Buller Electricity Limited

Financial Statements

for the year ended 31 March 2016

Contents

Directors' Declaration

In the opinion of the directors of Buller Electricity Limited, the group financial statements and notes, on pages 5 to 32:

- 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 2016 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 2016.

For and on behalf of the Board of Directors:

F T Dooley	G A Naylor
Director	Director

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF BULLER ELECTRICITY LIMITED GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of Buller Electricity Limited Group (the Group). The Auditor-General has appointed me, David Gates, using the staff and resources of KPMG to carry out the audit of the financial statements and the performance information of the Group consisting of Buller Electricity Limited and its subsidiaries and other controlled entities, on her behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 5 to 32, that comprise the statement of financial position as at 31 March 2016, 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 performance information of the Group on page 32.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2016; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards
    - the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2016.

Our audit was completed on 30 June 2016. 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 performance information 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 performance information. 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 performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the performance information 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 performance information 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 appropriateness of the performance information within the Group's framework for reporting performance;
- the adequacy of the disclosures in the financial statements and in the performance information; and
- the overall presentation of the financial statements and the performance information.

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

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 in accordance with New Zealand Equivalents to International Financial Reporting Standards and generally accepted accounting practice, and for the preparation and fair presentation of performance information for the Group.

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

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance information 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 performance information, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and the performance information and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

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.

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 2016

In thousands of New Zealand dollars	Note	Group 2016	Group 2015	Company 2016	Company 2015
Continuing operations			(Restated)		
Operating revenue	5	11,471	12,477	9,817	9,915
Other income	6	174	260	182	826
Operating expenses	7	(8,210)	(8,226)	(6,706)	(6,272)
Administrative expenses	8	(2,127)	(2,079)	(1,954)	(1,801)
Profit/(Loss) from operating activities before net finance costs,		1,308	2,432	1,339	2,668
Finance income		-	-	137	213
Finance expenses		(416)	(518)	(513)	(594)
Net finance costs		(416)	(518)	(376)	(381)
s) before		892	1,914	963	2,287
Income tax expense	12	5,326	(674)	(295)	(686)
Profit/(Loss) from continuing operations		6,218	1,240	668	1,601
Discontinued operation					
Profit / (loss) from discontinued operation, net of tax	10	32,932	(911)	-	-
Profit for the year		39,150	329	668	1,601
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges		(26)	(75)	(26)	(75)
Income tax on items of other comprehensive income	12	6	21	6	21
Other comprehensive income, net of tax, that may be reclassified subsequently to profit and loss		(20)	(54)	(20)	(54)
Total comprehensive income for the year		39,130	275	648	1,547
Profit attributable to:					
Owners of the Company		40,873	185	668	1,601
Non-controlling interest		(1,723)	144	-	-
Profit for the year		39,150	329	668	1,601
Total comprehensive income attributable to:					
Owners of the Company		40,852	131	648	1,547
Non-controlling interest		(1,723)	144	-	-
Total comprehensive income for the year		39,130	275	648	1,547

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

Buller Electricity Limited
Statement of Financial Position
As at 31 March 2016

In thousands of New Zealand dollars

	Note	Group 2016	Group 2015	Company 2016	Company 2015
Assets					
Property, Plant and Equipment	13	25,227	26,374	25,721	25,582
Intangible Assets	14	442	1,154	442	316
Investments accounted for using the equity method	28	20,899	-	-	-
Investment in Subsidiaries	27	-	-	31,640	9,714
Security Bonds		-	3,420	-	-
Deferred Tax Assets	16	1,622	-	-	-
Electricity Price Derivatives	15	-	4,524	-	-
Non-current assets		48,190	35,472	57,803	35,612
Cash and cash equivalents		216	5,069	173	146
Trade and other receivables	17	3,694	11,969	1,574	1,461
Loan to subsidiaries		-	-	2,533	3,430
Electricity Price Derivatives	15	-	2,328	-	-
Inventories	18	317	364	208	113
		4,227	19,730	4,488	5,150
Total assets		52,417	55,202	62,291	40,762

	Note	Group 2016	Group 2015	Company 2016	Company 2015
Liabilities					
Loans and borrowings	19	7,400	1,405	27,519	-
Finance lease liability		-	2	-	-
Electricity Price Derivatives	15	-	240	-	-
Other Derivatives		133	91	134	91
Deferred Tax Liabilities	16	-	3,536	4,290	4,145
Mandatory Convertible Notes		-	4,852	-	-
Non-current liabilities		7,533	10,126	31,943	4,236
Trade and other payables	20	2,039	15,193	2,119	2,677
Loans and borrowings	19	1,741	9,709	1,741	8,009
Finance lease liability		-	26	-	-
Electricity Price Derivatives	15	-	1,166	-	-
Current liabilities		3,780	26,094	3,860	10,686
Total liabilities		11,313	36,220	35,803	14,922
Equity					
Share capital	21	7,550	7,550	7,550	7,550
Reserves	21	637	707	637	657
Retained earnings		32,917	8,785	18,301	17,633
Equity attributable to owners of the Company		41,104	17,042	26,488	25,840
Non-controlling interest		-	1,940	-	-
Total equity		41,104	18,982	26,488	25,840

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 2016

In thousands of New Zealand dollars

Group

	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	21								
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									
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 Company									
New shares issued and interest dilution		-	-	(43)	-	815	772	(681)	91
Equity raising cost		-	-	-	-	(1)	(1)	-	(1)
Share-based payments in equity instruments of subsidiaries		-	-	45	-	-	45	-	45
Lapse or cancellation of employee share options		-	-	(4)	-	4	-	-	-
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

