ELECTRA TRUST

ANNUAL REPORT

FOR THE YEAR ENDED

31 March 2018

Profile

Electra Trust owns 100% of the shares in Electra Limited on behalf of 44,593 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 2018, the Group had total assets of $217 million and shareholders' funds of $141 million and employed 165 people.

Electra owns 100% of Electra Generation Limited, an electricity generation company, Electra Services Limited, a security monitoring and call centre services 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 2018
"Last year" means the year ended 31 March 2017
"Next year" means the year ending 31 March 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF ELECTRA TRUST AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2018

The Auditor-General is the auditor of Electra Trust (the Trust) and its subsidiaries (the Group). The Auditor-General has appointed me, Mike Hoshek, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Trust and Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Trust and Group on pages 9 to 32, that comprise the Trust and Group consolidated statement of financial position as at 31 March 2018, the Trust and Group consolidated statement of comprehensive income, Trust and Group consolidated statement of changes in equity and Trust and Group 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; and

- the performance information of the Group on page 33.

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

- present fairly, in all material respects:
  - their financial position as at 31 March 2018; and
  - their 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 and International Financial Reporting Standards.

- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 8 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 Trustees and our responsibilities relating to the financial statements and performance information, we comment on other 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 Trustees for the financial statements and the performance information

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

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

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The Trustees are responsible for such internal control as they determine is necessary to enable them 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 performance information, the Trustees are responsible on behalf of the Trust and Group for assessing the Trust and Group's ability to continue as a going concern. The Trustees are 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 Trust and Group or to cease operations, or there is no realistic alternative but to do so.

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

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 for 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 Trust and 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 Trustees.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust and 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 the 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 Trust and Group to cease to continue as a going concern.

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- 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 the 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 Trustees 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.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on page 2, on pages 6 to 7, and on page 34, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Trust and 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.

In addition to the audit we have carried out an engagement in the area of other assurance services relating to the audit of regulatory disclosure statements, which are compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the Trust or any of its subsidiaries.

M. Hoshek

Mike Hoshek
Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

Trustees' Report

Annual Report 2018

It has been another good year for Electra Limited, one of the most successful electricity lines companies in New Zealand. The much anticipated consumer discount which provides about a month's free electricity every year, depending on household usage, was again distributed. Since 1993 Electra has put nearly $190m back into the community. Beneficiaries can be confident that the company continues to have their best interests at heart as we face a year of challenges in the electricity industry.

Change is in the wind. The Government proposes a review of the whole industry, especially the wholesale electricity market and retail market competition at a time when traditional methods of electricity delivery are changing - fast. To quote the Energy Minister the review would be looking at 'whether the electricity market and its governance arrangements are appropriate for the rapid changes in technology.'

At the same time government is also reviewing the legislation that governs trusts, which could impact on our own Electra Trust.

Consumers and generators alike have choices like solar, wind, electric vehicles, and smart apps to manage electricity usage in ways that have never been available before. Households are acutely aware of the cost of power and are looking for savings and efficiencies.

Electra Ltd's core business is of course to ensure our 44,593 consumers get power with as few interruptions as possible. Throughout the year the company works hard to upgrade the distribution system, replacing old lines, using smart technology to pinpoint outages swiftly and dealing with trees and weather which are the source of most problems.

However the company is also working on your behalf to develop and invest locally, following the model set by many distribution companies around the world. It is also planning to better inform and keep beneficiaries up to date with all the changes and developments through a comprehensive communications plan. That is good news for you, our beneficiaries in the Kapiti/Horowhenua region.

Trustees thank the Board and company for the work done on our behalf and we are pleased to have the Chairman Neil Mackay continue for another year to lead the development of the company's new strategies. We would like to thank board member Russell Longuet for his years of service on the Board and for his technical expertise. We also welcome Brendan Duffy to the Trust and thank Viv Wright for her invaluable secretarial services.

Finally it is with thanks and gratitude that trustees farewell Chris Turver after 18 years of service,10 of them as Chairman. His contribution to the Trust and our national organisation the Electricity Trusts of New Zealand, has been enormous and he will be missed.

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

Sharon Crosbie CNZM OBE
Chair
Electra Trust

Trustees' Statutory Report

The Trustees take pleasure in presenting their Statutory Report and Financial Statements for the year ended 31 March 2018

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

	2018	2017
	$000	$000
Continuing operations		
Gross operating revenue	60,740	58,903
Discount to consumers	(7,700)	(7,500)
Other expenses	(49,224)	(49,908)
Profit before tax	3,816	1,495
Income tax (expense)	(923)	(757)
Net profit for the year from continuing operations *	2,893	738
Discontinued operations		
Profit / (loss) for the year from discontinued operations	573	(218)
Profit for the year	3,466	520
Dividend	-	-
Retained earnings brought forward	70,308	69,788
Retained earnings carried forward	73,774	70,308

* Includes goodwill impairment cost of ($0.2m) (2017: ($3.0m))

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, Chris Turver and Ray Latham retire by rotation at the annual general meeting of the Trust. Ray Latham being eligible, offers himself for re-election.

Auditor

Mike Hoshek of Deloitte Limited was appointed as Auditor on behalf of the Auditor-General in accordance with Section 45 of the Energy Companies Act 1992.

