Buller Electricity Limited

Financial Statements

for the year ended 31 March 2018

Contents

Directors' Declaration

In the opinion of the directors of Buller Electricity Limited, the group financial statements and notes, on pages 6 to 22:

- 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 2018 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 2018.

For and on behalf of the Board of Directors:

F T Dooley
Director

G A Naylor
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 2018

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 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 22, that comprise the *statement of financial position* as at 31 March 2018, 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 pages 22.

In our opinion:

- the financial statements of the Group:

  - present fairly, in all material respects:

    - its financial position as at 31 March 2018; 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; and

- 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 2018.

Our audit was completed on 28 June 2018. This is the date at which our opinion is expressed.

The basis for 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 company'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 and regulatory disclosures engagement, 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 2018

		Group	
In thousands of New Zealand dollars	**Note**	**2018**	**2017**
Continuing operations			
Operating revenue	4	11,137	10,172
Other income		173	37
Operating expenses	5	(7,705)	(7,648)
Administrative expenses	5	(1,975)	(1,686)
Share of profit of associates	18	(212)	(40)
Profit from operating activities		1,418	835
Finance income		15	2
Finance expenses		(334)	(439)
Net finance costs		(319)	(437)
Profit before income tax expense		1,099	399
Income tax expense	7	(282)	(229)
Profit from continuing operations		817	170
Other comprehensive income			
Changes in fair value of cash flow hedges		42	67
Income tax on items of other comprehensive income	7	(12)	(19)
Other comprehensive income, net of tax, that may be reclassified subsequently to profit and loss		30	47
Total comprehensive income for the year		847	217

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

Buller Electricity Limited
Statement of Financial Position
As at 31 March 2018

In thousands of New Zealand dollars	Note	Group 2018	Group 2017
Assets			
Property, Plant and Equipment	8	25,898	25,498
Goodwill	6	156	156
Intangible Assets	9	232	294
Investments accounted for using the equity method	18	20,646	20,859
Deferred Tax Assets	7	1,007	1,354
Non-current assets		47,940	48,161
Cash and cash equivalents		615	243
Trade and other receivables	10	1,440	1,326
Inventories		161	340
Current assets		2,216	1,909
Total assets		50,156	50,070
Liabilities			
Loans and borrowings	11	5,119	5,844
Other Derivatives		25	66
Non-current liabilities		5,144	5,910
Trade and other payables	12	1,103	1,098
Loans and borrowings	11	1,741	1,741
Current liabilities		2,844	2,839
Total liabilities		7,988	8,749
Equity			
Share capital	13	7,550	7,550
Reserves	13	714	684
Retained earnings		33,904	33,087
Total Equity		42,168	41,321

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 2018

		Group					
In thousands of New Zealand dollars	Note	Share capital	Revaluation reserve	Investment reserve	Hedging reserve	Retained earnings	Total Equity
	13						
Balance at 1 April 2016		7,550	724	-	(87)	32,917	41,104
Profit for the year		-	-	-	-	170	170
Other Comprehensive Income							
Effective portion of changes in fair value of cash flow hedges		-	-	-	67	-	67
Income tax on items of other comprehensive income		-	-	-	(20)	-	(20)
Total other comprehensive income for the year		-	-	-	47	-	47
Total comprehensive income for the year		-	-	-	47	170	217
Balance at 31 March 2017		7,550	724	-	(40)	33,087	41,321
Balance at 1 April 2017		7,550	724	-	(40)	33,087	41,321
Profit for the year		-	-	-	-	817	817
Other Comprehensive Income							
Effective portion of changes in fair value of cash flow hedges		-	-	-	42	-	42
Income tax on items of other comprehensive income		-	-	-	(12)	-	(12)
Total other comprehensive income for the year		-	-	-	30	-	30
Total comprehensive income for the year		-	-	-	30	817	847
Balance at 31 March 2018		7,550	724	-	(10)	33,904	42,168

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

Buller Electricity Limited
Statement of Cash Flows
For the Year Ended 31 March 2018

