ELECTRA TRUST

ANNUAL REPORT

FOR THE YEAR ENDED

31 March 2016

Profile

Electra Trust (formerly known as "Horowhenua Energy Trust" owns 100% of the shares in Electra Limited on behalf of 43,671 beneficiaries as defined in its Trust Deed dated 30th April 1993, amended December 1998, amended July 2012 and amended March 2015.

Electra Limited operates as an electricity line owner and operator in the Kapiti and Horowhenua region on the west coast of the lower North Island, New Zealand.

At 31 March 2016, the Group had total assets of $210 million and shareholders' funds of $138 million and employed 166 people.

Electra owns 100% of DataCol NZ Limited and Datacol Group Pty Limited, which are data collection, monitoring and management companies, Electra Generation Limited, an electricity generation company, Electra Energy Ltd an electricity retail company, Electra Monitoring, a security monitoring business and Sky Communications Limited, a telecommunications contracting services company.

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All values in this report are in thousands of New Zealand dollars (rounded) and are for years ended 31 March unless otherwise stated.

"This year" means the year ended 31 March 2016
"Last year" means the year ended 31 March 2015
"Next year" means the year ending 31 March 2017

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ELECTRA TRUST AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The Auditor-General is the auditor of the Electra Trust (the Trust) and Group. The Auditor-General has appointed me, Dave Shadwell, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Trust and Group on her behalf.

Opinion

We have audited the financial statements of the Trust and Group on pages 7 to 35, that comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

In our opinion the financial statements of the Trust and Group:

- present fairly, in all material respects:
    - its financial position as at 31 March 2016; and
    - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

Our audit was completed on 9th June 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

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

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust and Group's financial statements 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 Trust and Group's internal control.

Deloitte.

An audit also involves evaluating:

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

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

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

Responsibilities of the Trustees

The Trustees are responsible for the preparation and fair presentation of financial statements for the Trust and Group that comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards.

The Trustees' responsibilities arise from the Electricity Industry Act 2010 and the Trust Deed of the Trust.

The Trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Trustees are also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

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

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Trust or any of its subsidiaries.

Dave Shadwell
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand

Trustees' Report

ELECTRA TRUST – 2016 ANNUAL REPORT

Electra has had another good year and continues to provide a healthy return on investment for our 43,671 customers in Kapiti-Horowhenua through the annual discount, averaging one month's free power each year.

The value of that discount since the electricity industry reforms of 1993 has now topped $159 million through credits on power bills to residential and business customers.

Electra is one of 22 trust-owned lines companies around the country, with 12 of them being wholly consumer-owned like Electra which means all surpluses, after reinvestment in the network and business development costs, must be returned to consumers as annual discounts.

For two comparatively small districts like Kapiti and Horowhenua, an average $7 million a year in discounts is a significant economic benefit in relieving pressure on household and business budgets.

For that we thank the Board and management of Electra Limited who, with support from the Electra Trust, have held costs and invested in business opportunities which provide the surpluses to both keep the power flowing and maintain discounts.

Two of our founding Board members retire at the end of their three-year term in July after 23 years service in helping to build a strong and widely-respected electricity distribution company.

Out-going chair Trish McKelvey and board member Piers Hamid have made a significant contribution to Electra's development and the Electra Trust thanks them sincerely on behalf of our customers.

Lines companies are essential industries, both in their own communities and as part of a national resource, and Electra is doing all it can to remain strong as the use of electricity changes.

The core business of Electra is to maintain and improve its 2,256 kilometres of overhead power lines and cables and 2,500 sub-stations so that we get power at the flick of a switch. That includes significantly improving our ability to respond quickly to power cuts and to tell those affected what is going on.

What is changing is how power is used because:

- the cost of power is seen as high, leading to more careful use
- some pricing structures are no longer attractive
- energy conservation programmes are successfully reducing power wastage
- power usage will increasingly be governed by smart meters to capitalise on low off-peak pricing
- there are alternative technologies like solar and wind power which will progressively reduce demand on the national grid
- battery storage will increasingly help homes and businesses to store power as prices come down

All these provide threats and opportunities for Electra – threats in terms of static or reducing consumption and income but opportunities through new tariff structures and technologies to make electricity more attractive by delivering it more cost-effectively.

Electra is working through these challenges and the Board and Trust have worked closely together in the development of the latest Statement of Corporate Intent and in direct discussions to understand the changes we are facing.

The Trust believes it essential for Electra to communicate more effectively with our customers so we all understand what is going on and how best to adapt.

During the year we again faced efforts by some of the big retailers to blame power distributors like Electra for price increases and in recent years I have made a point of setting out the facts to allow us to draw our own conclusions.

The current breakdown of our power bills in Kapiti and Horowhenua includes approximately 12 percent to Transpower for 'raw' power from the national grid, 21 percent after discount to Electra for distributing that power across its network, and the remaining 67 percent are charges from the big retailers.

I am again indebted to my elected colleagues on the Electra Trust for the judgement and determination they bring to bear on increasingly complex changes and we value the careful and considered role played by our experienced Secretary Heather Birrell.

For more information about the Electra Trust please visit www.electratrust.co.nz

On Behalf of Trustees

Chris Turver MNZM JP
Chairman
Electra Trust

Trustees' Statutory Report

The Trustees take pleasure in presenting their statutory report for the year ended 31 March 2016

Principal activities

The Group's principal activities during the year were:

• to be a successful electricity line owner and operator maximising value for owners through competitive prices, quality and efficient operations;

• to operate a successful electricity network construction and maintenance contracting business; and

• to invest in business activities and projects that add value to the Group.

Group results and distributions

	2016 $000	2015 $000
Operating revenue from continuing operations	**64,626**	61,669
Discount to consumers	**(7,711)**	(7,021)
Other expenses	**(56,167)**	(51,433)
Profit before tax *	**749**	3,215
Taxation	**(791)**	(114)
Net profit after taxation	**(42)**	3,101
Dividend	**-**	-
Retained earnings brought forward	**69,830**	66,729
Retained earnings carried forward	**69,788**	69,830

* 2016 includes goodwill impairment cost of ($2.5m) [2015 includes one off gain on sale of Oxford $4m and goodwill impairment cost of ($1m).

Trustees' interests

Trustees have no direct interest in equity securities issued by the Company. Trustees may be beneficiaries of Electra Trust, which holds the shares in the Company for end-customers of the day.

Retirement of Trustees

In accordance with the Trust Deed, Ann Chapman and Sharon Crosbie retire by rotation at the annual general meeting of the Trust. Ann Chapman and Sharon Crosbie being eligible, offer themselves for re-election.

Auditor

David Shadwell of Deloitte was appointed as Auditor on behalf of the Auditor-General in accordance with Section 45 of the Electricity Companies Act 1992.