Group

	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	21								
Balance at 1 April 2015		7,550	724	50	(67)	8,785	17,042	1,940	18,982
Profit for the year		-	-	-	-	40,873	40,873	(1,723)	39,150
Other Comprehensive Income									
Effective portion of changes in fair value of cash flow hedges		-	-	-	(26)	-	(26)	-	(26)
Income tax on items of other comprehensive income		-	-	-	6	-	6	-	6
Total other comprehensive income for the year		-	-	-	(20)	-	(20)	-	(20)
Total comprehensive income for the year		-	-	-	(20)	40,873	40,854	(1,723)	39,131
Transactions with owners of the Company									
Contributions by and distributions to owners of the Company									
New shares issued and interest dilution		-	-	(18)	-	5,392	5,374	18	5,392
Equity raising cost		-	-	-	-	(20)	(20)	-	(20)
Share-based payments in equity instruments of subsidiaries		-	-	34	-	-	34	-	34
Lapse or cancellation of employee share options		-	-	(66)	-	66	-	-	-
Total contributions by and distributions to owners of the Company		-	-	(50)	-	5,438	5,388	18	5,406
Changes in ownership interests in subsidiaries									
Elimination of non-controlling interest retained earnings on consolidation post takeover		-	-	-	-	(22,179)	(22,179)	(235)	(22,414)
Total transactions with owners of the Company		-	-	-	-	(22,179)	(22,179)	(235)	(22,414)
Balance at 31 March 2016		7,550	724	-	(87)	32,917	41,105	-	41,105

Buller Electricity Limited
Statement of Changes in Equity
For the Year Ended 31 March 2016

In thousands of New Zealand dollars

Company

	Note	Share capital	Revaluation reserve	Cash flow hedge reserve	Investment reserve	Retained earnings	Total equity
	21						
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							
			-		-	-	-
Balance at 31 March 2015		7,550	724	(67)	-	17,633	25,840

	Note	Share capital	Revaluation reserve	Cash flow hedge reserve	Investment reserve	Retained earnings	Total equity
	21						
Balance at 1 April 2015		7,550	724	(67)	-	17,633	25,840
Profit for the year		-	-	-	-	668	668
Other Comprehensive Income							
Transfer of unrecoverable revaluation losses					-	-	
Effective portion of changes in fair value of cash flow hedges		-	-	(26)	-	-	(26)
Income tax on items of other comprehensive income		-	-	6	-	-	6
Total comprehensive income for the year		-	-	(20)	-	668	649
Transactions with owners of the Company							
Contributions by and distributions to owners of the Company							
Dividends to equity holders		-	-	-	-	-	-
Balance at 31 March 2016		7,550	724	(87)	-	18,301	26,488

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

Buller Electricity Limited
Statement of Cash Flows
For the Year Ended 31 March 2016

In thousands of New Zealand dollars

		Group		Company	
	Note	2016	2015 (Restated)	2016	2015
Cash flows from operating activities					
Cash receipts from customers		11,768	11,094	9,575	10,275
Cash paid to suppliers and employees		(8,684)	(8,593)	(7,352)	(6,672)
Interest received		97	75	216	80
Interest paid		(513)	(594)	(513)	(606)
Income tax received (paid)		(591)	(275)	(600)	(189)
Net cash from operating activities	*26*	2,077	1,707	1,326	2,888
Cash flows from investing activities					
Purchase of equity investments		(21,926)	-	(21,926)	-
Disposal of discontinued operation, net of cash disposed		16,887	5,029	-	-
Purchase of property, plant and equipment		(1,266)	(1,677)	(1,398)	(1,815)
Purchase of intangible assets and development expenditure		(125)	(110)	(125)	(145)
Loan to subsidiaries		-	-	898	53
Net cash from (used in) investing activities		(6,430)	3,242	(22,551)	(1,907)
Cash flows from financing activities					
Proceeds from subsidary advances		-	-	21,752	
Repayment of borrowings		(500)	(850)	(500)	(850)
Payment of finance leases		-	-	-	-
Net cash from (used in) financing activities		(500)	(850)	21,252	(850)
Net (decrease)/increase in cash and cash equivalents		(4,853)	4,099	27	131
Cash and cash equivalents at beginning of year		5,069	970	146	15
Cash and cash equivalents at end of year	*26*	216	5,069	173	146

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

1. Reporting entity

Buller Electricity Limited (the “Company”) is a company domiciled in New Zealand, registered under the Companies Act 1993. These financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and the Energy 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 also presented for the prior year.

The consolidated financial statements of Buller Electricity Limited as at and for the year ended 31 March 2016 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

XRB A1 sets out which suite of accounting standards entities must follow. The Company and Group us eligible for and has elected to report in accordance with tier 1 NZ IFRS. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (“IFRS”).

The financial statements were approved by the Board of Directors on 30 June 2016.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial assets

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 2015.

Certain comparatives have been updated to remove the results of the discontued operation during the year. See note 10 for details.

During the year the Group changed its accounting policy to recognise the full gains or losses resulting from a downstream transaction involving assets that constitute a business within the Companies and Subsidiaries financial statements. The Group believes that this change in accounting policy provides more relevant information to user of the financial statements. The change in accounting policy did not have any impact on the comparative results and financial position of the Group.

(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 22 - 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

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.

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

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of 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 BEL Investment NZ Limited (formerly Pulse Energy Limited), which was depreciated on a diminishing value basis during the year (prior to being disposed)) 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.

Notes to the financial statements (continued)

(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 a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined at contractual rates as labour hours and direct expenses are incurred.

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 BEL Investment NZ Limited (formerly Pulse Energy Limited), 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) Discontinued operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year (see note 10).

(s) 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 2015, 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 2018.

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 22).