For and on behalf of the Trust

S M Crosbie
Chair

8 June 2018

L R Burnell
Trustee

8 June 2018

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Electra Trust

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group		Parent	
		2018	2017	**2018**	2017
Continuing Operations		**$000**	$000	**$000**	$000
Revenue					
Sales - Distribution		**44,054**	41,564	**-**	-
Sales - Contracting		**12,804**	12,626	**-**	-
Interest revenue		**345**	312	**3**	-
Dividends from Electra Limited		**-**	-	**300**	300
Other income	1	**3,537**	4,401	**-**	-
Total gross revenue		**60,740**	58,903	**303**	300
Discount to customers		**(7,700)**	(7,500)	**-**	-
Total operating revenue		**53,040**	51,403	**303**	300
Expenses					
Interest expense		**(1,096)**	(962)	**-**	-
Other expenses	2	**(48,128)**	(48,946)	**(276)**	(272)
Total operating expenses		**(49,224)**	(49,908)	**(276)**	(272)
Profit before tax		**3,816**	1,495	**27**	28
Income tax (expense)	4	**(923)**	(757)	**-**	-
Profit for the year from continuing operations		**2,893**	738	**27**	28
Discontinued operations					
Profit / (loss) for the year from discontinued operations	3	**573**	(218)	**-**	-
Profit for the year		**3,466**	520	**27**	28
Other comprehensive income					
Foreign exchange reserve increment / (decrement)		**30**	(1)	**-**	-
(Decrement) on disposal of revalued assets		**(200)**	(1,153)	**-**	-
Income tax benefit relating to components of other comprehensive income	4	**56**	323	**-**	-
Other comprehensive (loss) for the year net of tax		**(114)**	(831)	**-**	-
Total comprehensive profit / (loss) for the year net of tax		**3,352**	(311)	**27**	28

* Discontinued operations have been separated out

The notes on pages 13 to 33 form part of these financial statements.

Electra Trust

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Issued Capital $000	Asset Revaluation Reserve $000	Foreign Currency Translation Reserve $000	Retained Earnings $000	Attributable to owners $000	Total $000
Balance at 1 April 2016	18,000	50,322	(29)	69,788	138,081	138,081
Profit / (loss) for the year	-	-	(1)	520	519	519
Disposal of revalued assets	-	(1,153)	-	-	(1,153)	(1,153)
Other comprehensive profit for the year net of tax	-	323	-	-	323	323
Total comprehensive profit / (loss) for the year	-	(830)	(1)	520	(311)	(311)
Balance at 31 March 2017	18,000	49,492	(30)	70,308	137,770	137,770
Balance at 1 April 2017	18,000	49,492	(30)	70,308	137,770	137,770
Profit for the year	-	-	-	3,466	3,466	3,466
Revaluation of assets movement	-	-	-	-	-	-
Disposal of revalued assets	-	(200)	-	-	(200)	(200)
Other comprehensive profit for the year net of tax	-	56	30	-	86	86
Total comprehensive profit / (loss) for the year	-	(144)	30	3,466	3,352	3,352
Balance at 31 March 2018	18,000	49,348	-	73,774	141,122	141,122

PARENT	Issued Capital $000	Asset Revaluation $000	Foreign Currency $000	Retained Earnings $000	Attributable to owners $000	Total $000
Balance at 1 April 2016	18,000	-	-	(18)	17,982	17,982
Profit and total comprehensive income	-	-	-	28	28	28
Balance at 31 March 2017	18,000	-	-	10	18,010	18,010
Balance at 1 April 2017	18,000	-	-	10	18,010	18,010
Profit and total comprehensive income	-	-	-	27	27	27
Balance at 31 March 2018	18,000	-	-	37	18,037	18,037

The notes on pages 13 to 33 form part of these financial statements.

Electra Trust

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000
ASSETS					
Non-current assets					
Property, plant and equipment	5	198,903	196,293	-	-
Investment in Electra Limited		-	-	18,000	18,000
Goodwill and intangible assets	6	4,806	3,298	-	-
Investment	17	1,500	1,500	-	-
Total non-current assets		205,209	201,091	18,000	18,000
Current assets					
Cash and cash equivalents		1,499	736	70	22
Receivables and prepayments	7	7,708	8,472	-	-
Finance receivables	8	1,500	1,544	-	-
Inventories and work in progress	9	1,031	978	-	-
Total current assets		11,738	11,730	70	22
Total assets		216,947	212,821	18,070	18,022
LIABILITIES					
Non-current liabilities					
Debt finance	16	-	12,900	-	-
Deferred tax liability	4	32,234	31,917	-	-
Total non-current liabilities		32,234	44,817	-	-
Current liabilities					
Debt finance	16	38,200	22,700	-	-
Trade and other payables	10	5,391	7,534	33	12
Total current liabilities		43,591	30,234	33	12
Total liabilities		75,825	75,051	33	12
Net assets		141,122	137,770	18,037	18,010
EQUITY					
Trust capital	11	18,000	18,000	18,000	18,000
Reserves		49,348	49,462	-	-
Retained earnings		73,774	70,308	37	10
Total equity		141,122	137,770	18,037	18,010

The Trustees of Electra Trust authorised these financial statements for issue on 8 June 2018

For and on behalf of the Trust

S M'Crobie
Chair

L R Burnell
Trustee

The notes on pages 13 to 33 form part of these financial statements.