For and on behalf of the Trust

C R Turver
Chair

9 June 2016

L R Burnell
Trustee

9 June 2016

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Electra Trust

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2016

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Continuing Operations					
Revenue					
Sales and interest		**62,923**	60,429	**-**	-
Dividends from subsidiaries		**-**	-	**285**	275
Other		**1,703**	1,240	**-**	-
Total operating revenue	3	**64,626**	61,669	**285**	275
Expenses					
Discount to customers		**(7,711)**	(7,021)	**-**	-
Finance expenses		**(1,128)**	(4,289)	**-**	-
Other expenses		**(55,039)**	(51,260)	**(301)**	(307)
Total operating expenses	3	**(63,878)**	(62,570)	**(301)**	(307)
Gain on disposal of investment in subsidiaries	3	**-**	4,116	**-**	-
Profit before taxation		**749**	3,215	**(16)**	(32)
Income tax (expense) / benefit	4	**(791)**	(114)	**-**	-
Net profit for the year		**(42)**	3,101	**(16)**	(32)
Other comprehensive income					
Foreign exchange reserve decrement		**4**	(5)	**-**	-
Asset revaluation increment / (decrement)		**2,232**	-	**-**	-
Increment / (decrement) on disposal of revalued assets		**(285)**	(152)	**-**	-
Income tax benefit relating to components of other comprehensive income	18	**(598)**	43	**-**	-
Other comprehensive profit / (loss) for the year net of tax		**1,353**	(114)	**-**	-
Total comprehensive profit / (loss) for the year net of tax		**1,311**	2,987	**(16)**	(32)

The notes on pages 12 to 35 form part of these financial statements.

Electra Trust

Consolidated Statement of Changes in Equity

for the year ended 31 March 2016

GROUP	Issued Capital	Reserves	Retained Earnings	Attributable to owners	Total
	$000	$000	$000	$000	$000
Balance at 1 April 2014	18,000	49,054	66,729	133,783	133,783
Profit / (loss) for the year	-	-	3,101	3,101	3,101
Revaluation of assets movement	-	-	-	-	-
Other comprehensive profit / (loss) for the year net of tax	-	(114)	-	(114)	(114)
Total comprehensive profit / (loss) for the year	-	(114)	3,101	2,987	2,987
Balance at 31 March 2015	**18,000**	**48,940**	**69,830**	**136,770**	**136,770**
Balance at 1 April 2015	**18,000**	**48,940**	**69,830**	**136,770**	**136,770**
Profit / (loss) for the year	-	-	**(42)**	**(42)**	**(42)**
Revaluation of assets movement	-	**2,232**	-	**2,232**	**2,232**
Other comprehensive profit / (loss) for the year net of tax	-	**(879)**	-	**(879)**	**(879)**
Total comprehensive profit / (loss) for the year	-	**1,353**	**(42)**	**1,311**	**1,311**
Balance at 31 March 2016	**18,000**	**50,293**	**69,788**	**138,081**	**138,081**

PARENT	Issued Capital	Reserves	Retained Earnings	Attributable to owners	Total
	$000	$000	$000	$000	$000
Balance at 1 April 2014	18,000	-	30	18,030	18,030
(Loss) and total comprehensive income	-	-	(32)	(32)	(32)
Balance at 31 March 2015	**18,000**	-	**(2)**	**17,998**	**17,998**
Balance at 1 April 2015	**18,000**	-	**(2)**	**17,998**	**17,998**
(Loss) and total comprehensive income	-	-	**(16)**	**(16)**	**(16)**
Balance at 31 March 2016	**18,000**	-	**(18)**	**17,982**	**17,982**

The notes on pages 12 to 35 form part of these financial statements

Electra Trust

Consolidated Statement of Financial Position
as at 31 March 2016

	Note	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Equity					
Trust capital	17	**18,000**	18,000	**18,000**	18,000
Reserves	18	**50,293**	48,940	-	-
Retained earnings		**69,788**	69,830	**(18)**	(2)
Total equity		**138,081**	136,770	**17,982**	17,998
Non current liabilities					
Debt finance	15	**12,900**	12,900	-	-
Other financial liabilities		-	82	-	-
Deferred tax liability	4	**33,212**	34,238	-	-
Total non current liabilities		**46,112**	47,220	-	-
Current liabilities					
Cash and cash equivalents	21	-	-	-	-
Debt finance	15	**18,736**	8,961	-	-
Trade and other payables	14	**7,388**	9,446	**18**	37
Total current liabilities		**26,124**	18,407	**18**	37
Total equity and liabilities		**210,317**	202,397	**18,000**	18,035
Non current assets					
Property, plant and equipment	11	**193,276**	180,481	-	-
Investments in subsidaries		-	-	**18,000**	18,000
Deferred tax asset	4	-	-	-	-
Goodwill	13	**3,366**	5,675	-	-
Intangible assets	13	**2,858**	2,040	-	-
Total non current assets		**199,500**	188,196	**18,000**	18,000
Current assets					
Cash and cash equivalents	21	**1,388**	4,536	**0**	15
Receivables and prepayments	7	**7,145**	6,727	-	20
Finance Receivables	8	**1,636**	1,926	-	-
Inventories and work in progress	9	**648**	1,012	-	-
Total current assets		**10,817**	14,201	**0**	35
Total assets		**210,317**	202,397	**18,000**	18,035

The Trustees of Electra Trust authorised these financial statements for issue on:

9 June 2016

For and on behalf of the Trust

C R Turver
Chair

L R Burnell
Trustee

The notes on pages 12 to 35 form part of these financial statements.

Electra Trust
Consolidated Statement of Cash Flows
for the year ended 31 March 2016

	Note	2016 $000	2015 $000	2016 $000	2015 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		**56,127**	56,545	-	-
Dividends received		-	-	305	255
Finance receivables - interest received		-	2,125	-	-
Other interest received		**236**	849	-	-
		56,363	59,519	305	255
Cash was applied to:					
Payments to suppliers and employees		**(45,124)**	(39,923)	(320)	(254)
Interest paid		**(1,133)**	(4,290)	-	-
Tax paid		**(724)**	(724)	-	-
		(46,981)	(44,937)	(320)	(254)
Net cash flows from operating activities	22	**9,382**	14,582	(15)	1
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		-	257	-	-
Sale of investments		-	11,080	-	-
		-	11,337	-	-
Cash was applied to:					
Purchase of property, plant and equipment and intangible assets		**(21,901)**	(10,557)	-	-
Purchase of investments		**(409)**	(300)	-	-
		(22,310)	(10,857)	-	-
Net cash flows from investing activities		**(22,310)**	480	-	-
Cash flows from financing activities					
Cash was provided from:					
Loans raised		**119,560**	83,730	-	-
		119,560	83,730	-	-
Cash was applied to:					
Repayment of loans		**(109,780)**	(96,510)	-	-
Payment of dividends		-	-	-	-
		(109,780)	(96,510)	-	-
Net cash flows from financing activities		**9,780**	(12,780)	-	-
Net (decrease) / increase in cash and cash equivalents held		**(3,148)**	2,282	(15)	1
Add opening cash and cash equivalents brought forward		**4,536**	2,254	15	14
Ending cash and cash equivalents carried forward	21	**1,388**	4,536	0	15

The notes on pages 12 to 35 form part of these financial statements.

Electra Trust

Notes to the Financial Statements

for the year ended 31 March 2016

1 General Information

The financial statements of the Parent, Electra trust, formerly the Horowhenua Energy Trust (the Trust), are for a trust established in terms of a trust deed dated 30 April 1993, amended December 1998, amended July 2012 and amended March 2015. The Trust is a for-profit entity.

The 'Group' for financial reporting purposes comprises:

Electra Limited, the Parent Company, and its fully owned subsidiaries DataCol NZ Limited, Datacol Group Pty Limited, Electra Finance Limited, Electra Generation Limited, Electra Energy Limited, Electra Monitoring Limited and Sky Communications Limited. Non-trading subsidiaries of the Group include DeFrost Limited and Horowhenua Wind Energy Limited. The ultimate parent of the Group is the Electra Trust.

2 Summary of Significant Accounting Policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992. The financial statements have also been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and with International Financial Reporting Standards (IFRS).

2.2 Basis of preparation

The financial statements have been prepared on the basis of historical and deemed cost except for the revaluation of certain non-current assets.