(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 2016	Group 2015 (Restated)	Company 2016	Company 2015
Line Charges	9,502	9,561	9,502	9,561
Capital Contributions	170	250	170	250
Vested assets	46	71	45	71
Contracting revenue	1,753	2,595	100	33
Total Line and Contracting revenue from continuing operations	**11,471**	**12,477**	**9,817**	**9,915**

6 Other Income

In thousands of New Zealand dollars	Note	Group 2016	Group 2015 (Restated)	Company 2016	Company 2015
Guarantee Fees		-	-	79	566
		-	-	-	-
Rentals and sundry income		174	260	103	260
		174	**260**	**182**	**826**

7 Operating expenses

In thousands of New Zealand dollars	Note	Group 2016	Group 2015 (Restated)	Company 2016	Company 2015
Operating expenses include:					
Depreciation and Amortisation	*13, 14*	1,367	1,183	1,226	1,170
Transmission costs		3,205	3,133	3,205	3,133

8 Administrative expenses

In thousands of New Zealand dollars		Group 2016	Group 2015 (Restated)	Company 2016	Company 2015
Administrative expenses include:					
Net loss on sale/disposal of property, plant and equipment		229	84	247	152
Provision for Impairment of Trade Receivables	*22*	36	13	17	(4)
Directors' Fees		150	128	150	128
Community Sponsorships		163	56	163	56
Auditor's remuneration to KPMG comprises:					
Audit fees		136	215	62	75
Other audit-related services		21	19	21	19
Other professional services		-	4	-	4
Total auditor's remuneration		157	238	83	98

For the current year, other audit-related services include the 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 2016	Group 2015 (Restated)	Company 2016	Company 2015
Wages and salaries	3,554	3,532	1,270	1,194
Contributions to defined contribution plans	77	91	36	32

10 Discontinued operation

On 31 March 2016 the Group sold the assets and liabilities of BEL Investments NZ Limited (formerly Pulse Energy Limited) to Pulse Energy Alliance LP. BEL Investments NZ Limited received a 49% interest in Pulse Energy Alliance LP in consideration of the assets and liabilities disposed. The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

In thousands of New Zealand dollars

Results of discontinued operation	**2016**	**2015**
Revenue	104,027	100,527
Expenses	(104,565)	(104,345)
Fair value (losses)/gains	(10,599)	2,907
Results from operating activities	**(11,137)**	**(911)**
Gain on sale of discontinued operation	44,069	-
Income tax on gain from sale of discontinued operation	-	-
Profit from discontinued operation, net of tax	**32,932**	**(911)**

In thousands of New Zealand dollars

Cash flows from/(used in) discontinued operation	**2016**	**2015**
Net cash from /(used in) operating activities	116	(291)
Net cash (used in)/from investing activities	(1,452)	131
Net cash (used in)/from financing activities	(1,705)	4,123
Net cash flows for the year	**(3,041)**	**3,963**

In thousands of New Zealand dollars	**Group**
Effect of disposal on the financial position of the Group	**2016**
Property, plant and equipment	(280)
Intangible assets	(800)
Security bonds	(5,331)
Trade and other receivables	(10,221)
Cash and cash equivalents	(1,826)
Electricity derivatives	5,537
Trade and other payables	12,651
Net assets and liabilities	**(270)**
Consideration received, settled in cash	21,750
Cash and cash equivalents disposed of	(1,826)
Net cash inflows	**19,924**

11 Share-based payment expenses

Employee share option plan (ESOP) - BEL Investments NZ Limited*

Buller Electricity took control *of* BEL Investments NZ Limited (formerly Pulse Energy Limited) on 4th December 2015 and acquired 90% of the voting rights of BEL Investment NZ Limited on 8th January 2016. BEL Investments NZ 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 BEL Investments NZ Limited's shares.

** Pulse Energy Limited announced it was changing its name to BEL Investments NZ Limited (with effect from 13 April 2016). In these notes to the accounts any references that may have related to Pulse Energy Limited are now referred to as BEL Investments NZ Limited or BINZL.*

Employees are able to exercise their options at any point on or after the vesting date as long as the options have not expired. A successful takeover bid arose during the year which resulted in the expiry of the options.

Summaries of options granted under ESOP - BEL Investments NZ Limited

	Group	
	2016	**2015**
Number of options outstanding at the beginning of the year (000's)	3,950	5,461
Number of options granted during the year (000s)	-	2,160
Number of options exercised during the year (000s)	(563)	(2,621)
Number of options cancelled/expired during the year (000s)	(3,387)	(1,050)
Number of options outstanding at the end of the year (000s)	-	3,950

12 Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2016	Group 2015 (Restated)	Company 2016	Company 2015
Current tax expense				
Current period	167	626	186	533
Losses utilised in current year	(325)	-	(64)	0
Adjustment for prior periods	5	(61)	22	(34)
	(153)	**565**	**144**	**499**
Deferred tax expense				
Origination and reversal of temporary differences	(5,524)	96	87	204
Adjustments for prior periods	351	13	64	(17)
Total deferred tax expense	(5,173)	109	151	187
Income tax expense/(benefit) for the year	**(5,326)**	**674**	**295**	**686**