Electra Trust

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		**56,014**	55,101	**-**	-
Dividends received		**-**	-	**300**	300
Finance receivables		**394**	292	**-**	-
Other interest received		**16**	16	**3**	-
		56,424	55,409	**303**	300
Cash was applied to:					
Payments to suppliers and employees		**(41,539)**	(42,867)	**(255)**	(278)
Interest paid		**(1,191)**	(970)	**-**	-
Tax paid		**(1,899)**	(1,837)	**-**	-
		(44,629)	(45,674)	**(255)**	(278)
Net cash flows from operating activities	16	**11,795**	9,735	**48**	22
Cash flows from investing activities					
Cash was provided from:					
Sale of property, plant and equipment		**42**	82	**-**	-
Proceeds from sale of business	20	**1,824**	-	**-**	-
		1,866	82		
Cash was applied to:					
Purchase of property, plant and equipment and intangible assets		**(13,398)**	(13,484)	**-**	-
Capitalised interest on construction of property, plant and equipment	5	**(100)**	(222)	**-**	-
Purchase of business	19	**(2,000)**	(763)	**-**	-
		(15,498)	(14,469)	**-**	-
Net cash flows to investing activities		**(13,632)**	(14,387)	**-**	-
Cash flows from financing activities					
Cash was provided from:					
Loans raised		**2,600**	4,000	**-**	-
		2,600	4,000		
Cash was applied to:					
Net cash flows from financing activities		**2,600**	4,000	**-**	-
Net increase / (decrease) in cash and cash equivalents held		**763**	(652)	**48**	22
Add opening cash and cash equivalents brought forward		**736**	1,388	**22**	-
Ending cash and cash equivalents carried forward		**1,499**	736	**70**	22

The notes on pages 13 to 33 form part of these financial statements.

Statement of Accounting Policies

Reporting Entity

The financial statements of the Parent, Electra Trust, formerly the Horowhenua Energy Trust (the Parent), are for a trust established in the 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 of the Parent, Electra Limited (Electra) and its fully owned subsidiaries. The ultimate parent of the Group is the Electra Trust.

Basis of Preparation

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).

Basis of Measurement

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 and in the notes.

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.

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 other factors, as appropriate to the circumstances, 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.

Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within the specific note as shown below:

Area of Estimate or Judgement	**Note**	
Estimation of electricity distribution revenue	Note 1	Revenue
Revaluation and impairment review	Note 5	Property, plant and equipment
Impairment of Goodwill	Note 6	Goodwill and intangible assets
Provision for doubtful debts	Note 8	Finance receivables

Estimates are designated by this symbol in the notes to the financial statements: E

Significant accounting policies

The significant accounting policies which are pervasive throughout the financial statements are set out below. Other significant accounting policies which are specific to certain transactions or balances are set out within the particular note to which they relate and are designated by the following symbol: P

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'.

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.

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 Consolidated Statement of Cash Flows.

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.

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 2017.

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.

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 Consolidated 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.

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 2018.

NZ IFRS 15 Revenue from Contracts with Customers introduces a revenue model for all contracts with customers to improve comparability across industries and geographies.

NZ IFRS 9 Financial Instruments requires all financial assets to be measured at fair value unless the entity's business model is to hold the assets to collect contractual cash flows, and contractual terms give rise to cash flows that are solely payments of interest and principal, in which case they are measured at amortised cost. The standard also broadens the eligibility for hedge accounting as it introduces an objectives-based test that focuses on the economic relationship between hedged items and hedging instruments.

NZ IFRS 16 Leases will fundamentally change the way leases are accounted for by lessees. Currently, leases are accounted for as either on-balance-sheet finance leases or off-balance-sheet operating leases (by lessees). Under the new accounting standard, this will be replaced by a single, on-balance sheet model for all leases, which is similar to the current finance lease approach.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Revenue from Contracts with Customers NZ IFRS 15	1 January 2018	31 March 2019
Financial Instruments NZ IFRS 9	1 January 2018	31 March 2019
Leases NZ IFRS 16	1 January 2019	31 March 2020

Electra has not elected to early adopt NZ IFRS 15 Revenue from Contracts with Customers. The majority of the contracts have been reviewed and there is no material impact expected to the financial statements.

Management has yet to assess the full impact of the Financial Instruments and Leases standards.

Electra will continue to work to design and implement procedures to apply the new requirements of these standards.

Notes to the Financial Statements

1 Revenue

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Revenue comprises the fair value for the sale of goods and services, excluding GST.
Specific accounting policies are as follows:

Distribution revenue

Distribution revenue is the electricity lines revenue.

E

Electra invoices its customers (predominantly electricity retailers) monthly for electricity distribution 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.

Contracting revenue

Contracting revenue, including construction revenue (see separate policy in Statement of Accounting Policies), is recognised by measuring progress to satisfaction of the performance obligations measured by contract costs incurred to date as a percentage of total forecast costs.

Interest revenue

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

Other income mainly comprises of:

Transfer of assets from customers

Transfer of assets from customers comprises revenue from assets acquired from customers where the consideration paid is below the fair value of those assets when they are connected to the network. This revenue is recognised when the connection to the network is completed.

Insurance proceeds

Insurance proceeds comprises compensation for insured items of property, plant and equipment, that were damaged. This revenue is recognised when the compensation becomes receivable.

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.