Separate accounting policies are outlined below.

Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements have been prepared in New Zealand dollars (NZD), rounded to the nearest thousand, as both the functional and presentation currency.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2.3 Critical accounting estimates and judgements

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.

Estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at 31 March 2016 that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are disclosed below. The assumptions are based on existing knowledge and outcomes that within the next financial year may differ from these assumptions and could require a material adjustment to the carrying amount of the asset or liability affected.

Electra Limited invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on an estimation of usage based on certain metering data from electricity retailers. As final wash-up metering data is not available for periods in excess of twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.

Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating assets with which the goodwill is associated. This is undertaken by estimating the future cash flows expected to arise and using a suitable discount rate to estimate the present value of the future cash flows.

A key area of estimation is the doubtful debt collective provision reflecting the non-performance of the counterparties to finance receivables. A degree of estimation has been required to determine the level of current risk inherent within the loan portfolio. The historical loss experience is adjusted based on the current observable data and events and discounted future cash flow projections.

In carrying out the revaluation of the network distribution assets a number of assumptions and estimates were used where complete or accurate data was not available.

Other areas where judgement has been exercised in preparing these financial statements are assessing the level of any unrecoverable work in progress and calculating provisions for employee benefits.

2.4 Specific accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

2.4 .1 Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the parent entity, and its subsidiaries as defined in NZ IAS 27: 'Consolidated and Separate Financial Statements'.

Subsidiaries

Subsidiaries are all those entities over which the Group has control.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to profit or loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Trust obtains control and until such time as the Trust ceases to control the subsidiary.

In preparing consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

2.4 .2 Goods and services tax (GST)

Revenues, expenses, cash flows, liabilities and assets are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expenses. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the Statement of Cash Flows.

2.4 .3 Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding GST.

Revenue is recognised as follows:

(i) Distribution revenue

Distribution revenue is the electricity lines revenue. Electricity lines revenue is based on actual and assessed readings.

(ii) Contracting revenue

Contracting revenue is recognised by reference to the stage of completion at balance date measured by progress invoices calculated on the basis of the percentage of the contract completed compared to the total estimated cost. Refer also to note 2.4.7.

(iii) Dividend revenue

Dividend revenue is recognised when the shareholders' right to receive payment is established.

(iv) Interest income

Interest income is recognised as it accrues at the effective interest rate.

(v) Sale of goods

Revenue from the sale of goods is recognised when an entity in the Group has delivered to the buyer the significant risks and rewards of ownership of the goods and services.

(vi) Lending fees

Fees and direct costs relating to loan origination, financing or restructuring and to loan commitments are deferred and amortised to interest over the life of the loan using the effective interest method.

(vii) Electricity Income

Electricity Income is recognised by reference to amounts billed and unbilled to customers at balance date. This is based on actual or estimated electricity usage at balance date.

(viii) Rental income

Rental income is recognised on an accrual basis in accord with the underlying rental agreement.

(ix) Administrative income

Administrative income written into contracts but not yet earned has been excluded from gross income.

(x) Unearned Income

Unearned income is reflected as a reduction of finance receivables.

(xi) Transfer of assets from customers

Transfer of assets from customers relates to connection to the network and the revenue is recognised when the connection to the network is completed.

Revenues (v) to (xi) above are included in the classification 'Other revenue' in note 3

2.4 .4 Income tax

Current tax is based on the net profit for the year adjusted for non-deductible expenditure and non-assessable income, plus any adjustments to income tax payable in respect of prior years. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior years is recognised as a liability (or asset) to the extent that it is unpaid or refundable.

Deferred tax is accounted for in accordance with IFRS, which requires that the full impact of accounting adjustments, including revaluations are accounted for in calculation of the total liability.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company or Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the current or deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination in which case it is taken into account in the determination of goodwill or excess.

2.4 .5 Offsetting

Offsetting of assets and liabilities does not occur unless there is a legally enforceable right or it is expressly permitted by a standard.

2.4 .6 Inventory and work in progress

Inventories are valued on the basis of the lower of cost and net realisable value. Cost is determined on the basis of weighted average of purchase costs. Due allowance is made for damaged and obsolete inventory. Work in progress comprises the cost of direct materials and labour together with direct overheads.

Net realisable value is the estimated amount the inventories are expected to realise in the ordinary course of business less an estimate of any costs to completion and applicable variable selling expenses.

2.4 .7 Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.4 .8 Property, plant and equipment

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an income (present value) approach. The fair values are recognised in these financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of the electricity distribution network is not materially different from fair value. Consideration is given as to whether the assets are impaired as detailed in note 2.4.7.

All other land and buildings, property, plant and equipment assets are accounted for at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of assets constructed by the Group includes the cost of materials and direct labour and an allowance for overheads.

Any revaluation increase arising on the revaluation of land and buildings and the electricity distribution network is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the electricity distribution network 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 is provided on plant, property and equipment, including freehold buildings but excluding land.

Depreciation on revalued buildings and the electricity distribution system is charged to the Statement of Comprehensive Income. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Depreciation is calculated for buildings and electricity distribution assets so as to write off the cost of each asset over its expected useful life to its estimated residual value. Other property, plant and equipment items are depreciated so as to expense the cost of the assets over their useful lives.

The following rates are used in the calculation of depreciation:

Category	
Distribution plant and equipment	1% - 50% straight line or 10% - 25% diminishing value
Other buildings at cost	2% - 36% straight line
Other plant and equipment	7.8% - 50% straight line or 10% - 39.6% diminishing value
Motor vehicles	10% - 33.3% diminishing value

2.4 .9 Impairment of assets

The Group reviews the carrying value of its tangible assets at balance date to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs.

The Group considers that the electricity network represents a single cash generating unit for the purposes of impairment assessment, and the individual subsidiaries are cash generating units as they each derive their own cash flows.

Goodwill and other intangible assets are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

The recoverable amount is the higher of fair value (less the costs to sell) and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4 .10 Intangible assets

(i) Goodwill

Goodwill representing the excess of the cost of acquisition over the fair value of identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised but is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Statement of Comprehensive Income and not subsequently reversed. Refer also to note 2.4.9.

(ii) Software

Computer software is capitalised as an intangible asset of finite life on the basis of the costs incurred to acquire and bring the software into service and it is amortised over its expected useful economic life on a diminishing value basis. Costs associated with improving and maintaining computer software programmes are recognised as expenses as incurred.

(iii) Easements

Easements obtained in relation to access, construction and maintenance of electricity distribution system assets are capitalised as assets to the extent of survey, legal and registration costs and any lump sum payments made to landowners in exchange for certain rights. Such easements are capitalised and amortised over the duration of the agreement.

2.4 .11 Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense as incurred.

An intangible asset arising from development activity is recognised only if all of the following conditions are met: an asset is created that can be recognised; it is probable that the asset created will generate future economic benefits; and the cost can be measured reliably. Development costs that meet these criteria are amortised on a straight-line basis over their useful lives. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Development costs incurred that cannot be separately identified from the physical asset are included in the item of property, plant and equipment being developed and depreciated over the useful life of the asset. If the recognition criteria are not met, development expenditure is recognised as an expense as incurred.

2.4 .12 Employee benefits

Provision is made for employee entitlements accruing in relation to wages and salaries, annual leave, long service leave, retiring gratuities and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits expected to be settled within the next 12 months are measured at the amounts expected to be paid when the obligations are settled. Provisions made in relation to employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees to the Group up to the reporting date. In relation to retirement gratuities, the present value calculations also provide for the probability of the employees completing employment to the point of entitlement (retirement).

