Buller Electricity Limited

Financial Statements

for the year ended 31 March 2017

Contents

Directors' Declaration

In the opinion of the directors of Buller Electricity Limited, the group financial statements and notes, on pages 6 to 19:

- 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 2017 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 2017.

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'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The Auditor-General is the auditor of Buller Electricity Limited (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 his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 6 to 19, that comprise the statement of financial position as at 31 March 2017, the statement of comprehensive income, and the 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 19.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2017; 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 the New Zealand Equivalents to the 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 2017.

Our audit was completed on 29 June 2017. 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 relating to the financial statements and the performance information, and we explain our independence.

Basis for our opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance;

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

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

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Independence

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

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 2017

In thousands of New Zealand dollars	Note	Group 2017	2016
Continuing operations			
Operating revenue	4	10,172	11,471
Other income		37	174
Operating expenses	5	(7,648)	(8,210)
Administrative expenses	5	(1,686)	(2,127)
Share of profit of associates	21	(40)	-
Profit from operating activities		835	1,308
Finance income		2	(0)
Finance expenses		(439)	(416)
Net finance costs		(437)	(416)
Profit before income tax expense		399	892
Income tax expense	8	(229)	5,326
Profit from continuing operations		170	6,218
Discontinued operation			
Profit from discontinued operation, net of tax		-	32,932
Profit for the year		170	39,150
Other comprehensive income			
Changes in fair value of cash flow hedges		67	(26)
Income tax on items of other comprehensive income	11	(19)	6
Other comprehensive income, net of tax, that may be reclassified subsequently to profit and loss		47	(20)
Total comprehensive income for the year		217	39,130
Profit attributable to:			
Owners of the Group		170	40,873
Non-controlling interest		-	(1,723)
Profit for the year		170	39,150
Total comprehensive income attributable to:			
Owners of the Group		217	40,852
Non-controlling interest		-	(1,723)
Total comprehensive income for the year		217	39,130

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

Buller Electricity Limited
Statement of Financial Position
As at 31 March 2017

In thousands of New Zealand dollars	Note	Group 2017	2016
Assets			
Property, Plant and Equipment	9	25,498	25,227
Goodwill		156	-
Intangible Assets	10	294	442
Investments accounted for using the equity method	21	20,859	20,899
Deferred Tax Assets	11	1,354	1,622
Non-current assets		48,161	48,190
Cash and cash equivalents		243	216
Trade and other receivables	12	1,326	3,694
Inventories		340	317
Current assets		1,909	4,227
Total assets		50,070	52,417
Liabilities			
Loans and borrowings	13	5,844	7,400
Other Derivatives		66	133
Non-current liabilities		5,910	7,533
Trade and other payables	14	1,098	2,039
Loans and borrowings	13	1,741	1,741
Current liabilities		2,839	3,780
Total liabilities		8,749	11,313
Equity			
Share capital	15	7,550	7,550
Reserves	15	684	637
Retained earnings		33,087	32,917
Equity attributable to owners of the Group		41,321	41,104
Total equity		41,321	41,104

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 2017

In thousands of New Zealand dollars

Group

	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
	15								
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	40,853	(1,723)	39,130
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 on retained earnings upon 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	41,104	-	41,104
Balance at 1 April 2016		7,550	724	-	(87)	32,917	41,104	-	41,104
Profit for the year		-	-	-	-	170	170	-	170
Other Comprehensive Income									
Effective portion of changes in fair value of cash flow hedges		-	-	-	67	-	67	-	67
Income tax on items of other comprehensive income		-	-	-	(20)	-	(20)	-	(20)
Total other comprehensive income for the year		-	-	-	47	-	47	-	47
Total comprehensive income for the year		-	-	-	47	170	217	-	217
Balance at 31 March 2017		7,550	724	-	(40)	33,087	41,321	-	41,321

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

Buller Electricity Limited
Statement of Cash Flows
For the Year Ended 31 March 2017