Other income

	Group*		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Transfer of assets from customers	**1,038**	1,196	**-**	-
Insurance proceeds	**950**	-	**-**	-
Network support services - Avoided cost of transmission	**442**	413	**-**	-
Electricity income	**-**	1,822	**-**	-
Gain on sale of electricity retail customers	**-**	641	**-**	-
Other	**1,107**	329	**-**	-
	3,537	4,401	**-**	-

* Discontinued operations have been separated out

2 Other expenses

	Group*		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Transmission charges	**11,439**	10,826	**-**	-
Remuneration of auditors	**201**	256	**6**	6
Bad debts	**27**	110	**-**	-
Change in provision for doubtful debts	**(20)**	139	**-**	-
Depreciation and amortisation expenses	**10,397**	10,008	**-**	-
Impairments	**407**	2,957	**-**	-
Trustee Fees	**83**	88	**83**	88
Employee benefits expense	**10,030**	8,820	**-**	-
Inventory expense	**4,554**	4,200	**-**	-
Contractors	**1,453**	1,886	**-**	-
Vehicle expenses	**849**	733	**-**	-
Other expenses	**8,708**	8,923	**187**	178
	48,128	48,946	**276**	272

Remuneration of auditors	Group* 2018 $000	2017 $000	Parent 2018 $000	2017 $000
Audit of the financial statements	**148**	208	**6**	6
Audit related services	**53**	48	**-**	-
	201	256	**6**	6

Audit related services comprise the review of Electra Limited's regulatory disclosures in accordance with the Electricity (Information Disclosure) Requirements under Part 4 of the Commerce Act 1986 and amendment notices.

* Discontinued operations have been separated out

3 Discontinued Operations

On 16 August 2017, the Group entered into a sale agreement to dispose of the water metering operations of Datacol NZ Limited and Datacol PTY Ltd. The disposal of the water metering operations is consistent with Electra's long-term policy to focus its activities in the electricity networks and alarm monitoring and call center services business. The disposal was completed on 29 September 2017, on which date control of the water metering operations passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the profit or loss on disposal, are disclosed in note 20.

Analysis of profit for the year from discontinued operations
The result of the discontinued operations included in the profit for the year are set out below. The comparative profit and cash flows from discontinued operations have been represented to include those operations classified as discontinued in the current year.

	Group 2018 $000	2017 $000	Parent 2018 $000	2017 $000
Profit / (loss) for the year from discontinued operations				
Revenue	**3,657**	7,537	**-**	-
Expenses*	**(3,447)**	(7,786)	**-**	-
Profit / (loss) before tax	**210**	(249)	**-**	-
Attributable income tax expense	**(112)**	31	**-**	-
	98	(218)	**-**	-
Gain on disposal of operations (see note 19)	**475**	-	**-**	-
Attributable income tax expense	**-**	-	**-**	-
Profit / (loss) for the year from discontinued operations	**573**	(218)	**-**	-
Cash flows from discontinued operations				
Net cash inflows from operating activities	**644**	130	**-**	-
Net cash inflows/(outflows) from investing activities	**1,452**	(394)	**-**	-
Net cash (outflows)/inflows from financing activities	**(2,268)**	50	**-**	-
Net cash (outflows)	**(172)**	(214)	**-**	-

*Audit fees amounting $7k (2017: $25k) are included in Group Expenses.

4 Tax

P

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 temporary 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 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 Consolidated 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.

	Group		Parent	
Income Tax	**2018**	2017	**2018**	2017
	$000	$000	**$000**	$000
Profit before tax from continuing operations	**3,816**	1,495	**27**	28
Tax @ 28%	**1,068**	419	**8**	8
Tax effect of				
Permanent differences	**(11)**	720	**(8)**	(8)
Prior year adjustment	**(134)**	(382)	**-**	-
Tax expense from continuing operations	**923**	757	**-**	-
Tax expense comprised of:				
Current tax expense	**1,173**	1,702	**-**	-
Deferred tax benefit *	**(250)**	(945)	**-**	-
Total tax expense from continuing operations	**923**	757	**-**	-

* excluding deferred tax expense from discontinued operations of $106k (2017: $27k benefit)

Deferred Tax

Group	Opening Balance	Charged to income	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing Balance
	$000	**$000**	**$000**	**$000**	**$000**
Net deferred tax liabilities					
Provisions	486	(285)	-	-	201
Doubtful debts	365	(9)	-	-	356
Property, plant and equipment	(32,768)	378	56	-	(32,334)
Intangibles	-	60	-	(517)	(457)
As at 31 March 2018	**(31,917)**	**144**	**56**	**(517)**	**(32,234)**
Provisions	360	126	-	-	486
Doubtful debts	330	35	-	-	365
Property, plant and equipment	(33,902)	811	323	-	(32,768)
As at 31 March 2017	**(33,212)**	**972**	**323**	**-**	**(31,917)**

Parent - nil (2017: nil)

	Group		Parent	
Imputation credit account	**2018**	2017	**2018**	2017
	$000	$000	**$000**	$000
Closing balance	**16,346**	15,042	**-**	-

5 Property, plant and equipment

P

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 consolidated 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.

