Operations Manager) Peter R. Best (Chief Financial Officer) Dale L. Ross (Engineering Manager) Erik C.Westergaard* (Chief Executive) ** Resigned 7 August 2014*
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 2015

Statutory Disclosures

Remuneration of Directors

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

Company 2015			
F T Dooley	$50,000	G A Naylor	$24,000
W B McNabb	$6,000	S P Roche	$20,000
M W Frost	$24,000		

Executive Employees Remuneration & Other Benefits

Remuneration band ($000)	Current and former employees
100-110	2
160-170	2
220-230	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 $19,039.90 (GST exclusive).

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 2015 the Directors have not recommended payment of any dividend to the Buller Electric Power Trust.

For and on behalf of the Board

Chairman

Director

29 June 2015