In thousands of New Zealand dollars	Note	Group 2018	Group 2017
Cash flows from operating activities			
Cash receipts from customers		11,180	12,316
Cash paid to suppliers and employees		(8,884)	(8,561)
Interest received		15	2
Interest paid		(334)	(439)
Income tax		64	(149)
Net cash from operating activities		2,041	3,169
Cash flows from investing activities			
Purchase of investment		-	(225)
Purchase of property, plant and equipment		(904)	(1,300)
Purchase of intangible assets and development expenditure		(40)	(60)
Net cash from (used in) investing activities		(944)	(1,585)
Cash flows from financing activities			
Repayment of borrowings		(725)	(1,557)
Net cash used in financing activities		(725)	(1,557)
Net increase/(decrease) in cash and cash equivalents		372	27
Cash and cash equivalents at beginning of year		243	216
Cash and cash equivalents at end of year		615	243

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 2018.

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 2018 comprise the Company and its Subsidiaries (together referred to as the "Group").

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

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Buller Electricity Limited Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Buller Electricity Limited is a for-profit entity for the purpose of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR'), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply for NZ IFRS RDR.

The Group is eligible and has elected to report in accordance with Tier 2 For-Profit Accounting Requirements (NZ IFRS RDR) on the basis that the Group has no public accountability and is not a large for-profit public sector entity. In applying NZ IFRS RDR, the Group has applied a number of disclosure concessions.

The financial statements are prepared on a going concern basis.

The financial statements were approved by the Board of Directors on 28 June 2018.

(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 judgements, 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 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

NZ IFRS 9 Financial Instruments. The Group has adopted a phase of this Standard related to the classification and measurement of financial assets since the annual reporting periods beginning on 1 April 2010 but have not adopted the remaining phases of this Standard. The Group is not required to adopt the remaining phases until after 1 January 2018. The impact of the adoption of the remaining phases of the Standard is not expected to have a material impact on the Group.

NZ IFRS 15 Revenue from Contracts with Customers. This standard replaces NZ IAS 18: Revenue and related interpretations. NZ IFRS 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, 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) 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.

(iv) Other financial liabilities

The Group's trade and other payables and loans and borrowings 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.

(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) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(d) Finance expenses

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.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis/weighted average cost. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. Operating revenue

(a) 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.

(b) 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.

(c) 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	**2018**	**2017**
Capital Contributions	49	225
Contracting revenue	3,352	2,138
Line Charges	7,705	7,793
Vested assets	31	16
Operating revenue	**11,137**	**10,172**

5. Operating expenses & Administrative expenses

		Group	
In thousands of New Zealand dollars	**Note**	**2018**	**2017**
Operating expenses include:			
Depreciation	8	1,884	1,322
Amortisation	9	102	106
Transmission costs		1,671	2,067
Administrative expenses include:			
Net (Profit) / Loss on Sale of Property, Plant and Equipment		(160)	49
Provision for Impairment of Trade Receivables	10	15	19
Directors' Fees		181	168
Auditor's remuneration to KPMG comprises:			
Audit fees		59	101
Other audit-related services		22	25
Total auditor's remuneration		**81**	**126**

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.

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

Kiwisaver employer contribution	126	68
Redundancy	204	-
Wages and salaries	3,955	3,356
	4,285	**3,424**

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. 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.

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**

7. Income tax and Deferred tax

(a) 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	**2018**	**2017**
Current tax		
Current tax on profits for the year	-	-
Losses utilised in current year	-	-
Adjustment for current tax of prior periods	-	(7)
Total current tax	**-**	**(7)**
Deferred tax		
Origination and reversal of temporary differences	333	164
Adjustment for current tax of prior periods	(51)	72
Total deferred tax	**282**	**236**
Total tax	**282**	**229**
Numerical reconciliation of income tax expense to primae facie tax payable		
Profit before tax	1,099	399
Income tax using domestic tax rate 28% (2017: 28%)	307	112
Adjustments:		
Losses utilised within Group	-	-
Non-deductible expenses	7	29
Recognition of deferred tax not previously recognised	-	-
Other	(32)	-
Under/(over) provided in prior periods	-	88
	282	**229**

Imputation credits available for use in subsequent reporting periods

The imputation credits available to the Group for use in subsequent reporting periods is $1,291 thousand.