Income tax expense for the year

In thousands of New Zealand dollars	Group 2016	Group 2015 (Restated)	Company 2016	Company 2015
Profit/(Loss) before tax	892	1,914	963	2,287
Income tax:				
Income tax (expense)/benefit for period	(258)	(536)	(270)	(640)
Subvention payment / Loss utilisation	62	64	64	-
Other	5,522	(202)	(89)	(46)
Income tax (expense)/benefit on profit or loss	**5,326**	**(674)**	**(295)**	**(686)**
Profit after income tax	6,218	1,240	668	1,601
Reconciliation of effective tax rate				
Profit before tax	892	1,914	963	2,287
Income tax using domestic tax rate 28% (2012: 28%)	249	536	270	640
Adjustments:				
Losses utilised within Group	(62)	(52)	(64)	-
Non-deductible expenses	71	7	-	1
Recognition of deferred tax not previously recognised	(5,662)	-	-	-
Other	78	183	89	45
Under/(over) provided in prior periods	-	-	-	-
	(5,326)	**674**	**295**	**686**

Tax on items of Other Comprehensive Income

	Company and Group					
	2016			2015		
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	(26)	6	(20)	(75)	21	(54)
	(26)	**6**	**(20)**	**(75)**	**21**	**(54)**

Imputation credits available for use in subsequent reporting periods

The imputation credits available to the Group for use in subsequent reporting periods is $1,348 thousand, and for the Company is $1,177 thousand.

Notes to the financial statements (continued)

13 Property, Plant and Equipment

In thousands of New Zealand dollars	Electricity distribution system	Land (at fair value) Level 3	Buildings (at fair value) Level 3	Motor vehicles	Leasehold improvements	Plant and equipment	Total
Group							
Cost / revalued amount							
Balance at 1 April 2014	27,827	610	1,504	1,775	48	4,117	35,881
Additions	1,845	-	4	80	-	207	2,136
Disposals	(164)	-	-	(15)	-	-	(179)
Transfer between asset classes	-	-	-	-	-	-	-
Balance at 31 March 2015	29,508	610	1,508	1,840	48	4,324	37,838
Balance at 1 April 2015	29,508	610	1,508	1,840	48	4,324	37,838
Additions	1,059	-	4	94	-	195	1,352
Disposals	(588)	-	-	(33)	(48)	(2,960)	(3,629)
Balance at 31 March 2016	29,979	610	1,512	1,901	-	1,559	35,561
Depreciation and impairment losses							
Balance at 1 April 2014	6,036	-	236	1,324	-	2,383	9,979
Depreciation for the year	840	-	26	103	10	446	1,425
Impairment losses	-	-	-	-	-	60	60
Disposals	-	-	-	-	-	-	-
Balance at 31 March 2015	6,876	-	262	1,427	10	2,889	11,464
Balance at 1 April 2015	6,876	-	262	1,427	10	2,889	11,464
Depreciation for the year	996	-	30	118	8	365	1,517
Impairment losses	-	-	-	-	-	(238)	(238)
Disposals	-	-	-	(24)	(18)	(2,367)	(2,409)
Balance at 31 March 2016	7,872	-	292	1,521	-	649	10,334
Carrying amounts							
At 1 April 2014	21,791	610	1,268	451	48	1,734	25,902
At 31 March 2015	22,632	610	1,246	413	38	1,435	26,374
At 31 March 2016	22,107	610	1,220	380	-	910	25,227

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 2014	28,671	610	1,485	1,109	1,579	33,454
Additions	2,075	-	4	-	92	2,171
Disposals	(166)	-	-	-	-	(166)
Balance at 31 March 2015	30,580	610	1,489	1,109	1,671	35,459
Balance at 1 April 2015	30,580	610	1,489	1,109	1,671	35,459
Additions	1,881	-	-	-	22	1,903
Disposals	(600)	-	-	-	(32)	(632)
Balance at 31 March 2016	31,861	610	1,489	1,109	1,661	36,730
Depreciation and impairment losses						
Balance at 1 April 2014	6,036	-	229	1,073	1,405	8,743
Depreciation for the year	996	-	25	13	100	1,134
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 March 2015	7,032	-	254	1,086	1,505	9,877
Balance at 1 April 2015	7,032	-	254	1,086	1,505	9,877
Depreciation for the year	1,032	-	29	9	62	1,132
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance at 31 March 2016	8,064	-	283	1,095	1,567	11,009
Carrying amounts						
At 1 April 2014	22,635	610	1,256	36	174	24,711
At 31 March 2015	23,548	610	1,235	23	166	25,582
At 31 March 2016	23,797	610	1,206	14	95	25,721

In 2015, BEL Investment NZ Limited recognised Plant and equipment which included a number of legacy electricity meters which were planned to be replaced by smart meters. An impairment charge of $59,501 was recognised in the year to March 2015 to reduce the carrying value of these legacy meters to the estimated recoverable amount. An impairment charge of $240,304 was recognised during the current year to reduce the carrying value of the metering assets to their estimated recoverable amount. These assets were disposed prior to the end of the financial year.
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 22.
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 (2015: $114,458) and the carrying value of buildings would be $1,019,291 (2015: $1,049,553). For the Company, the carrying value of land would be $114,458 (2014: $114,458) and the carrying value of buildings would be $1,012,208 (2014: $1,037,671).

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

Security

The assets are subject to a negative pledge (refer Note 19).

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 2014	789	154	10	2,001	100	3,054
Year ended 31 March 2015						
Acquisition through business combination	-	-	-	-	-	-
Additions	180	144	-	-	-	324
Disposals	-	-	-			-
Amortisation	(188)	(29)	(6)	(2,001)	-	(2,224)
Impairment losses charged to profit or loss	-	-	-	-	-	-
Carrying amount at 31 March 2015	781	269	4	-	100	1,154
Year ended 31 March 2016						
Additions	263	219	-	-	-	482
Disposals	(796)	0	(4)	-	-	(800)
Amortisation	(206)	(88)	-	-	(100)	(394)
Carrying amount at 31 March 2016	42	400	-	-	-	442

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 2014	52	154	-	-	-	206
Year ended 31 March 2015						
Additions	-	144	-	-	-	144
Amortisation	(6)	(29)	-	-	-	(35)
Carrying amount at 31 March 2015	46	269	-	-	-	315
Year ended 31 March 2016						
Additions	5	219	-	-	-	224
Amortisation	(9)	(88)	-	-	-	(97)
Carrying amount at 31 March 2016	42	400	-	-	-	442

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 amortised from the 1 April 2015.