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 Consolidated 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 Consolidated 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 consolidated 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

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 2016	193,202	3,919	8,279	5,828	5,435	216,663
Additions	1,591	44	950	1,271	11,058	14,914
Disposals	(2,245)	(19)	(427)	(439)	-	(3,130)
Transfer to / (from) capital work in progress	14,537	-	183	100	(14,820)	-
Balance as at 31 March 2017	**207,085**	**3,944**	**8,985**	**6,760**	**1,673**	**228,447**
Balance as at 1 April 2017	207,085	3,944	8,985	6,760	1,673	228,447
Additions	419	-	458	1,124	11,596	13,597
Disposals	(717)	(57)	(955)	(517)	-	(2,246)
Transfer to / (from) capital work in progress	10,730	-	800	-	(11,530)	-
Balance as at 31 March 2018	**217,517**	**3,887**	**9,288**	**7,367**	**1,739**	**239,798**
Depreciation and impairment losses						
Balance as at 1 April 2016	(16,433)	(325)	(3,833)	(2,796)	-	(23,387)
Depreciation charge	(8,328)	(74)	(875)	(501)	-	(9,778)
Write back on disposals	517	-	166	328	-	1,011
Balance as at 31 March 2017	**(24,244)**	**(399)**	**(4,542)**	**(2,969)**	**-**	**(32,154)**
Balance as at 1 April 2017	(24,244)	(399)	(4,542)	(2,969)	-	(32,154)
Depreciation charge	(8,247)	(85)	(890)	(540)	-	(9,762)
Write back on disposals	168	39	666	405	-	1,278
Impairment	-	-	(257)	-	-	(257)
Balance as at 31 March 2018	**(32,323)**	**(445)**	**(5,023)**	**(3,104)**	**-**	**(40,895)**
Carrying amounts						
Balance as at 31 March 2017	182,841	3,545	4,443	3,791	1,673	196,293
Balance as at 31 March 2018	**185,194**	**3,442**	**4,265**	**4,263**	**1,739**	**198,903**

Parent - nil (2017: nil)

E

Revaluation and Impairment Review

In carrying out the revaluation of the network distribution assets judgement was required in regards to the assumptions and estimates used in the valuation model.

The Group's distribution assets (excluding land and buildings) and the electricity distribution network underwent a fair value assessment in March 2017 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. The Group adopted this valuation as the value of the assets was within the fair value range as calculated by Richard Krogh and no revaluation adjustment was made.

The Group has engaged Richard Krogh at 31 March 2018 to determine whether there were any indicators that there was any material movement from the last valuation of the Group's distribution assets. It was determined that there was no material movement.

In carrying out a review of the value in use of Electra's generation assets, a number of assumptions and estimates are used that require significant judgement. Estimation uncertainty relates to future wholesale electricity spot prices, Avoided Cost of Transmission (ACOT) continuing benefits, run-time and operating cost assumptions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000
Capitalised borrowing costs	**100**	222	**-**	-
Average interest rate	**3.4%**	3.8%	**0.0%**	0.0%

6 Goodwill and intangible assets

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.

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 Consolidated Statement of Comprehensive Income and not subsequently reversed.

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.

Customer lists

Customer lists acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their expected finite life of 5 years.

Group **Gross carrying amount**	**Software $000**	**Goodwill $000**	**Easements $000**	**Customer lists $000**	**Total $000**
Balance as at 1 April 2016	6,578	10,410	188	-	17,176
Additions	624	-	-	-	624
Disposals	(211)	-	-	-	(211)
Balance as at 31 March 2017	**6,991**	**10,410**	**188**	**-**	**17,589**
Balance as at 1 April 2017	6,991	10,410	188	-	17,589
Additions	1,097	517	67	1,845	3,526
Disposals	(2,387)	-	-	-	(2,387)
Balance as at 31 March 2018	**5,701**	**10,927**	**255**	**1,845**	**18,728**
Accumulated amortisation and impairment losses					
Balance as at 1 April 2016	(3,843)	(7,044)	(65)	-	(10,952)
Amortisation expenses	(511)	-	(8)	-	(519)
Impairment	64	(2,957)	-	-	(2,893)
Disposals	73	-	-	-	73
Balance as at 31 March 2017	**(4,217)**	**(10,001)**	**(73)**	**-**	**(14,291)**
Balance as at 1 April 2017	(4,217)	(10,001)	(73)	-	(14,291)
Amortisation expenses	(548)	-	(9)	(215)	(772)
Impairment	-	(150)	-	-	(150)
Disposals	1,291	-	-	-	1,291
Balance as at 31 March 2018	**(3,474)**	**(10,151)**	**(82)**	**(215)**	**(13,922)**
Carrying amounts					
As at 31 March 2017	2,774	409	115	-	3,298
As at 31 March 2018	**2,227**	**776**	**173**	**1,630**	**4,806**

Parent - nil (2017: 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		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Electra DNZ Limited	**-**	2,957	**-**	-
Electra Generation Limited	**150**	-	**-**	-
Impairment loss reported	**150**	2,957	**-**	-

E

Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating units 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.

The key assumptions used are free cash flow, discounting rate and terminal value. The directors believe that any reasonably possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Electra Generation 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, terminal value, and a discount rate of 8.5% (2017: 8.5%) per annum. Electra performs annual impairment testing on this goodwill which resulted in an impairment of $150,000 in the current year (2017: nil).

Electra Services Limited

Electra performs annual impairment testing on its goodwill which did not result in an indicator of impairment in the current year (2017: nil)

7 Receivables and prepayments

P

Receivables
Trade receivables 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.

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Trade receivables	**6,046**	6,856	**-**	-
Other receivables and accruals	**1,708**	1,652	**-**	-
Prepayments	**189**	199	**-**	-
	7,943	8,707	**-**	-
Less provision for doubtful debts	**(235)**	(235)	**-**	-
	7,708	8,472	**-**	-
Movement in the provision for doubtful debts				
Balance at beginning of the year	**(235)**	(220)	**-**	-
Impairment losses recognised on receivables	**(27)**	125	**-**	-
Amounts written off during the year as uncollectible	**27**	(140)	**-**	-
Balance at end of the year	**(235)**	(235)	**-**	-

There are no significant concentrations of credit risk within trade receivables.