In thousands of New Zealand dollars		Group	
	Note	2017	2016
Cash flows from operating activities			
Cash receipts from customers		12,316	11,768
Cash paid to suppliers and employees		(8,561)	(8,684)
Interest received		2	97
Interest paid		(439)	(513)
Income tax		(149)	(591)
Net cash from operating activities		3,169	2,077
Cash flows from investing activities			
Purchase of equity investments		-	(21,926)
Disposal of discontinued operation, net of cash disposed		-	16,887
Purchase of investment		(225)	
Purchase of property, plant and equipment		(1,300)	(1,266)
Purchase of intangible assets and development expenditure		(60)	(125)
Net cash from (used in) investing activities		(1,585)	(6,430)
Cash flows from financing activities			
Repayment of borrowings		(1,557)	(500)
Net cash used in financing activities		(1,557)	(500)
Net increase/(decrease) in cash and cash equivalents		27	(4,853)
Cash and cash equivalents at beginning of year		216	5,069
Cash and cash equivalents at end of year		243	216

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

Buller Electricity Limited

Notes to the financial statements for the year ended 31 March 2017

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 1992.

The consolidated financial statements of Buller Electricity Limited as at and for the year ended 31 March 2017 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 Group is eligible for, and has elected to, report in accordance with Tier 2 NZ IFRS (RDR). The Group has taken advantage of a number of disclosure concessions; however there was no recognition or measurement impact on adoption of NZ IFRS (RDR).

The financial statements were approved by the Board of Directors on 30 June 2017.

(b) Basis of measurement

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

The methods used to measure fair values are discussed further in Note 9.

(c) Functional and presentation currency

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

(d) 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.

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: Note 9

(e) New standards adopted, standards and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 April 2017, 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.

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 2018, with early adoption permitted. The Group is currently evaluating the impact of the new standard.

(f) 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) 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 and loans and borrowings.

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.

(iii) Financial assets measured at fair value through other comprehensive income
The Group's investment in equity securities 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 Statement of Comprehensive Income. Shares received as consideration in lieu of cash are recognised in the Statement of Comprehensive Income.

(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.

(b) 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 Statement of Comprehensive Income.

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 the Statement of Comprehensive Income.

(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 the Statement of Comprehensive Income.

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.

(c) 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 the Statement of Comprehensive Income. 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.

4 Operating revenue

(a) 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.

(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.

	Group	
In thousands of New Zealand dollars	**2017**	**2016**
Line Charges	7,794	9,502
Capital Contributions	225	170
Vested assets	16	46
Contracting revenue	2,137	1,753
Total Line and Contracting revenue	**10,172**	**11,471**

5 Operating expenses & Administrative expenses

		Group	
In thousands of New Zealand dollars	**Note**	**2017**	**2016**
Operating expenses include:			
Depreciation	*9*	1,322	1,279
Amortisation	*10*	106	394
Transmission costs		2,067	3,205
Administrative expenses include:			
Net Loss on Sale of Property, Plant and Equipment		49	229
Provision for Impairment of Trade Receivables	*16*	19	36
Directors' Fees		168	150
Auditor's remuneration to KPMG comprises:			
Audit fees		101	159
Other audit-related services		25	21
Other professional services		-	-
Total auditor's remuneration		126	180

For the current year, other audit-related services include the audits of Lines Business *Information Disclosures* prepared by the Group 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.

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

Wages and salaries	3,424	3,630

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.

6 Discontinued operation

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

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

7 Business combinations

On 1 February 2017 the Group acquired the operations of Emerge Electrical and Instrumentation Limited (an electrical contracting business domiciled in the Buller region) under a contingent consideration arrangement of $300,000. Consideration transferred to the owners of Emerge Electrical and Instrumentation Limited during the year was $225,000. Under the contingent consideration arrangement, the Group is required to pay the vendors an additional $75,000 should certain performance metrics for the Groups electrical contracting subsidiary Electro Services Limited be met in the 2019 and 2020 financial years.

Assets acquired at the date of acquisition	**2017**
Current assets	
Inventories	15
Non current assets	
Plant and equipment	54
	69

Goodwill

Goodwill arising on the acquisition of the operations of Emerge Electrical and Instrumentation Limited is carried at cost as established at the date of acquisition, less accumulated impairment losses.
For the purposes of impairment testing, goodwill is allocated to Electro Services Limited (the cash generating unit), being the component of the Group that is expected to benefit from the synergies of the combination. Goodwill is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

As at balance date, the recoverable amount of Electro Services Limited was higher than its carrying amount, and as such no impairment of goodwill has been recognised.

Goodwill arising on acquisition	**2017**
Consideration transferred	225
Less: fair value of identifiable assets acquired	(69)
Goodwill arising on acquisition	**156**

8 Income tax expense in the income statement

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income 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.