Contributions to defined contribution superannuation schemes are expensed when incurred.

2.4 .13 Financial instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Financial assets and liabilities are not offset unless there is a legally enforceable right, or where required by a standard.

2.4 .14 Financial assets

(i) Investments

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

(ii) Loans and receivables

Accounts receivable are initially measured at fair value and are subsequently recognised at amortised cost less impairment using the effective interest method. All known bad debts are written off during the financial year. Intercompany balances due are stated at amortised cost less impairment.

(iii) Finance receivables

Finance receivables, comprising hire purchase contracts, mortgage advances and dealer floorplans are initially measured at fair value at trade date and are subsequently measured at amortised cost under the effective interest method plus any directly attributable transaction costs, less impairment.

Finance receivables include:
Impaired assets:
-'Non-accrual loans' being loans where we do not expect to be able to collect all the amounts owing in terms of the contract and therefore impairment is required under NZ IAS 39 (but is not a restructured asset).

- 'Assets acquired through security enforcement' being assets acquired in full or partial satisfaction of outstanding loans.

An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the impairment loss is recognised in the Statement of Comprehensive Income.

(iv) Bad debts and doubtful debts provisioning

Finance receivables are written down, by way of a specific write-off or collective provision, to their expected net collectable amounts with the amount written off or provided recognised as an expense in the Statement of Comprehensive Income, comprising:

- Specific provisions: these are raised when there is objective evidence (identified on a counterparty by counterparty basis) that an impairment loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows using the original effective interest rate. The Company identifies impaired assets where the security has been repossessed and sold due to a breach of agreement. Also where the security has become damaged or written off.

- Collective provisions: Loans that are not known to be impaired are grouped together according to their risk characteristics and are then assessed for objective evidence of impairment of the balance at reporting date. The appropriate collective provision is raised based on historical loss data and current available information for assets with similar risk characteristics. From analysis undertaken, this benchmark has been consistent with the historical level of bad debts experienced in these portfolios.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down or allowance is reversed through the Statement of Comprehensive Income.

2.4 .15 Financial liabilities

(i) Payables

Trade payables and other accounts payable are recognised at fair value when the Trust or Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are subsequently recognised at amortised cost.

(ii) Borrowings

Borrowings are recorded initially at fair value net of any transaction costs. Borrowings are subsequently recognised at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the Statement of Comprehensive Income over the year of the borrowing using the effective interest method. Borrowings are classified as non current liabilities where the Group holds an agreement with the lender which includes the right to settle the liability in an accounting year at least 12 months after the balance date.

Borrowing costs are expensed using the effective interest method. No borrowing costs have been capitalised.

(iii) Intercompany payables

These payables are initially recognised at fair value and are subsequently recognised at amortised cost using the effective interest method. In preparing the Group financial statements they are eliminated in full.

2.4 .16 Foreign currency transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value is determined.

Exchange differences on foreign currency balances are recognised as income/expenditure in the Statement of Comprehensive Income in the year in which they arise.

2.4 .17 Statement of cash flows

Cash and cash equivalents comprise cash on hand, cash in banks (including bank overdrafts), demand deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue-producing activities of the Group and other activities that are not investing or financing.

Investing activities are the acquisition and disposal of long term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Trust or Group.

2.4 .18 Provisions

Provisions are recognised when the Company or Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be reliably measured.

2.4 .19 Fund management activities

The Trust or Group does not manage funds on behalf of other parties or engage in other fiduciary activities.

2.4 .20 Operating leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term. There are no leases classified as finance leases.

2.4 .21 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not amortised or depreciated.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable and the asset is available for immediate sale in its present condition.

2.4 .22 Changes in accounting policy

The same accounting policies, presentation and methods of computation have been followed in these financial statements as were applied in the preparation of the financial statements for the year ended 31 March 2015.

2.5 New and revised standards and interpretations

The following new or revised Standards or Interpretations issued are not required to be adopted by entities preparing financial statements for periods ending on 31 March 2016. Management have not yet assessed the impact of these standards.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	31 March 2017
Financial Instruments NZ IFRS 9	1 January 2018	31 March 2019
Revenue from Contracts with Customers NZ IFRS 15	1 January 2017	31 March 2018

Adoption of new and revised Standards and Interpretations

Management reviewed the Standards and Interpretations that became mandatory in the current year, and determined that there is no material effect on the results and position of the Group.

3 Net profit before taxation

	Group 2016 $000	Group 2015 $000	Parent 2016 $000	Parent 2015 $000
Operating revenue from continuing operations				
Sales - contracting	**22,092**	18,817	**-**	-
Sales - distribution	**40,489**	38,554	**-**	-
Interest revenue - other	**342**	3,058	**0**	-
Dividend revenue - subsidiaries	**-**	-	**285**	275
Other income	**1,703**	1,240	**-**	
Total operating revenue from continuing operations	**64,626**	61,669	**285**	275
After charging / (crediting)				
Auditors remuneration				
Audit services	**161**	126	**6**	6
Other services	**51**	60	**-**	-
Bad debts	**210**	45	**-**	-
Change in provision for doubtful debts	**30**	1,098	**-**	-
Depreciation	**9,358**	9,077	**-**	-
Discount to customers	**7,711**	7,021	**-**	-
Amortisation of Intangible Assets	**384**	239	**-**	-
Impairment of property, plant and equipment	**20**	(15)	**-**	-
Goodwill impairment	**2,718**	1,000	**-**	-
Directors' Fees	**323**	307	**-**	-
Trustees" Fees	**84**	84	**84**	84
Defined contribution plan expense	**333**	309	**-**	-
Employee costs	**10,285**	12,344	**-**	-
(Gain) / loss on sale of assets	**594**	394	**-**	-
Interest - other	**1,128**	4,289	**-**	-
Inventory expense	**7,714**	3,060	**-**	-
Rental and lease costs	**756**	717	**-**	-
Repairs and maintenance	**948**	650	**-**	-
Vehicle	**1,014**	656	**-**	-
Contractors	**4,573**	5,570	**-**	-
Foreign exchange gain \ (loss)	**-**	(48)	**-**	-
Other expenses	**15,483**	15,587	**211**	217
Total expenses from continuing operations	**63,878**	62,570	**301**	307
Gain on disposal of investments in subsidiaries	**-**	4,116	**-**	-
Net profit before taxation from continuing operations	**749**	3,215	**(16)**	(32)

Consumer sales discount

A total of $7.7m plus GST was credited to consumers during the year to 31 March 2016 ($7m plus GST during the year to 31 March 2015).