15 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.

The carrying value of electricity price derivatives for the group was $nil (2015: $5,446).

The non-cash total change in fair value of electricity price derivatives recorded in the statement of comprehensive income of (gain) $5,403,917 (2015: (gain) $2,852,102) is due to movements in electricity price hedges that have not been designated in a cash flow hedge relationship. The current year movement is due to the disposal of the operations of BEL Investment NZ Limited and is recognised in profit or loss relating to the discontinued operation.

16 Deferred tax assets and liabilities

In thousands of New Zealand dollars	Group 2016	Group 2015	Company 2016	Company 2015
Deferred tax asset	5,749	446	81	76
Deferred tax liabilities	(4,127)	(3,982)	(4,388)	(4,221)
Net Deferred tax liability	1,622	(3,536)	(4,307)	(4,145)

Deferred tax assets and liabilities are attributable to the following:

Group *In thousands of New Zealand dollars*	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015	Net 2016	Net 2015
Property, plant and equipment	-	-	(4,127)	(3,954)	(4,127)	(3,954)
Intangible assets	-	-	-	(28)	-	(28)
Bad debt provision	10	257	-	-	10	257
Losses available	5,597	-	-	-	5,597	-
Other Derivatives	10	25	-	-	10	25
Employee Benefits	132	164	-	-	132	164
Net tax assets/(liabilities)	5,749	446	(4,127)	(3,982)	1,622	(3,536)

Company *In thousands of New Zealand dollars*	Assets 2016	Assets 2015	Liabilities 2016	Liabilities 2015	Net 2016	Net 2015
Property, plant and equipment	-	-	(4,388)	(4,221)	(4,388)	(4,221)
Bad debt provision	5	1	-	-	5	1
Other Derivatives	31	25	-	-	31	25
Employee Benefits	62	50	-	-	62	50
Net tax assets/(liabilities)	98	76	(4,388)	(4,221)	(4,290)	(4,145)

Movement in temporary differences during the year:

Group *In thousands of New Zealand dollars*	Balance 1-Apr-14	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-15	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-16
Property, plant and equipment	(3,836)	(118)	-	(3,954)	(173)	-	(4,127)
Intangible assets	(560)	532	-	(28)	28	-	-
Bad debt provision	271	(14)	-	257	(247)	-	10
Losses available	-	-	-	-	5,597	-	5,597
Other Derivatives	4	-	21	4	-	6	10
Employee Benefits	177	(13)	-	164	(32)	-	132
	(3,944)	387	21	(3,557)	5,173	6	1,622

Company *In thousands of New Zealand dollars*	Balance 1-Apr-14	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-15	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-Mar-16
Property, plant and equipment	(4,030)	(191)	-	(4,221)	(167)	-	(4,388)
Other Derivatives	4	-	21	25	-	6	31
Bad debt provision	-	1	-	1	4	-	5
Employee Benefits	47	3	-	50	12	-	62
	(3,979)	(187)	21	(4,145)	(151)	6	(4,290)

17 Trade and other receivables

In thousands of New Zealand dollars	Note	Group 2016	Group 2015	Company 2016	Company 2015
Trade receivables		2,322	12,328	952	837
Less: Provision for impairment of trade receivables		(551)	(918)	(17)	(4)
Trade receivables-net		1,771	11,410	935	833
Due from related party	*26*	1,694	-	411	349
Prepayments		111	162	111	102
Other receivables		118	397	117	177
Short term loan		-	-	-	-
		3,694	**11,969**	**1,574**	**1,461**

The Group's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 22.

The related party receivable relates to a receivable being recognised from PEA LP to the Group for $1,693,800, an amount equivalent to the face value of the unsecured loans at settlement date of the disposal of the operations of BEL Investments NZ Limited. Please refer to note 19 for details of the unsecured loans of BEL Investments NZ Limited.

18 Inventories

In thousands of New Zealand dollars	Group 2016	Group 2015	Company 2016	Company 2015
Work in progress	106	141	105	4
Finished Goods	211	223	103	109
	317	**364**	**208**	**113**

Inventories recognised as an expense for the year ended 31 March 2016 totalled $886,427 (2015: $1,143,383) for the Group and $Nil (2015: $Nil) for the Company. This expense has been included in the operating expenses line item as a cost of inventories.

19 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 22.

In thousands of New Zealand dollars	Note	Group 2016	Group 2015	Company 2016	Company 2015
Unsecured Loan - Buller Electric Power Trust	27	1,741	1,741	1,741	1,741
Unsecured term loans		1,632	1,405	-	-
Advances from subsidiaries		-	-	21,750	-
Secured loan		5,769	7,968	5,769	6,268
		9,141	11,114	29,260	8,009
Current		1,741	9,709	1,741	8,009
Non-current		7,400	1,405	27,519	-
		9,141	11,114	29,260	8,009

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 BEL Investment NZ Limited. These loans are considered to be stranded liabilities under the terms of the sales and purchase agreement between BEL Investments NZ Limited and Pulse Energy Alliance Limited Partnership (PEA LP) as they weren't able to be assigned to PEA LP by the settlement date. Under the terms of the sales and purchase agreement PEA LP agreed to indemnify the Company for any amounts it is required to pay in respect of any stranded liability. As a consequence a receivable has been recognised from PEA LP for an amount equivalent to the face value of the unsecured loans at settlement date (note 17).