	Group	
In thousands of New Zealand dollars	**2017**	**2016 (Restated)**
Current tax expense		
Current period	-	167
Losses utilised in current year	-	(325)
Adjustment for prior periods	(7)	5
	(7)	**(153)**
Deferred tax expense		
Origination and reversal of temporary differences	164	(5,524)
Adjustments for prior periods	72	351
Total deferred tax expense	236	(5,173)
Income tax expense/(benefit) for the year	**229**	**(5,326)**

Income tax expense for the year

	Group	
In thousands of New Zealand dollars	**2017**	**2016 (Restated)**
Profit before tax	399	892
Income tax:		
Income tax benefit for period	(111)	(258)
Subvention payment / Loss utilisation	-	62
Other	(118)	5,522
Income tax (expense)/benefit on profit or loss	**(229)**	**5,326**
Profit after income tax	170	6,218
Numerical reconciliation of income tax expense to primae facie tax payable		
Profit before tax	399	892
Income tax using domestic tax rate 28% (2016: 28%)	112	249
Adjustments:		
Losses utilised within Group	-	(62)
Non-deductible expenses	29	71
Recognition of deferred tax not previously recognised	-	(5,662)
Other	-	78
Under/(over) provided in prior periods	88	-
	229	**(5,326)**

9 Property, Plant and Equipment

(a) 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 the Statement of Comprehensive Income as incurred.

(iii) Depreciation

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

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

- electricity distribution system 3 – 60 years SL
- freehold buildings 40 – 50 years SL
- motor vehicles 3 – 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 the Statement of Comprehensive Income, the increase is credited to the Statement of Comprehensive Income 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 the Statement of Comprehensive Income 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 the Statement of Comprehensive Income. 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.

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.

In thousands of New Zealand dollars	**Electricity distribution system**	**Land (at fair value) Level 2**	**Buildings (at fair value) Level 2**	**Motor vehicles**	**Leasehold improvements**	**Plant and equipment**	**Total**
Group							
Cost / revalued amount							
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
Balance at 1 April 2016	29,979	610	1,512	1,901	-	1,559	35,561
Additions	2,066	-	-	295	-	44	2,405
Disposals	(107)	-	-	(110)	-	(668)	(885)
Balance at 31 March 2017	31,938	610	1,512	2,086	-	935	37,081
Depreciation and impairment losses							
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 through profit or loss	-	-	-	-	-	(238)	(238)
Disposals	-	-	-	(24)	(18)	(2,367)	(2,409)
Balance at 31 March 2016	7,872	-	292	1,521	-	649	10,334
Balance at 1 April 2016	7,872	-	292	1,521	-	649	10,334
Depreciation for the year	1,172	-	29	72	-	49	1,322
Impairment losses through profit or loss	-	-	-	-	-	-	-
Disposals	-	-	-	(73)	-	-	(73)
Balance at 31 March 2017	9,044	-	321	1,520	-	698	11,583
Carrying amounts							
At 31 March 2016	22,107	610	1,220	380	-	910	25,227
At 31 March 2017	22,894	610	1,191	566	-	237	25,498

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 16.
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 2 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 (2016: $114,458) and the carrying value of buildings would be $1,019,291 (2016: $1,049,553).

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

Security

The assets are subject to a negative pledge (refer Note 13).

10 Intangible assets

(a) Intangible Assets

(i) Development cost
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 the Statement of Comprehensive Income 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.

(ii) 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.

In thousands of New Zealand dollars	Software	Development cost (internally generated)	Brand, Patents and Trademarks	Total
Group				
Carrying amount at 1 April 2015	781	269	104	1,154
Year ended 31 March 2016				
Additions	263	219	-	482
Disposals	(796)	-	(4)	(800)
Amortisation	(206)	(88)	(100)	(394)
Carrying amount at 31 March 2016	42	400	-	442
Year ended 31 March 2017				
Additions	-	-	-	-
Disposals	(41)	-	-	(41)
Amortisation		(106)	-	(106)
Carrying amount at 31 March 2017	1	294	-	295

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

11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
In thousands of New Zealand dollars	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Property, plant and equipment	329	-	(4,557)	(4,127)	(4,228)	(4,127)
Losses available	5,254	5,597	-	-	5,254	5,597
Other	389	152	(61)	-	328	152
Net tax assets/(liabilities)	5,972	5,749	(4,618)	(4,127)	1,354	1,622