4 Taxation

The income taxation expense on pre-tax accounting profit / (loss) reconciles to the income tax expense as follows:

	Group		Parent	
	2016	2015	**2016**	2015
	$000	$000	**$000**	$000
Profit before taxation from continuing operations	**749**	3,215	**(16)**	(32)
Taxation @ 28%	**210**	900	**(5)**	(9)
Taxation effect of				
Temporary and permanent differences	**880**	(765)	**5**	9
Taxation losses offset with group entities	**(299)**	(21)	**-**	-
Prior year adjustment	**0**	-	**-**	-
Taxation expense for continuing operations	**791**	114	**-**	-
Taxation expense / (benefit) comprised of:				
Current tax expense	**1,737**	1,617	**-**	-
Deferred tax benefit	**(946)**	(1,503)	**-**	-
Total expense for continuing operations	**791**	114	**-**	-

Deferred Tax

	Opening Balance	Charged to income - continuing operations	Charged to income - discontinued operations	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing balance
GROUP	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
31 March 2016						
Gross deferred tax liabilities						
Provisions	632	280	-	-	-	912
Doubtful debts	316	4	-	-	-	320
Property, plant and equipment	(35,186)	662	-	80	-	(34,444)
	(34,238)	**946**	**-**	**80**	**-**	**(33,212)**

	Opening Balance	Charged to income - continuing operations	Charged to income - discontinued operations	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing balance
GROUP	$000	$000	$000	$000	$000	$000
31 March 2015						
Gross deferred tax liabilities						
Provisions	267	365	-	-	-	632
Doubtful Debts	29	287	-	-	-	316
Property, plant and equipment	(36,082)	853	-	43	-	(35,186)
	(35,786)	**1,505**	**-**	**43**	**-**	**(34,238)**

	Opening Balance	Charged to income - continuing operations	Charged to income - discontinued operations	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing balance
PARENT	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
31 March 2016						
Gross deferred tax liabilities						
Provisions	-	-	-	-	-	-
Doubtful debts	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
	-	-	-	-	-	-

	Opening Balance	Charged to income - continuing operations	Charged to income - discontinued operations	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing balance
PARENT	$000	$000	$000	$000	$000	$000
31 March 2015						
Gross deferred tax liabilities						
Provisions	-	-	-	-	-	-
Doubtful Debts	-	-	-	-	-	-
Property, plant and equipment	-	-	-	-	-	-
	-	-	-	-	-	-

Imputation credit account	**2016**	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Closing balance	13,405	12,550	-	-

5 Rental and leases

	Group		Parent	
	2016	**2015**	**2016**	**2015**
Rental and operating lease commitments	**$000**	$000	**$000**	$000
No later than one year	**619**	542	-	-
Later than one year and not later than five years	**1,520**	1,479	-	-
Later than five years	**1,256**	1,736	-	-
	3,395	3,757	-	-

The majority of the lease commitments are for building accommodation. The remainder relate to vehicles and equipment.
There are no contingent rents payable and all leases are subject to renewals at the election of the Company.

6 Remuneration of auditors

	Group		Parent	
	2016	**2015**	**2016**	**2015**
	$000	$000	**$000**	$000
Audit of the financial statements	**161**	120	**6**	6
Audit related services or review of financial statements not reported above	**51**	60	-	-
	212	180	**6**	6

The auditor of Electra Limited is David Shadwell of Deloitte on behalf of the Auditor-General.
Audit related services comprise the review of Electra Limited's regulatory disclosures in accordance with the Electricity (Information Disclosure) Requirements under Part 4A of the Commerce Act 1986 and amendment notices.

7 Receivables and prepayments

	Group		Parent	
	2016	2015	**2016**	2015
	$000	$000	**$000**	$000
Trade Receivables	**6,162**	6,711	-	-
Intercompany receivable	-	-	-	20
Other Receivables	**1,053**	235	-	-
Prepayments	**150**	103	-	-
	7,365	7,049	-	20
Less provision for doubtful debts	**(220)**	(322)	-	-
	7,145	6,727	-	20

There are no significant concentrations of credit risk within trade receivables

8 Finance Receivables

Finance lending is provided to clients in the form of mortgages.

	Group 2016 $000	2015 $000
Finance Receivables	2,595	2,767
Less provision for unearned interest	-	-
Total	2,595	2,767
Less provision for doubtful debts	(959)	(841)
Total finance receivables	1,636	1,926
Due for repayment		
Current	1,636	1,926
Non-current	-	-
Total	1,636	1,926

9 Inventories and work in progress

	Group 2016 $000	2015 $000
Inventory - Finished Goods	514	390
Work in progress	134	622
	648	1,012

10 Financial Instruments

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing a loss.

Financial assets which potentially subject the Group to credit risk principally consist of bank balances and accounts receivable which the Company consider is covered within the general liquidity management.

The Group manages their principal credit risk by having Use of System Agreements with its major customers to maintain a minimum credit rating of BBB or better and performing credit evaluations on customers requiring advances.

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

	Group		Trust	
	2016 $000	2015 $000	2016 $000	2015 $000
Trade receivables				
Not past due	5,623	6,210	-	20
Past due 0 - 30 days	169	231	-	-
Past due 31 - 60 days	54	5	-	-
Past due more than 60 days	316	265	-	-
	6,162	6,711	-	20

The above maximum exposures are gross of any recognised provision for losses on these financial assets. No collateral is held on the above amounts. The trade and intercompany receivables are within their contractual terms and are considered to be collectible.

In accordance with the Group's Treasury policy Bank balances in short term deposits are made with registered banks. The registered banks currently have a credit rating of AA-.

Concentrations of credit risk

Electra Limited has exposure to concentration of credit risk by having fifteen electricity retailer customers. This is managed as mentioned above through the Use of System Agreements.

Foreign currency risk

The Trust and Group has no material exposure to foreign exchange risk.

Interest rate risk

Liabilities
The interest rate risk exposure is limited to bank borrowings. The Company has no interest hedge contracts.

Fair Values
The carrying amounts recorded in the Statement of Financial Position are considered to be their fair values for all classes of financial instruments with the exception of bank borrowings, investments in subsidiaries and amounts which are not able to be determined because there is no available market data.

Interest rate risk profile of financial assets and liabilities

The interest rate risk profile of on-balance sheet financial assets and financial liabilities has been prepared on the basis of maturity or contractual repricing whichever is the earlier.

Financial instrument carrying values by category - Group

As at 31 March 2016

$000	Int Rate %	Total	0-12 mths	1-2 years	2-5 years	5 + years
Financial Assets						
Cash and cash equivalents	1.00	1,388	1,388	-	-	-
Trade and other receivables		7,215	7,215	-	-	-
Finance receivables		1,636	1,636	-	-	-
Total financial assets		**10,239**	**10,239**	-	-	-
Financial Liabilities						
Trade and other payables		7,388	7,388	-	-	-
Debt finance	3.20-4.95	31,636	18,736	-	12,900	-
Other financial liabilities		-	-	-	-	-
Total financial liabilities		**39,024**	**26,124**	-	**12,900**	-

As at 31 March 2015

$000	Int Rate %	Total	0-12 mths	1-2 years	2-5 years	5 + years
Financial Assets						
Cash and cash equivalents	2.25	4,536	4,536			
Trade and other receivables		6,272	6,272			
Finance receivables		1,926	1,926			
Total financial assets at amortised cost		**12,734**	**12,734**	-	-	-
Financial Liabilities						
Trade and other payables	-	9,446	9,446			
Debt Finance	5.38-7.37	21,861	8,961	4,900	8,000	
Other financial liabilities	-	82			82	
Total financial liabilities at amortised cost		**31,389**	**18,407**	**4,900**	**8,082**	-

Financial instrument carrying values by category - Parent

As at 31 March 2016

$000	Int Rate %	Total	0-12 mths	1-2 years	2-5 years	5 + years
Financial Assets						
Cash and cash equivalents		-	-	-	-	-
Intercompany receivables		-	-	-	-	-
Total financial assets		-	-	-	-	-
Financial Liabilities						
Trade and other payables		18	18	-	-	-
Total financial liabilities		**18**	**18**	-	-	-

As at 31 March 2015

$000	Int Rate %	Total	0-12 mths	1- 2 years	2 - 5 years	5 + years
Financial Assets						
Cash and cash equivalents		15	15			
Intercompany receivables		20	20			
Total financial assets at amortised cost		**35**	**35**	-	-	-
Financial Liabilities						
Trade and other payables		37	37			
Total financial liabilities at amortised cost		**37**	**37**	-	-	-

Fair value measurements recognised through the consolidated Statement of Comprehensive Income
The table below shows the fair value hierarchy of financial assets and liabilities recognised at fair value. The fair value hierarchy is based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs or other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable data (unobservable inputs).