At 31 March 2016 the Company has a multi-option credit facility split over two tranches. The facility limit is $7m and $4.5m for each tranche. The multi option credit facility will mature on 31 December 2017. This facility, in conjunction with interest rate swaps has provided the Company with what are effectively term borrowings.

The Company also provided short term loan facilities to BEL Investments NZ Limited during the year. The first tranche was a $2.5m facility with a maturity of 1 November 2017 and interest of 10%. The second tranche for $2m was negotiated during the year. It had a maturity date of 31 July 2016 and a interest rate of 12% and included a $25,000 establishment fee and a 1% p.a line charge. Drawings under the first tranche for the period totalled $15.2m (2015: $13.85m) which were fully repaid. There were no drawings under the second tranche. Interest of $27,507 (2015: $36,555) was charged on these loans during the year. The line charge for the year totalled $38,333 (2015: $nil).

On 31 March 2016 the Company, BEL Investments NZ Limited and PEA LP agreed to transfer the obligations of the short term loan facilities to PEA LP.

There is a balance drawn down by the Company on the multi-option credit facility at 31 March 2016 of $5,768,508 (2015: $6,268,513). This carries an interest rate determined at the time amounts are drawn down plus a margin of 1.20%. The Company's facility is subject to a negative pledge over the assets of the Group. BEL Investments NZ Limited has drawn down $nil of its facility at 31 March 2016 (2015: $1,700,303). BEL Investments NZ Limited has provided a first ranking General Security to the bank as security for the loans drawn.

BEL Investment NZ Limited advanced the Company $21,750,000 on 31 March 2016. The advance is repayable on demand, with interest charged on a quarterly basis based on the Reserve Bank of New Zealand's Official Cash Rate plus a margin of 2.5%. The loan has been classified as non-current as the Directors of the Company have received a resolution from the Directors of BEL Investments NZ Limited confirming that the loan will not be called within the next 24 months.

20 Trade and other payables

In thousands of New Zealand dollars	Note	Group 2016	Group 2015	Company 2016	Company 2015
Current					
Trade payables and accruals		1,241	13,804	1,556	470
Due to related party	*27*	-	-	126	1,234
Employee entitlements		571	485	210	155
Income tax payable		94	546	94	546
Other payables		133	348	133	272
Provision for remediation costs on closed jobs		-	10	-	-
Income received in advance		-	-	-	-
Total		2,039	15,193	2,119	2,677

21 Capital and reserves

The Company has 7,550,000 (2015: 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 2016 (2015: $nil)

22 Financial instruments

Overview

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

- 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

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 2016	Impairment 2016	Net receivable 2016	Gross receivable 2015	Impairment 2015	Net receivable 2015
Trade receivables						
Current	3,535	-	3,535	9,907	-	9,907
Past due 0-30 days	70	-	70	1,056	-	1,056
Past due 31-60 days	6	-	6	192	-	192
Past due more than 61 days	114	(31)	83	1,173	(918)	255
Total	**3,725**	**(31)**	**3,694**	**12,328**	**(918)**	**11,410**

Company

In thousands of New Zealand dollars	Gross receivable 2016	Impairment 2016	Net receivable 2016	Gross receivable 2015	Impairment 2015	Net receivable 2015
Trade receivables						
Current	1,509	-	1,509	1,135	-	1,135
Past due 0-30 days	36	-	36	-	-	-
Past due 31-60 days	-	-	-	-	-	-
Past due more than 61 days	29	(17)	12	6	(4)	2
Total	**1,574**	**(17)**	**1,557**	**1,141**	**(4)**	**1,137**

Notes to the financial statements (continued)

Movement in Provision for impairment of trade receivables

	Group		Company	
In thousands of New Zealand dollars	**2016**	**2015**	**2016**	**2015**
At the beginning of the year	(918)	(967)	(4)	-
Less bad debts written off	787	1,047	-	-
Charged to profit and loss	(425)	(998)	(13)	(4)
Disposal of discontinued operation	525	-	-	-
Provision for impairment of trade receivables	**(31)**	**(918)**	**(17)**	**(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

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

Group

31-Mar-16

	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	*20*	2,039	2,039	2,039	-	-	-
Loans and borrowings	*19*	9,141	9,382	9,382	-	-	-
Total financial liabilities		11,180	11,420	11,420	-	-	-

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	*20*	15,193	15,193	15,193	-	-	-
Finance lease liability		28	29	27	2	-	-
Loans and borrowings	*19*	11,114	11,409	9,715	1,694	-	-
Mandatory convertible notes		4,852	(1,416)	(453)	(482)	(481)	
		31,187	25,215	24,482	1,214	(481)	-
Derivative financial liabilities							
Electricity Price Derivatives	*15*						
- Inflow		(6,852)	(5,635)	(2,542)	(3,054)	(39)	-
- Outflow		1,406	1,203	1,148	55	-	-
Interest Rate Swaps		91	91	-	33	58	-
Total financial liabilities		25,832	20,874	23,087	(1,752)	(462)	0

Company

31-Mar-16

	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	*20*	2,119	2,119	2,119			
Loans and borrowings	*19*	29,260	30,809	24,915	5,894		
Total financial liabilities		**31,379**	**32,928**	**27,034**	**5,894**	**-**	**-**
Derivative financial liabilities							
Interest rate swaps		134	132	27	105		
Total financial liabilities		**134**	**132**	**27**	**105**	**-**	**-**

	Note	Carrying amount	Contractual Cash Flows	31-Mar-15 Contractual Cash Flows 12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	*20*	2,677	2,677	2,677	-	-	-
Loans and borrowings	*19*	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**	

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

Prior to the sale of BEL Investments NZ Limited operations, the Group purchased its electricity from the electricity spot market. The Group also sold electricity at a fixed price. This left the Group exposed to fluctuations in the electricity spot prices. To manage its electricity price risks prior to the sale of BEL Investments NZ Limited's operations, the Group operated an electricity hedge policy which limited the Group's exposure to electricity prices risks by utilising electricity price derivatives. Losses incurred on electricity price derivatives that were not designated in a hedge relationship were taken directly to the Statement of Comprehensive Income. At year-end there were no electricity price derivatives held.