Movement in temporary differences during the year:

Group *In thousands of New Zealand dollars*	**Balance 1-Apr-15**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance 31-Mar-16**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance 31-Mar-17**
Property, plant and equipment	(3,954)	(173)	-	(4,127)	(101)	-	(4,228)
Losses available	-	5,597	-	5,597	(343)	-	5,254
Other	397	(251)	6	152	209	(33)	328
	(3,557)	5,173	6	1,622	(235)	(33)	1,354

12 Trade and other receivables

Trade receivables and accrued revenue are initially recognised at fair value and are subsequently measured at amortised cost less any allowance for doubtful receivables. Trade receivables and accrued revenue which are known to be uncollectable are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect amounts due. The allowance for doubtful receivables is the difference between the carrying value and the estimated recoverable amount.

		Group	
In thousands of New Zealand dollars	**Note**	**2017**	**2016**
Trade receivables		1,257	2,322
Less: Provision for impairment of trade receivables		(42)	(551)
Trade receivables-net		1,215	1,771
Due from related party	*19*	-	1,694
Prepayments		109	111
Other receivables		2	118
		1,326	**3,694**

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 20 for details of the unsecured loans of BEL Investments NZ Limited.

13 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 16.

In thousands of New Zealand dollars	**Note**	**Group**	
		2017	**2016**
Unsecured Loan - Buller Electric Power Trust	*19*	1,741	1,741
Unsecured term loans		-	1,632
Secured loan		5,844	5,768
		7,585	9,141
Current		1,741	1,741
Non-current		5,844	7,400
		7,585	9,141

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

At 31 March 2017 the Group 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 1 July 2019. This facility, in conjunction with interest rate swaps has provided the Group with what are effectively term borrowings.

There is a balance drawn down by the Group on the multi-option credit facility at 31 March 2017 of $5,843,508 (2016: $5,768,508). This carries an interest rate determined at the time amounts are drawn down plus a margin of 1.20%. The Group'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 2017 (2016: $Nil). BEL Investments NZ Limited has provided a first ranking General Security to the bank as security for the loans drawn.

14 Trade and other payables

In thousands of New Zealand dollars	Note	Group 2017	2016
Current			
Trade payables and accruals		659	1,241
Employee entitlements		430	571
Income tax payable		-	94
Other payables		9	133
Total		1,098	2,039

15 Capital and reserves

The Group has 7,550,000 (2016: 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 Group.

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 Group for the year ended 31 March 2017 (2016: $nil)

16 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

Credit risk

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

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

With respect to cash and cash equivalents, Group is predominantly a net borrower, 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 Group.

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	2017	2016
Trade receivables		
Current	1,268	3,535
Past due 0-30 days	21	70
Past due 31-60 days	12	6
Past due more than 61 days	67	114
Total	**1,368**	**3,725**
Provision for Impairment	(42)	(31)
Net trade receivables	**1,326**	**3,694**

Movement in Provision for impairment of trade receivables

In thousands of New Zealand dollars	Group 2017	2016
At the beginning of the year	(31)	(918)
Less bad debts written off	8	787
Charged to profit and loss	(19)	(425)
Disposal of discontinued operation		525
Provision for impairment of trade receivables	**(42)**	**(31)**

Liquidity risk

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

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

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

Group

	Note	Carrying amount	31-Mar-17 Contractual Cash Flows				
			Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	*14*	1,098	1,098	1,098	-	-	-
Loans and borrowings	*13*	7,585	8,121	1,936	195	5,990	-
Total financial liabilities		8,683	9,219	3,034	195	5,990	-

	Note	Carrying amount	31-Mar-16 Contractual Cash Flows				
			Contractual Cash Flows	12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	*14*	2,039	2,039	2,039	-	-	-
Loans and borrowings	*13*	9,141	9,382	9,382	-	-	-
Total financial liabilities		11,180	11,421	11,421	-	-	-

The contractual cash flows are the undiscounted amounts and may therefore differ from the carrying values disclosed in the Statement of Financial Position.

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 Group 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.

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

Financial assets/liabilities are converted at cost which reflects their fair value.

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 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.