Derivative financial instruments - Group and Parent
31 March 2016

	Level one $000	Level two $000	Level three $000	Total $000
Interest rate swaps				
	-	-	-	-

Derivative financial instruments - Group and Parent
31 March 2015

	Level one $000	Level two $000	Level three $000	Total $000
Interest rate swaps		(82)		(82)
	-	**(82)**	-	**(82)**

The table below shows the changes in fair value of financial instruments recognised in the profit and (loss) component of the Statement of Comprehensive Income.

	Group and Parent 2016	2015
Interest rate swaps	**(82)**	17
	(82)	17

Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. While total financial liabilities exceed total financial assets, facilities of $49.85m (2015: $49.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $31.6m had been drawn down (2015: $21.82m).

The following table outlines undiscounted cash flows including any accrued interest based on contractual maturities however actual repayments may differ. While most commercial loans are showing in the table with contractual maturities of 0-6 months it is expected some of these will be rolled over at the discretion of the Board.

Contractual maturity analysis - continuing operations

Financial instrument maturity values by category - Group

As at 31 March 2016

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Financial assets										
Cash and cash equivalents		1,388	1,248	140	-	-	-	-	-	-
Trade and other receivables		7,215	-	7,141	74	-	-	-	-	-
Finance receivables		1,636	-	1,636	-	-	-	-	-	-
Total financial assets		**10,239**	**1,248**	**8,917**	**74**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables		7,388	-	7,232	156	-	-	-	-	-
Debt finance	3 20 - 4 95	33,014	-	19,067	319	639	12,989	-	-	-
Other financial liabilities		-	-	-	-	-	-	-	-	-
Total financial liabilities		**40,402**	**-**	**26,299**	**475**	**639**	**12,989**	**-**	**-**	**-**

As at 31 March 2015

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Financial assets										
Cash and cash equivalents	2 25	4,536	4,536	-	-	-	-	-	-	-
Trade and other receivables	-	6,272	-	6,272	-	-	-	-	-	-
Finance receivables	-	1,926	-	1,926	-	-	-	-	-	-
Total financial assets		**12,734**	**4,536**	**8,198**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables	-	9,446	-	9,446	-	-	-	-	-	-
Debt finance	5 38 - 7 37	20,815	-	7,400	2,328	5,339	3,737	2,011	-	-
Other financial liabilities		303	-	61	61	123	58	-	-	-
Total financial liabilities		**30,564**	**-**	**16,907**	**2,389**	**5,462**	**3,795**	**2,011**	**-**	**-**

Financial instrument maturity values by category - Parent

$000

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Financial assets										
Cash and cash equivalents		-	-	-	-	-	-	-	-	-
Intercompany receivables		-	-	-	-	-	-	-	-	-
Total financial assets		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables		18	-	18	-	-	-	-	-	-
Total financial liabilities		**18**	**-**	**18**	**-**	**-**	**-**	**-**	**-**	**-**

Intercompany receivables

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Financial assets										
Cash and cash equivalents	2 25	15	15	-	-	-	-	-	-	-
Intercompany receivables	-	20	-	20	-	-	-	-	-	-
Total financial assets		**35**	**15**	**20**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables	-	37	-	37	-	-	-	-	-	-
Total financial liabilities		**37**	**-**	**37**	**-**	**-**	**-**	**-**	**-**	**-**

Capital Management

The Group's capital includes share capital, asset revaluation reserves and retained earnings. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market 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 is subject to the following capital requirements and covenants:

(a) The Statement of Corporate Intent imposes a restriction that the Company will maintain shareholder funds at not less than 40% (2015:40%) of total assets.

(b) Bank Covenants
   (i) Ratio of EBIT (Group earnings before interest, taxation and customer discounts) to interest paid to be no less than 2.0 times

   (ii) Annual Balance Sheet and Profit and Loss account to be provided within 120 days of balance date

   (iii) Interim accounts to be provided upon request

   (iv) Cash flow forecasts/budgets for the ensuing year to be provided to the bank upon request

   (v) Group equity to be maintained at no less than 35% of total tangible assets at all times

The Group has complied with all covenants during the year.

11 Property, plant and equipment

Group	Distribution plant & equipment (incl land and buildings) at valuation	Other land and buildings at cost	Other plant and equipment at cost	Motor vehicles at cost	Other capital work in progress at cost	Total
Cost	$000	$000	$000	$000	$000	$000
Balance as at 1 April 2014	167,120	1,414	4,061	4,447	7,861	184,903
Additions	590	22	245	442	9,817	11,116
Disposals	(628)	(139)	(53)	(235)	-	(1,055)
Transfer to / (from) capital work in progress	8,097	950	218	441	(9,706)	-
Revaluation	-	-	-	-	-	-
Balance as at 31 March 2015	**175,179**	**2,247**	**4,471**	**5,095**	**7,972**	**194,964**
Balance as at 1 April 2015	175,179	2,247	4,471	5,095	7,972	194,964
Additions	-	1,668	3,241	972	14,895	20,776
Disposals	(1,186)	(19)	(7)	(239)	-	(1,451)
Transfer to / (from) capital work in progress	16,977	23	576	-	(17,432)	144
Revaluation	2,232	-	-	-	-	2,232
Balance as at 31 March 2016	**193,202**	**3,919**	**8,281**	**5,828**	**5,435**	**216,665**
Depreciation and impairment losses						
Balance as at 1 April 2014	(454)	(265)	(2,806)	(2,183)	-	(5,708)
Depreciation charge	(7,849)	(74)	(424)	(431)	(299)	(9,077)
Write back on disposals	53	69	20	145	-	287
Impairment	-	-	15	-	-	15
Transfer to / (from) capital work in progress	-	-	-	-	-	-
Balance as at 31 March 2015	**(8,250)**	**(270)**	**(3,195)**	**(2,469)**	**(299)**	**(14,483)**
Balance as at 1 April 2015	(8,250)	(270)	(3,195)	(2,469)	(299)	(14,483)
Depreciation charge	(8,181)	(69)	(643)	(465)	-	(9,358)
Write back on disposals	297	14	3	138	-	452
Impairment	-	-	-	-	-	-
Transfer to / (from) capital work in progress	(299)	-	-	-	299	-
Balance as at 31 March 2016	**(16,433)**	**(325)**	**(3,835)**	**(2,796)**	**-**	**(23,389)**
Carrying amounts						
As at 31 March 2015	166,929	1,977	1,276	2,626	7,673	180,481
As at 31 March 2016	**176,769**	**3,594**	**4,446**	**3,032**	**5,435**	**193,276**

Parent **Cost**	Distribution plant & equipment (incl land and buildings) at valuation $000	Other land and buildings at cost $000	Other plant and equipment at cost $000	Motor vehicles at cost $000	Other capital work in progress at cost $000	Total $000
Balance as at 1 April 2014	-	-	2	-	-	2
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance as at 31 March 2015	-	-	2	-	-	2
Balance as at 1 April 2015	-	-	2	-	-	2
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Balance as at 31 March 2016	-	-	2	-	-	2
Depreciation and impairment losses						
Balance as at 1 April 2014	-	-	(2)	-	-	(2)
Depreciation charge	-	-	-	-	-	-
Balance as at 31 March 2015	-	-	(2)	-	-	(2)
Balance as at 1 April 2015	-	-	(2)	-	-	(2)
Depreciation charge	-	-	-	-	-	-
Balance as at 31 March 2016	-	-	(2)	-	-	(2)
Carrying amounts						
As at 31 March	-	-	-	-	-	-
As at 31 March	-	-	-	-	-	-

Revaluation and impairment review
The Company's distribution assets (excluding land and buildings) and the electricity distribution network were revalued to a fair value of $167,349,712 as at 31 March 2014 by Richard Krogh, of independent valuers Energia Limited, using an income (present value) approach. This approach was considered to be the most appropriate valuation technique given the current electricity industry environment and the availability of input data.