8 Finance receivables

P

Finance receivables

Finance receivables, comprising mortgage advances, 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.

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

E

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. The historical loss experience is adjusted based on the current observable data and events and discounted future cash flow projections.

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Finance receivables	**2,538**	2,602	**-**	-
Less provision for doubtful debts	**(1,038)**	(1,058)	**-**	-
Total finance receivables	**1,500**	1,544	**-**	-
Due for repayment				
Current	**1,500**	1,544	**-**	-
Non-current	**-**	-	**-**	-
Total	**1,500**	1,544	**-**	-

P

Bad debts and doubtful debts provisioning

Finance receivables are written down, by way of a specific write-off, to their expected net collectable amounts with the amount written off or provided recognised as an expense in the Consolidated 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.

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 Consolidated Statement of Comprehensive Income.

9 Inventories and work in progress

P

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.

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Inventory - Finished goods	**850**	739	**-**	-
Inventory - Work in progress	**181**	239	**-**	-
	1,031	978	**-**	-

Judgement has been exercised in assessing the level of any unrecoverable work in progress.

10 Trade and other payables

Trade payables

P

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

Liabilities in respect of employee entitlements

Employee entitlements expected to be settled within the next 12 months are measured at the amounts expected to be paid when the obligations are settled. Liabilities made in relation to employee entitlements, 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).

Liabilities include employee entitlements 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.

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Trade payables	**3,090**	4,007	**33**	12
Other payables	**759**	1,216	**-**	-
Accruals	**587**	970	**-**	-
Liabilities in respect of employee entitlements	**955**	1,342	**-**	-
	5,391	7,535	**33**	12

Judgement has been exercised in calculating estimates for retiring gratuities.

11 Trust capital

The Trust capital was settled on the formation of the Parent 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 (2017: nil)

12 Commitments

Capital commitments

At balance date, there was $665,000 commitments contracted for and approved by the Group (2017: $459,000)

	Group		Parent	
	2018	2017	**2018**	2017
	$000	$000	**$000**	$000
Distribution network	**29**	330	**-**	-
Intangible assets	**66**	129	**-**	-
Property, Plant & Equipment	**290**	-	**-**	-
Inventories	**280**	-	**-**	-
	665	459	**-**	-

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

13 Rental and leases

Operating leases

P

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.

Rental and operating lease commitments	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000
No later than one year	**456**	580	-	-
Later than one year and not later than five years	**973**	1,142	-	-
Later than five years	**520**	1,033	-	-
	1,949	2,755	-	-

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 Group.

14 Contingent liabilities

Electra Limited, Sky Communications Limited and Electra Services Limited in its ordinary course of business undertakes various contracting works, some of which will be subject to customer disputes.
There is no indication that any liability with regard to disputes will crystallise in the foreseeable future.

15 Statement of cash flows

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Cash and cash equivalents
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 (if any at year end) are shown within debt finance in current liabilities in the Consolidated 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 Group.

	Group 2018 $000	Group 2017 $000	Parent 2018 $000	Parent 2017 $000
Reported profit after tax	**3,466**	520	**27**	28
Adjustments for:				
Goodwill impairment	**150**	2,957	-	-
Depreciation and amortisation	**10,534**	10,297	-	-
Doubtful debt provision movement	**(20)**	139	-	-
Deferred tax movement	**202**	1,293	-	-
Bad debts written off	**40**	110	-	-
Gain on sale of business operations	**(475)**	-	-	-
Gain on sale of customer base	-	(641)	-	-
Assets adjustment to income	**(1,038)**	(1,196)	-	-
Impairment of Property, Plant & Equipment	**257**	-	-	-
Loss on sale of Property, Plant & Equipment	**429**	645	-	-
Movements in working capital:				-
(Decrease) in accounts payable and other provisions	**(2,100)**	(2,693)	**20**	(6)
Decrease / (Increase) in receivables	**763**	(1,470)	-	-
(Increase) in inventory and work in progress	**(413)**	(226)	-	-
Net cash inflow from operating activities	**11,795**	9,735	**47**	22

16 Financial risk management

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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 Consolidated 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.

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, accounts receivable, finance receivables and other receivables and which the Group 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 and performing credit evaluations on customers requiring advances.

	Group		Parent	
	2018	2017	**2018**	2017
The status of trade receivables as at reporting date is as follows:	**$000**	$000	**$000**	$000
Not past due	**4,787**	5,620	-	-
Past due 0 - 30 days	**280**	648	-	-
Past due 31 - 60 days	**256**	108	-	-
Past due more than 60 days	**723**	480	-	-
Total trade receivables	**6,046**	6,856	-	-

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 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

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

Foreign currency risk

The Group has no material exposure to foreign exchange risk.

Interest rate risk

Liabilities

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

Fair Values

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

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 Consolidated 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, except for the capitalised borrowing costs.