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 2016 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.

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 2016 *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	-	-	216	216	216
Trade and other receivables	-	-	3,694	3,694	3,694
Total financial assets	-	-	3,910	3,910	3,910
Financial Liabilities-under IAS 39					
Trade and other payables	-	-	2,039	2,039	2,039
Loans and borrowings	-	-	9,141	9,141	9,122
Total financial liabilities	-	-	11,180	11,180	11,161

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	-	-	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

Company

Year ended 31 March 2016 *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	-	-	173	173	173
Trade and other receivables	-	-	1,574	1,574	1,574
Loan to subsidiaries	-	-	2,533	2,533	2,533
Total financial assets	-	-	4,280	4,280	4,280
Financial Liabilities - under IAS 39					
Trade and other payables	-	-	2,119	2,119	2,119
Loans and borrowings	-	-	29,260	29,260	29,260
Total financial liabilities	-	-	31,379	31,379	31,379

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

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 relevant 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 recognition at fair value, grouped into Level 1 to 3 as described above

Group

In thousands of New Zealand dollars

At 31 March 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Interest Rate Swaps	-	(133)	-	(133)
	-	(133)	-	(133)

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	-	-	1,197	1,196
Interest Rate Swaps	-	(91)	-	(91)
	-	985	4,370	5,354

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	
	2016	**2015**
	$	$
Balance at the beginning of the year	4,370	2,144
Transfers	-	-
Total gain/(losses) recognised in the profit or loss (Fair Value Gains/(Losses) on Electricity Derivatives)	(4,370)	2,226
	-	**4,370**

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 assumptions' are provided in the table below:

- 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% is applied based on the observable futures market.

- For generation contracts the most significant unobservable inputs relate to correlation of changes in prices between different GXPs. 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 historic 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.

There was no impact on the profit or loss as at 31 March 2016.

Impact on the profit or loss	**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)

Company

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

23 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	
	2016	2015	2016	2015
Within one year	4	819	4	15
After one year but no more than five years	-	1,516	-	4
More than five years	-	-	-	-
	4	2,335	4	19

24 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. $100,000 of sponsorship has been paid in respect of the year ended 2016.

25 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

As at balance date the Company provided a guarantee of $nil (2015: $9,000,000) to Westpac Bank in support of bank facilities for the Group. The guarantee was no longer required following the refinancing from Westpac to the BNZ.

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

	Group		Company	
In thousands of New Zealand dollars	2016	2015	2016	2015
Profit for the period after tax	39,150	329	668	1,601
Adjustments for:				
Depreciation and amortisation of property plant and equipment and intangibles	1,367	1,183	1,226	1,170
Net (Profit)/Loss on Sale of Fixed Assets	229	84	247	152
Disposal of discontinued operation, net of cash disposed	(32,932)	911	-	-
Capital contributions from customers	(170)	(250)	(170)	-
Net value change in derivatives	41	74	41	(54)
Change in reserves	(19)	(55)	(19)	
Vested assets	(46)	(71)	(46)	(71)
Non cash interest charge on mandatory convertible notes	(119)	-	-	-
Change in deferred tax asset/liability from operating activities	(5,466)	88	148	165
Change in trade and other receivables from operating activities	375	(1,309)	(112)	(539)
Change in current tax from operating activities	(451)	311	(451)	686
Change in inventories from operating activities	47	(34)	(96)	8
Change in trade and other payables from operating activities	71	446	(108)	(230)
Net cash from operating activities	**2,077**	**1,707**	**1,326**	**2,888**

27 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 2016	Company 2015
Short-term employee benefits (salaries & Directors' fees)	704	815
Other long-term benefits	-	-
Other post employment benefits	-	-
	704	**815**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having influence over the financial or operating policies of these entities, this includes the senior management 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	
		2016	2015	2016	2015
Company and Group					
Interest paid to Buller Electric Power Trust		139	139	-	-
Loan from Buller Electric Power Trust		-	-	1,741	1,741
Company					
Interest charged to BEL Investments NZ Limited	*Note 19*	28	76	-	-
Interest bearing loan from BEL Investments NZ Limited	*Note 19*	21,752	-	21,752	-
Interest bearing loans and advances to Electro Services Limited				2,534	3,430
Interest charged to Electro Services Limited		119	137	-	-
Guarantee fee from BEL Investments NZ Limited		79	566	-	45
Purchases from Electro Services Limited		2,979	3,236	-	-
Purchases from BEL Investments NZ Limited		-	-	-	-
Charges from the Company to Electro Services Limited		201	312	-	-
Line charges from the Company to BEL Investments NZ Limited		1,247	1,221	-	90
Director Fees from BEL Investments NZ Limited to the Company		46	18	-	-
Trade and other receivables due from subsidiaries	*Note 17*	-	-	88	349
Trade and other receivables due from associates	*Note 17*		-	1,694	-
Trade and other creditors owed to subsidiaries	*Note 20*	-	-	647	1,234
Balances with management		5	-	2	-

During the year management has purchased contracting services from the group. The total value of these transactions was less than $5 thousand.

During the year the company also provided short term loan facilities to BEL Investments NZ Limited and PEA LP. The details of the short term loan facilities have been included in note 19.