All other Group property, plant and equipment are recorded at cost less accumulated depreciation.

In accordance with NZ IAS 36, the Group has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired. Based on evidence from asset disposals, the Group does not believe that any such carrying values are materially impaired at 31 March 2016 (31 March 2015: $Nil).

12 Investments

Interests held by Group

Name of entity	Principal activities	2016	2015
DataCol NZ Limited	Metering Services	100%	100%
Datacol PTY Limited	Telecommunications	100%	100%
Electra Energy	Electricity Retailing	100%	0%
Electra Finance Limited	Financing	100%	100%
Electra Generation Limited	Electricity Generation	100%	100%
Electra Monitoring Limited	Security Monitoring	100%	100%
Sky Communications Limited	Telecommunications	100%	100%
DeFrost Limited	Non Trading	100%	100%
Horowhenua Wind Energy Limited	Non Trading	100%	100%

The effective ownership and the voting interests in the above investments are the same.

All subsidiaries and associates have a balance date of 31 March and are incorporated in New Zealand, with the exception of DataCol Group Pty Limited which is incorporated in Australia.

13 Goodwill and Intangible Assets

Group **Gross carrying amount**	**Software** **$000**	**Goodwill** **$000**	**Other** **$000**	**Total** **$000**
Balance as at 1 April 2014	5,256	9,837	175	15,268
Additions	155	164	12	331
Disposals	-	-	-	-
Balance as at 31 March 2015	**5,411**	**10,001**	**187**	**15,599**
Balance as at 1 April 2015	5,411	10,001	187	15,599
Additions	1,201	409	1	1,611
Disposals	(34)	-	-	(34)
Balance as at 31 March 2016	**6,578**	**10,410**	**188**	**17,176**
Accumulated amortisation and impairment losses				
Balance as at 1 April 2014	(3,271)	(3,326)	(48)	(6,645)
Amortisation expenses	(230)	-	(9)	(239)
Impairment	-	(1,000)	-	(1,000)
Disposals	-	-	-	-
Balance as at 31 March 2015	**(3,501)**	**(4,326)**	**(57)**	**(7,884)**
Balance as at 1 April 2015	(3,501)	(4,326)	(57)	(7,884)
Amortisation expenses	(376)	-	(8)	(384)
Impairment	-	(2,718)	-	(2,718)
Disposals	34	-	-	34
Balance as at 31 March 2016	**(3,843)**	**(7,044)**	**(65)**	**(10,952)**
Carrying amounts				
As at 31 March 2015	1,910	5,675	130	7,715
As at 31 March 2016	**2,735**	**3,366**	**123**	**6,224**

Parent - nil (2015:nil)

Impairment

Goodwill has been allocated at the cash generating unit (CGU) level. The recoverable amount of the subsidiary is its value in use.

Electra has performed impairment testing on the subsidiary business operations and has recognised the following impairment losses because the financial results have not returned what was expected; therefore the future cash flows of the current business activities have been reassessed.

	Group	
	2016 **$000**	2015 $000
DataCol NZ Limited	**2,500**	1,000
Sky Communications Limited	**54**	-
Electra Monitoring Limited	**164**	-
Impairment loss reported	**2,718**	1,000

Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating assets with which the goodwill is associated. This is undertaken by estimating the future cash flows expected to arise and using a suitable discount rate to estimate the present value of the future cash flows.

Cash flow projections during the budget period are based on similar expected gross margins throughout the budget period. The cash flows beyond that five year period have been extrapolated using a steady 2% (2015: 2%) per annum average growth rate. The directors believe that any reasonably possible change in key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Datacol NZ Limited
The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five year period, and a discount rate of 8.5% (2015: 8.5%) per annum.

Electra performs annual impairment testing on its goodwill which resulted in an impairment of $2,500,000 in the current year (2015: $1,000,000)

Sky Communications Limited
Electra performs annual impairment testing on its goodwill which resulted in an impairment of $54,000 in the current year (2015: nil)

Electra Monitoring Limited
Electra performs annual impairment testing on its goodwill which resulted in an impairment of $164,000 in the current year (2015: nil)

14 Trade and other payables

	Group		Parent	
	2016	2015	**2016**	2015
	$000	$000	**$000**	$000
Trade payables	**3,917**	5,792	**18**	37
Other payables	**1,165**	663	-	-
Accruals	**1,497**	2,042	-	-
Accrued employee entitlements	**809**	949	-	-
	7,388	9,446	**18**	37

15 Debt finance

	Group	
	2016	2015
	$000	$000
Bank and other borrowings	**31,636**	21,861
Intercompany borrowings	-	-
Total debt funding	**31,636**	21,861
Less current borrowings	**(18,736)**	(8,961)
Non-current borrowings	**12,900**	12,900
Repayable as follows:		
Within one year	**18,736**	8,961
Within two years	-	4,900
Beyond two years	**12,900**	8,000
	31,636	21,861

All bank borrowings are secured by a 'General Securities Agreement' over the assets of the group excluding Datacol Group Pty Limited.

Interest rates
Interest rates payable on the Company bank facilities range from 3.20 - 4.95% pa. (2015: 5.38 - 7.37% pa.).

16 Other financial liabilities

Derivative financial instruments are initially recognised at fair value on the contract date and subsequently measured at fair value on each balance date. All interest rate swaps are valued at fair value through profit and loss and are not hedge accounted. Therefore, changes in the fair value of the interest rate swaps are recognised immediately in the Statement of Comprehensive Income.

	Average contracted fixed interest rate		Group and Parent Notional principal		Group and Parent Fair value	
	2016 %	**2015 %**	**2016 $000**	**2015 $000**	**2016 $000**	**2015 $000**
Interest rate swaps	-	4.90	-	2,500	-	82

		2016 $000	2015 $000
Due for repayment	Current	-	-
	Non-current	-	82
	Total	-	82

17 Trust Capital

The Trust capital was settled on the formation of the Trust and is subject to the terms of the Trust Deed. No changes to the amount of Trust capital or Trust Deed have been made during the year (2015: nil).

18 Reserves

	Group		Parent	
	2016 $000	2015 $000	**2016 $000**	2015 $000
Asset revaluation reserve	**50,322**	48,973	-	-
Foreign exchange reserve	**(29)**	(33)	-	-
	50,293	48,940	-	-

	Group		Parent	
	2016	2015	**2016**	2015
Asset revaluation reserve	**$000**	$000	**$000**	$000
Opening balance	**48,973**	49,082	-	-
Revaluation increment	**2,232**	-	-	-
Asset disposals	**(285)**	(152)	-	-
Deferred tax liability arising on revaluation	**(598)**	43	-	-
Closing balance	**50,322**	48,973	-	-

The asset revaluation reserve arises on the revaluation of the Group's distribution network land and buildings and the electricity distribution network. Where a revalued asset is disposed of, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

	Group		Parent	
	2016 $000	2015 $000	**2016 $000**	2015 $000
Foreign exchange reserve				
Opening balance	**(33)**	(28)	-	-
Increment / (Decrement)	**4**	(5)	-	-
Closing balance	**(29)**	(33)	-	-

The foreign exchange reserve arises from converting the Statement of Financial Position of Datacol Group Pty Limited from its functional currency of Australian dollars to its presentation currency of New Zealand dollars.