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 2017	**Level 1**	**Level 2**	**Total**
Interest Rate Swaps	-	(66)	(66)
	-	(66)	(66)

In thousands of New Zealand dollars

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

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

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

17 Capital and other commitments

The Group has an agreement with the Buller District Council for naming rights for the aquatic centre. The Group is committed to sponsorship of $100,000 per annum until 30 June 2017, providing the sponsorship does not adversely affect the Group's financial position. $50,000 of sponsorship has been paid in respect of the year ended 2017 (2016: $100,000).

18 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.

19 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:	Group	
In thousands of New Zealand dollars	**2017**	**2016**
Short-term employee benefits (salaries & Directors' fees)	772	704
	772	**704**

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 Group 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**	
Group	**2017**	**2016**	**2017**	**2016**
Interest paid to Buller Electric Power Trust	139	139	-	-
Loan from Buller Electric Power Trust	-	-	1,741	1,741
Trade and other receivables due from associates	1,694	-	-	1,694

During the year management has purchased contracting services from the group. The total value of these transactions was less than $5,000.

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

20 Group Entities

(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.

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 the Statement of Comprehensive Income. 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.

Details of the Group's material subsidiaries are as follows:

	Country of Incorporation	**Ownership Interest**	
		2017	**2016**
Electro Services Limited	New Zealand	100%	100%
BEL Investment NZ Limited	New Zealand	100%	100%

21 Investments accounted for using the equity method

	Country of Incorporation	**Ownership Interest**		**Nature of relationship**	**Measurement method**	**Carrying amount**	
		2017	**2016**			**2017**	**2016**
Pulse Energy Alliance LP	New Zealand	47%	49%	Associate	Equity method	20,859	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.

22 Subsequent events

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

23 Statement of Service Performance

Commercial performance targets (** = BEL and ESL only - does not include BInzL)	Actual 2017	Target 2017	Actual ** 2016	Target ** 2016
After tax return on shareholders funds (%)	0.41%	2.90%	2.76%	5.80%
Return on total assets (%)	1.67%	2.30%	1.02%	3.50%
Equity ratio (%)	82.53%	78.60%	37.03%	61.00%
Network Capital Expenditure ($m)	$1.6	$1.2	$1.9	$1.2
Capital Expenditure vs Equity	3.82%	2.80%	8.38%	6.10%

The 2016 target and actual KPI's were derived before the purchase of Pulse Energy Limited and hence are restricted to BEL and ESL's results only and exclude BInzL. As such, the 2016 KPI's cannot be compared to the 2017 actual and target KPI's as the latter includes BInzL's results. The actual vs target 2017 KPI's reflect a lower than expected NPAT due to lower revenues because of Holcim's exit and the downturn in Solid Energy, together with unforeseen higher than expected costs.

Network operational performance targets	Actual 2017	Target 2017	Actual 2016	Target 2016
SAIDI	771	288	306	288
SAIFI	6.13%	1.74%	1.93%	1.74%
CAIDI	126	166	158	166

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

Network operational performance was adversely impacted by one off events such as the November 2016 Kaikoura Earthquake and an unplanned Transpower supply outage in the reporting period. In addition, the Network incurred faults in the Karamea Bluff area owing to extreme weather events, and vegetation issues arising from Cyclone Ita damage (April 2014).

Company Directory

NATURE OF BUSINESS	Electricity Distribution Network Services Owner of an Electrical Contracting business and majority owner of an Electricity Retail business.
REGISTERED OFFICE	24 Robertson Street Westport 7825 New Zealand
DIRECTORS	Anthony Gerard Ahern Francis Thomas Dooley (Chairman) Murray Warden Frost William Woodhouse Lee Graham Arthur Naylor
MANAGEMENT	Eamon John Ginley (Chief Executive) Alan George Hawes (Operations Manager) Dale Lynley Ross (Engineering Manager) Joseph Daniel Segall (Financial Controller)
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	P O Box 243 Westport 7866 New Zealand

For the year ended 31 March 2017

Statutory Disclosures

Remuneration of Directors

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

	Company 2017		
F T Dooley	$50,000	G A Naylor	$38,500
A G Ahern	$38,500	W W Lee	$38,500
M W Frost	$38,500		

Executive Employees Remuneration & Other Benefits

Remuneration band ($000)	Current and former employees
110-120	2
140-150	1
230-240	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 Alliance LP and 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 30 March 2016;
- General Security Deed dated 31 March 2016.

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 Alliance LP; 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 2017 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 2017