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 2018

$000	Int Rate %	Total	0-12 mths	1- 2 years
Financial assets				
Cash and cash equivalents	1.00	1,499	1,499	-
Trade and other receivables		7,519	7,519	-
Investment		1,500	1,500	-
Finance receivables		1,500	1,500	-
Total financial assets at amortised cost		**12,018**	**12,018**	-
Financial liabilities				
Trade and other payables		5,391	5,391	-
Debt finance	2.67 -4.95	38,200	38,200	-
Total financial liabilities at amortised cost		**43,591**	**43,591**	-

As at 31 March 2017

	Int Rate %	Total	0-12 mths	1- 2 years
Financial assets				
Cash and cash equivalents	1.00	736	736	-
Trade and other receivables		8,508	8,508	-
Investment		1,500	1,500	-
Finance receivables		1,544	1,544	-
Total financial assets at amortised cost		**12,288**	**12,288**	-
Financial liabilities				
Trade and other payables		7,534	7,534	-
Debt Finance	2.73 -4.95	35,600	22,700	12,900
Total financial liabilities at amortised cost		**43,134**	**30,234**	**12,900**

Financial instrument carrying values by category - Parent

As at 31 March 2018

$000	Int Rate %	Total	0-12 mths	1- 2 years
Financial assets				
Cash and cash equivalents	1.00	70	70	-
Total financial assets at amortised cost		**70**	**70**	-
Financial liabilities				
Trade and other payables		33	33	-
Total financial liabilities at amortised cost		**33**	**33**	-

As at 31 March 2017

	Int Rate %	Total	0-12 mths	1- 2 years
Financial assets				
Cash and cash equivalents	1.00	22	22	-
Total financial assets at amortised cost		**22**	**22**	-
Financial liabilities				
Trade and other payables		12	12	-
Total financial liabilities at amortised cost		**12**	**12**	-

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 (2017: $49.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $38.2m had been drawn down (2017: $35.6m), maturing within one month after balance date. The Group uses the facility based on forecasted expectations in regards to it being able to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The following table outlines undiscounted cash flows including any accrued interest based on contractual maturities however actual repayments may differ. While most finance receivables 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

Financial instrument maturity values by category - Group

As at 31 March 2018

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years
Financial assets						
Cash and cash equivalents	1.00	1,499	1,499	-	-	-
Trade and other receivables		7,519	-	7,519	-	-
Investment		1,500	-	1,500	-	-
Finance receivables		1,500	-	1,500	-	-
Total financial assets		12,018	1,499	10,519	-	-
Financial liabilities						
Trade and other payables		5,391	-	5,391	-	-
Debt finance	2.67 - 4.95	38,200	-	38,200	-	-
Total financial liabilities		43,591	-	43,591	-	-

As at 31 March 2017

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years
Financial assets						
Cash and cash equivalents	1.00	736	649	87	-	-
Trade and other receivables		8,508	-	8,508	-	-
Investment		1,500	-	1,500	-	-
Finance receivables		1,544	-	1,544	-	-
Total financial assets		12,288	649	11,639	-	-
Financial liabilities						
Trade and other payables		7,534	-	7,534	-	-
Debt finance	2.73 - 4.95	35,600	-	22,700	-	12,900
Total financial liabilities		43,134	-	30,234	-	12,900

Financial instrument maturity values by category - Parent

As at 31 March 2018

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years
Financial assets						
Cash and cash equivalents	1.00	70	70	-	-	-
Total Financial Assets		70	70	-	-	-
Financial liabilities						
Trade and other payables	1.00	33	33			
Total financial liabilities		33	33	-	-	-

As at 31 March 2017

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years
Financial assets						
Cash and cash equivalents	1.00	22	22	-	-	-
Total Financial Assets		22	22	-	-	-
Financial liabilities						
Trade and other payables	1.00	12	-	12	-	-
Total financial liabilities		12	-	12	-	-

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 Group will maintain shareholder funds at not less than 60% (2017:40%) 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 Group consolidated statement of financial position and Group consolidated statement of comprehensive income 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.

17 Interests held by Group

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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.

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.

Name of entity	Principal activities	Classification	2018	2017
Electra Limited	Electricity Distribution	Subsidiary	100%	100%
Electra DNZ Limited	Non Trading	Subsidiary	100%	100%
Datacol PTY Limited	Telecommunications	Subsidiary	0%	100%
Electra Energy	Electricity Retailing	Subsidiary	0%	100%
Electra Finance Limited	Financing	Subsidiary	100%	100%
Electra Generation Limited	Electricity Generation	Subsidiary	100%	100%
Electra Services Limited	Security Monitoring	Subsidiary	100%	100%
Sky Communications Limited	Telecommunications	Subsidiary	100%	100%
Skycomms Australia PTY Limited	Non Trading	Subsidiary	100%	0%
DeFrost Limited	Non Trading	Subsidiary	0%	100%
Horowhenua Wind Energy Limited	Non Trading	Subsidiary	100%	100%
Pulse Energy Alliance LP	Electricity Retailing	Investment	4%	4%

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

All subsidiaries and investments have a balance date of 31 March and are incorporated in New Zealand, with the exception of Skycomms Australia PTY Limited which is incorporated in Australia.

On 29 September 2017, Electra Limited sold the shares of Datacol PTY Limited and business assets of DataCol NZ Limited to Arthur D. Riley & Co Limited. Following the sale DataCol NZ Limited was renamed to Electra DNZ Limited.
On 1 April 2017 Electra Energy Limited was amalgamated in Electra Monitoring Limited. The resulting amalgamated company was renamed Electra Services Limited.

18 Business Combinations

On 8 September 2017, the Group acquired the Safegard Alarm business, which principal activity is alarm installation and monitoring. Safegard was acquired to continue the expansion of the Group's alarm monitoring business.

Consideration transferred

	2018 $000
Consideration transferred in cash	2,000
Total consideration transferred	**2,000**

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current year.