19 Commitments

Capital commitments

At balance date, there was $1,377,000 commitments contracted for and approved by the Company and Group (2015: $1,353,000)

	Group	
	2016	2015
	$000	$000
Distribution network	**1,377**	1,353
Intangible assets	**-**	-
	1,377	1,353

Distribution network expenditure will be incurred when the work is completed (estimated to be over the next 12 to 24 months).

20 Contingent liabilities

	Group		Parent	
	2016	2015	**2016**	2015
	$000	$000	**$000**	$000
Guarantee of bank facilities for a subsidiary to a limit of	**unlimited**	unlimited	**unlimited**	unlimited

There is no indication that any liability with regard to the above guarantees will crystallise in the foreseeable future.

The Company has provided for a liability to some employees which would be payable on their retirement.

DataCol NZ Limited, Sky Communications Limited and Electra Monitoring Limited in its ordinary course of business undertakes various contracting works, some of which will be subject to customer disputes.

21 Cash and cash equivalents

	Group		Parent	
	2016	**2015**	**2016**	**2015**
	$000	**$000**	**$000**	**$000**
Non-finance business				
Cash at bank	**1,388**	4,536	**0**	15
	1,388	4,536	**0**	15

22 Reconciliation

of net profit / (loss) after tax with cash inflow from operating activities

	Group 2016	2015	Parent 2016	2015
	$000	$000	**$000**	$000
Reported profit after taxation	**(42)**	3,101	**(16)**	(32)
Add / (less) non-cash items				
Goodwill impairment	**2,718**	1,000	**-**	-
Depreciation and amortisation	**9,742**	9,316	**-**	-
Doubtful debt provision movement	**30**	257	**-**	-
Deferred tax movement	**1,026**	1,548	**-**	-
Bad debts written off	**210**	17	**-**	-
(Gain)/loss on sale of investment	**-**	(4,116)	**-**	-
Assets adjustment to income	**(695)**	(587)	**-**	-
Capital loss on sale of fixed asset	**594**	379	**-**	-
Movements in working capital				
Increase / (decrease) in accounts payable and other provisions	**(3,709)**	(2,230)	**(19)**	26
(Increase) / decrease in receivables	**(368)**	5,684	**20**	7
Increase / (decrease) in inventory	**(124)**	213	**-**	-
Net cash inflow from operating activities	**9,382**	14,582	**(15)**	1

23 Transactions with related parties

The Parent entity in the consolidated Group is Electra Trust. For a list of other Group companies refer note 12.

Electra Limited Related Party Transactions
Directors

During the year no transactions were entered into with any of the Company's Directors other than the payment of Directors fees and the reimbursement of valid Company related expenses such as travel costs to board meetings. Some of the Directors are also consumers of the Company and some minor transactions were entered into by the Company with companies in which some Directors held directorships. These transactions were carried out on a commercial and arm's length basis.

24 Key management personnel

The compensation of the Directors and Executives, being the key management personnel of the entity, is set out below:

	Group 2016 $000	2015 $000
Short-term employee benefits	**2,312**	2,172
Defined contribution plans	**66**	52
	2,379	2,224

Some of the above employees are provided with the use of a company motor vehicle not included in the above calculation.

As at 31 March 2016 $927 was owing to Directors and key management personnel (31 March 2015: $176). As at 31 March 2016 there was $222 owing from Directors and key management personnel (31 March 2015: $Nil).

25 Subsequent events

There have been no material events since balance date to 9 June 2016 that require disclosure in these financial statements.

26 Operational targets

Four key value drivers have been identified linking Electra's strategy to the operational targets and measures that are critical to achieving Electra's strategy. These drivers are Revenue, Profit, Assets and People and the performance against key targets set in the Statement of Corporate Intent are evaluated below:

1) Asset Targets

Service Standards
Electra has service performance targets for its electricity lines business, such as responding to service requests within a specified time. These targets assist in driving continuous improvement and the measurement here is the number of consumer payments for compensation where the specified time is exceeded. This target was not met in 2016 due to a significant incident involving tree felling which resulted in the 33Kv line dropping onto the 11Kv line in Peka Peka in July 2015 and a resulting outage that exceed our target service timeframes.

	Actual	Target
Number of Consumer Payments	2,281	<384

Capital Ratio
Electra aims to maintain consolidated shareholders' funds at not less than 40% of consolidated total assets. This target was met in 2016.

	Actual	Target
Consolidated Shareholders Funds to Total Assets percentage	66%	>40%

Network Reliability
Electra aims to uphold a level of electricity network reliability (as defined by the Electricity Distribution Information Disclosure Determination 2012). These include factors of SAIDI (average duration of supply interruptions per connected consumer) and SAIFI (average number of supply interruptions per connected consumer). The SAIDI target was not met in 2016 due to the tree felling incident. The SAIFI target was met in 2016.

	Actual	Target
Minutes per year (SAIDI)	100	<83
Times per year (SAIFI)	1.16	<1.66

2) Profit Targets

These targets have not been met in 2016.

	Actual	Target
Group Net Profit after Tax	$0m	$1.2m
Subsidiaries Net Profit after Tax	($0.9m)	($0.4m)

3) Revenue Targets

Strong revenues will allow Electra to maintain discounts payments and positive returns. A key driver of revenue is the number of consumers in Electra's network. These targets were met in 2016.

	Actual	Target
Sales Discount (excl GST)	$7.7m	$7.5m
Group Return on Equity (pre discount & tax)	6.3%	>6.0%
Number of Consumers	43,671	>43,400

4) People Targets

The Electra group holds targets for Lost Time Injuries (LTIs) such as work related recordable injury or illness resulting in lost time from work. This target was met in 2016.

	Actual	Target
Lost Time Injuries (LTI)	11	<14

Directory

Directors

Electra Limited
P F McKelvey (Chair) CNZM, MBE, TTC (Physical Education)
C C Dyhrberg, BCom, LLB, M Inst D
S A Mitchell-Jenkins BBS, FCA, CM Inst D
P A T Hamid BCA
R G Longuet BE (Elec), M Inst D
N F Mackay BCA
I A Wilson QSO, CF Inst D, ANZIM

Datacol Group PTY Limited
D L Masters, AICD

Executive

N P Simmonds (CE – Electra Group), JP, MBA, BE
S P Gregan (COO – Electra Group), BCA, CA
R N Leggett (GM – Electra Network), BA
D M Selby (CFO – Electra Group), BCom, CA
B G Franks (CEO - DataCol NZ), Dip Bus Mgmt
M J Taylor (GM - Sky Communications)
J R McKirdy (Group Business Services Manager)

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Auditor

David Shadwell
Deloitte
Wellington
On behalf of the Auditor-General

Solicitors

CS Law	Levin
Quigg Partners	Wellington

Bankers

Bank of New Zealand

Electra Trust Trustees

C R Turver (Chairperson), MNZM, JP
L R Burnell, QSM
A Chapman, MNZM, JP
S M Crosbie, CNZM, OBE
R J Latham
G Sue, QSM, JP