(b) Deferred tax in the balance sheet

	Property, plant and equipment	**Available Losses**	**Other**	**Total**
Balance at 1 April 2016	(4,127)	5,597	152	1,622
Amount recognised in profit or loss	(101)	(343)	209	(235)
Amount recognised in other comprehensive income	-	-	(33)	(33)
Balance at 31 March 2017	(4,228)	5,254	328	1,354
Amount recognised in profit or loss	(92)	587	(829)	(335)
Amount recognised in other comprehensive income	-	-	(12)	(12)
Balance at 31 March 2018	**(4,320)**	**5,841**	**(513)**	**1,007**

8. 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	3 - 60 years SL
- motor vehicles	3 - 60 years SL
- plant and equipment	3 - 60 years SL
- electricity distribution system	3 - 60 years SL
- leased assets are depreciated over the term of their 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**	**Plant and equipment**	**Total**
Group						
Carrying amounts						
At 31 March 2017	**22,892**	**610**	**1,185**	**508**	**302**	**25,497**
Cost / revalued amount						
Balance at 1 April 2017	48,028	610	1,402	1,065	1,327	52,432
Additions	1,339	-	10	328	59	1,736
Disposals	(551)	-	(19)	(184)	(61)	(815)
Balance at 31 March 2018	48,816	610	1,394	1,210	1,324	53,353
Depreciation and impairment losses						
Balance at 1 April 2017	25,133	-	217	557	1,025	26,933
Depreciation for the year	951	-	28	531	374	1,884
Impairment losses through profit or loss	-	-	-	-	-	-
Disposals	(456)	-	(12)	(576)	(318)	(1,363)
Balance at 31 March 2018	25,628	-	233	512	1,081	27,455
Carrying amounts						
At 31 March 2018	**23,188**	**610**	**1,160**	**697**	**243**	**25,898**

Buller Electricity Limited effected a migration of distribution assets from its Asset Management Database (AMD) to the Navision Financial Management Information System (FMIS). During that process it was identified that the opening balance acquisition cost and accumulated depreciation of buildings and motor vehicles was incorrectly entered but the resulting net book value was correct. An adjustment has been made to correct this with the net book value change being immaterial.

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 guidance report from Preston Rowe Paterson West Coast, dated 4 May 2018), considered the possible fair value movements to be immaterial and have 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 valuation approach for non-system land and buildings is a combination of depreciated replacement cost and market comparables where this information is available. Key valuation inputs include the value per square metre of land and the cost of the industrial buildings in the valuation. 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 (2017: $114,458) and the carrying value of buildings would be $994,208 (2017: $1,019,291).

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

Security

The assets are subject to a first ranking General security over the assets (refer Note 13).

9. Intangible assets

(a) 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.

(b) 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)**	**Total**
Group			
Balance at 1 April 2017	-	294	294
Additions	40	-	40
Disposals	-	-	-
Amortisation	(2)	(100)	(102)
Carrying amount at 31 March 2018	**38**	**194**	**232**

10. 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**	**2018**	**2017**
Trade receivables		1,287	1,257
Less: Provision for impairment of trade receivables		(27)	(42)
Trade receivables - net		1,260	1,215
Prepayments		102	108
Other receivables		77	2
		1,440	1,326

11. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings.

		Group	
In thousands of New Zealand dollars	**Note**	**2018**	**2017**
Unsecured Loan - Buller Electric Power Trust	16	1,741	1,741
Secured loan		5,119	5,844
		6,859	7,584
Current		-	1,741
Non-current		6,859	5,844
		6,859	7,584

The loan from Buller Electric Power Trust is unsecured and is not required to be repaid before 31 August 2019. The interest rate is 5.5% (2017: 8%).

At 31 March 2018 the Group has a credit facility of $7m maturing 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 credit facility at 31 March 2018 of $5,118,513 (2017: $5,843,508). This carries an interest rate determined at the time amounts are drawn down of the Westpac 90 Day Bank Bill Rate plus a margin of 1.30%. The Group's facility is subject to a Line of Credit Fee of 0.40% p.a. and is secured by a first ranking General security over the assets of Buller Electricity Limited.