On 8th January 2016 the Company acquired 10,000,000 ordinary shares and 100,000 mandatory convertible notes from a nominee of F.T. Dooley, a director of the Company for total consideration of $1,210,000.

28 Group Entities

	Country of Incorporation	Ownership Interest 2016	Ownership Interest 2015
Electro Services Limited	New Zealand	100%	100%
BEL Investment NZ Limited	New Zealand	100%	56%

BEL Investment NZ Limited is an electricity retailer and metering business.
During the year the Company acquired a further 44% of the shares and voting interests in BEL Investment NZ Limited. As a result the Group's equity interest in BEL Investment Limited increased from 56% to 100% . As at acquisition date the carrying amount of the Company's investment in BEL Investment NZ Limited was $9,713,614. As at 31 March 2016, the carrying amount of the Company's investment in BEL Investment Limited was $31,639,661 ($2015: $9,713,614).

29 Investments accounted for using the equity method

	Country of Incorporation	Ownership Interest 2016	2015	Nature of relationship	Measurement method	Carrying amount 2016	2015
Pulse Energy Alliance LP	New Zealand	49%	0%	Associate	Equity method	20,899	-

BEL Investment NZ Limited acquired a 49% equity stake in Pulse Energy Alliance LP on 31 March 2016 upon the disposal of BEL Investment NZ Limited's operations. The country of incorporation is also the principal place of business for Pulse Energy Alliance LP and the proportion of voting interests held is 40%. Pulse Energy Alliance LP is an electricity retailer and metering business. Pulse Energy Alliance LP is a limited liability partnership and consequently does not have published price quotations. The reporting date of Pulse Energy Alliance LP is 31 March. Summary financial information for Pulse Energy Alliance is set out below:

In thousands of New Zealand dollars	**2016**
Cash and cash equivalents	1,826
Other current assets	9,940
Total current assets	**11,766**
Unidentified intangibles	43,916
Other non-current assets	6,384
Total non-current assets	**50,300**
Trade, other payables and provisions	12,058
Related party loans	1,694
Total current liabilities	13,752
Non current liabilities	**5,405**
Net assets	**42,909**

Movements in carrying value of equity accounted investees:

In thousands of New Zealand dollars	**2016**
Carrying value 1 April	-
Initial investment	20,899
Share of profit/(loss)	-
Carrying value 31 March	**20,899**
Amount of unidentified intangible assets in carrying value of equity accounted investees	21,519
Balance as at 31 March	**21,519**

30 Subsequent events

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

31 Statement of Service Performance

Company commercial performance targets (BEL & ESL)	**Actual 2016**	**Target 2016**	**Actual 2015**	**Target 2015**
After tax return on shareholders funds (%)	2.76%	5.80%	7.21%	5.40%
Return on total assets (%)	1.02%	3.50%	4.52%	3.30%
Equity ratio (%)	37.03%	61.00%	63.39%	60.00%
Network Capital Expenditure ($m)	$1.9	$1.2	$1.8	$1.8
Capital Expenditure vs Equity	8.38%	6.10%	7.89%	7.30%

Network operational performance targets	**Actual 2016**	**Target 2016**	**Actual 2015**	**Target 2015**
SAIDI	306	288	195	285.6
SAIFI	1.93%	1.74%	2.12%	1.71%
CAIDI	158	166	92	166.9

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	Anthony G. Ahern *(Appointed 1 July 2015)* Francis T. Dooley (Chairman) Murray W. Frost Wiliam W. Lee *(Appointed 1 July 2015)* Graham A. Naylor
MANAGEMENT	Eamon J. Ginley (Chief Executive) Alan G. Hawes (Operations Manager) Peter R. Best (Chief Financial Officer)* Dale L. Ross (Engineering Manager) Joseph D. Segall (Accountant) ** Resigned 4th December 2015*
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 2016

Statutory Disclosures

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

Company 2016

F T Dooley	$55,000	G A Naylor	$39,000
A G Ahern	$27,000	W W Lee	$27,000
M W Frost	$39,000		

Executive Employees Remuneration & Other Benefits

Remuneration band ($000)	Current and former employees
110-120	1
140-150	1
150-160	1
240-250	1

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

Directors Interests in Contracts
The directors have declared that they do not have any interests in contracts made with any other entities by virtue of their directorship or membership of this company with the exception of Directors F T Dooley and G A Naylor.

F T Dooley and G A Naylor have disclosed that in their capacity as directors of Pulse Energy Limited they are interested in certain transactions previously entered into between Buller Electricity Limited and Pulse Energy Limited, namely the following:

- Conveyance and Use of Systems Agreement dated 6 August 2008;
- Agreement Relating to Funding of Pulse Energy Limited dated 24 March 2016;
- Peak Funding Facility Agreements dated 20 November 2014 and 30 April 2015 respectively;
- General Security Deed dated 30 September 2010; and
- All transactions entered into in connection with the takeover of Pulse Energy Limited, the establishment of Pulse Energy Alliance LP and the transfer of the assets and liabilities of Pulse Energy Limited to Pulse Energy Alliance LP (as described in the Process Agreement dated 4 October 2015.

F T Dooley and G A Naylor have also disclosed that:

(a) they are to be regarded as interested in any transaction which may in the future be entered into between Buller Electricity Limited and Pulse Energy Limited; and

(b) in their capacity as directors of Pulse GP Limited (the general partner of Pulse Energy Alliance LP) they are interested in those of the specific transactions referred to above to which Pulse Energy Alliance LP is a party and are to be regarded as interested in any transaction which may in the future be entered into between Buller Electricity Limited and Pulse Energy Alliance LP.

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 2016 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 2016