Assets acquired and liabilities recognised at the date of acquisition

	2018 $000
Current assets	
Trade and other receivables	34
Inventories	107
Non-current assets	
Customer list	1,845
Plant and equipment	14
Non-current liabilities	
Deferred tax liability	(517)
	1,483

Goodwill arising on acquisition

	2018 $000
Consideration transferred	2,000
Less: fair value of identifiable net assets acquired	1,483
Goodwill arising on acquisition	**517**

The amortisation of the customer list will not be deductible for tax purposes.

19 Disposal of operations

On 29 September 2017, the Group disposed of the water metering operations of Datacol NZ Limited and Datacol PTY Ltd.

Consideration received

	2018 $000
Consideration received in cash and cash equivalents	1,824
Total consideration received	**1,824**
Analysis of assets and liabilities over which control was lost	
Current assets	
Cash and cash equivalents	145
Trade receivables	106
Inventories	465
Prepayments	59
Non-current assets	
Property, plant and equipment	315
Intangibles	1,022
Current liabilities	
Services paid in advance	(553)
Provisions	(101)
Payables	(109)
Net assets disposed of	**1,349**
Gain on disposal of operations	
Consideration received	1,824
Net assets disposed of	1,349
Gain on disposal	**475**

The gain on disposal is included in the profit for the year from discontinued operations (see note 3).

20 Transactions with related parties

The parent entity in the consolidated Group is Electra Trust.

Electra Limited related party transactions

Directors

During the year no transactions were entered into with any of the Group's Directors other than the payment of Directors fees and the reimbursement of valid Group related expenses such as travel costs to board meetings. Some of the Directors are also consumers of the Group's products and services at market prices.

Trustees

The Parent has paid $83k (2017: $88k) of fees to their trustees, refer to note 2 – other expenses.

21 Key management personnel

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

	2018 $000	2017 $000
Short-term employee benefits	**2,382**	2,599
Defined contribution plans	**71**	70
	2,453	2,669

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

22 Subsequent events

On 1 May 2018, Electra Services Ltd has signed a sale and purchase agreement with Main Security to acquire its customer contracts and intellectual property.

On 1 May 2018, Electra Services Ltd signed a sale and purchase agreement to acquire the medical alarm business of Bupa Care Services NZ Ltd.

On 4 May 2018, Electra Ltd sold its subsidiary Sky Communications Ltd to Connect 8 Ltd, a fibre construction provider that has recently diversified into mobile and infrastructure services. At the same date, Electra Ltd acquired a 50% stake in Connect 8. The remaining 50% is owned by Spark Ltd.

On 4 May 2018 Electra Ltd renewed their banking facilities with BNZ. The previous funding facility has been renewed and structured across a range of maturities, out to five years.

23 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 non-performance to service standards where the specified time is exceeded. This target was not met in 2018 due to multiple faults.

	Actual	Target
Number of Non-performance to service standards	2,346	<384

Capital Ratio

Electra aims to maintain consolidated shareholders' funds at not less than 60% of consolidated total assets. This target was met in 2018.

	Actual	Target
Consolidated Shareholders Funds to Total Assets percentage	65%	>60%

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). Both the SAIDI and the SAIFI targets were not met in 2018, mainly due to a tree impacting 11kV lines which cascaded a protection settings fault at the 33kV Paraparaumu substation in July 2017.

	Actual	Target
Minutes per year (SAIDI)	122	<83
Times per year (SAIFI)	2.08	<1.66

2) Profit Targets

The Group net profit after tax target has been met in 2018. The subsidiaries net profit was slightly below target.

	Actual	Target
Group Net Profit after Tax	$3.5m	$3.2m
Subsidiaries Net (Loss) after Tax	($0.1m)	$nil

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 2018.

	Actual	Target
Sales Discount (excl GST)	$7.7m	$7.7m
Group Return on Equity (pre discount & tax)	8.8%	>6.0%
Number of Consumers	44,593	>44,250

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 2018.

	Actual	Target
Lost Time Injuries (LTI)	9	<10

Directory

Directors

Electra Limited
N F Mackay (Chair), BCA
C C Dyhrberg, BCom, LLB, M Inst D
S A Mitchell-Jenkins, BBS, FCA, CM Inst D
J F Boshier, FEngNZ, ME, MBA
R G Longuet, BE (Elec)
A I McCauley, BCA, MBA, PGDFA, CA, M Inst D
Skycomms Australia PTY Limited
D L Masters, AICD

Executive
N P Simmonds (CE – Electra Group), JP, MBA, BE, FPENZ
S P Gregan (Deputy CE – Electra Group), BCA, CA
M G Feickert (GM – Lines Business), BEng, FIE Aust
D M Selby (CFO – Electra Group), BCom, CA
J R McKirdy (Group Business Services Manager)
D M Andrews (CIO - Electra Group), MBA, Dip Bus Mgmt, MIITP
M K F Smith (GM – Electra Services), BBS
J A Beale (General Counsel - Electra Group), LLB, AGNZ

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Mike Hoshek
Deloitte Limited
Christchurch
On behalf of the Auditor-General

Solicitors

CS Law	Levin
Quigg Partners	Wellington

Bankers
Bank of New Zealand

Electra Trust Trustees
S M Crosbie (Chairperson), CNZM, OBE
C R Turver, MNZM, JP
L R Burnell, QSM
J Yeoman, BBS, ACA, FCIS
R J Latham
B Duffy, ONZM, JP