12. Trade and other payables

		Group	
In thousands of New Zealand dollars	**Note**	**2018**	**2017**
Current			
Trade payables and accruals		637	659
Employee entitlements		456	430
Income tax payable		-	-
Other payables		10	9
		1,103	1,098

13. Capital and reserves

The Group has 7,550,000 (2017: 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.

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 2018 (2017: $nil).

14. Capital and other commitments

The Equity Accounted Investment has an agreement with the Buller District Council for naming rights for the Pulse Energy Recreation Centre ($70k p.a. for 5 years). Other sponsorship commitments include the Buller Gorge Marathon ($6k p.a. for 3 years) and the Oparara Wilderness Trail Run ($5k reviewed annually). These sponsorship agreements and commitments are subject to certain KPI's being met.

15. Contingent liabilities

No contingent liabilities and other commitments at balance date.

16. 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	**2018**	**2017**
Short-term employee benefits (salaries & Directors' fees)	811	772
	811	772

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	**2018**	**2017**	**2018**	**2017**
Interest paid to Buller Electric Power Trust	96	139	-	-
Loan from Buller Electric Power Trust	-	-	1,741	1,741
Trade and other receivables due from associates	-	-	-	-

During the year management has purchased contracting services from the group. The total value of these transactions was less than $25,000.

17. 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.

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	
		2018	2017
Electro Services Limited	New Zealand	100%	100%
BEL Investment NZ Limited	New Zealand	100%	100%

18. Investments accounted for using the equity method

	Country of incorporation	Ownership interest 2018	Ownership interest 2017	Nature of relationship	Measurement method	Carrying amount 2018	Carrying amount 2017
Pulse Energy Alliance LP	New Zealand	47%	47%	Associate	Equity method	20,646	20,859

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. On 14 February 2017 Electra Limited acquired a 4.02% partnership interest in the Pulse Energy Alliance LP, of which 1.9698% was acquired from BEL Investment NZ Limited. As a result of this sale BEL Investments NZ Limited's partnership interest in the Pulse Energy Alliance LP was reduced from 49% to 47.03%. The country of incorporation is also the principal place of business for Pulse Energy Alliance LP and the proportion of directors voting interests held is 33% (2017: 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. There are no contingent liabilities relating to the Group's interest in the associates.

The carrying value of the investment is supported by an independent valuation performed by PwC dated June 2018 on behalf of the PEALP Board.

19. Subsequent events

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

20. Statement of Service Performance

Commercial performance targets - Group	Actual 2018	Target 2018	Actual 2017	Target 2017
After tax return on shareholders funds (%)	1.9%	5.1%	0.4%	2.9%
Return on total assets (%)	2.8%	5.0%	1.7%	2.3%
Equity ratio (%)	84.1%	84.4%	82.5%	78.6%

The actual vs target 2018 KPI's reflect a lower than expected NPAT from BEL Investments NZ Limited. This was to some extent offset by better results than budgeted from Buller Electricity Limited.

Network operational performance targets	Actual 2018	Target 2018	Actual 2017	Target 2017
SAIDI	598	310	771	288
SAIFI	4.66	1.9	6.13	1.74
CAIDI	128	163	126	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 performance was adversely impacted by cyclones Fehi and Gita (February 2018) which contributed 307 minutes to SAIDI.

			Unaudited	
Occupational health and safety	**Actual 2018**	**Target 2018**	**Actual 2017**	**Target 2017**
LTI's	5	0	3	0

We have had a total of 5 Lost Time Injuries (LTI's) in the period. Four of these incidents resulted in minor injuries, including bruising, strains and minor cuts. One incident was serious, where one employee suffered a loss of a finger tip. We are 205 days LTI free at 31 March 2018.

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	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 (Chief Financial Officer) Mark Anthony Wiechern (Electrical Contracting Manager)
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 2018

Statutory Disclosures

Remuneration of Directors

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

	Company 2018		
F T Dooley	$50,000	G A Naylor	$38,500
A G Ahern	$15,000	W W Lee	$37,500
M W Frost	$38,500		

Executive Employees Remuneration & Other Benefits

Remuneration band ($000)	Current and former employees
110-120	3
140-150	1
230-260	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 2018 the Directors have not recommended payment of any dividend to the Buller Electric Power Trust.

For and on behalf of the Board

Chairman

Director

28 June 2018