ANNUAL

Report

For the year ended

31 March 2017

Zac Thomas and Hone McDonnell-Walker replacing 11kV conductor and crossarms

Working Smarter. Delivering More

We are transforming into a modern and responsive electricity network

With early adoption of technology and an excellent team

Smart metering

A self-healing network and loop automation schemes

Electronic dispatch, faults computing and ground penetrating radar applications

Technology working harmoniously with our people and systems

Investing in accurate customer information for faster, better responses

So our customers can retain their independence at home

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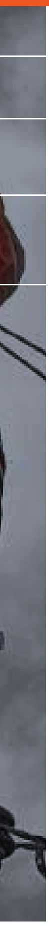
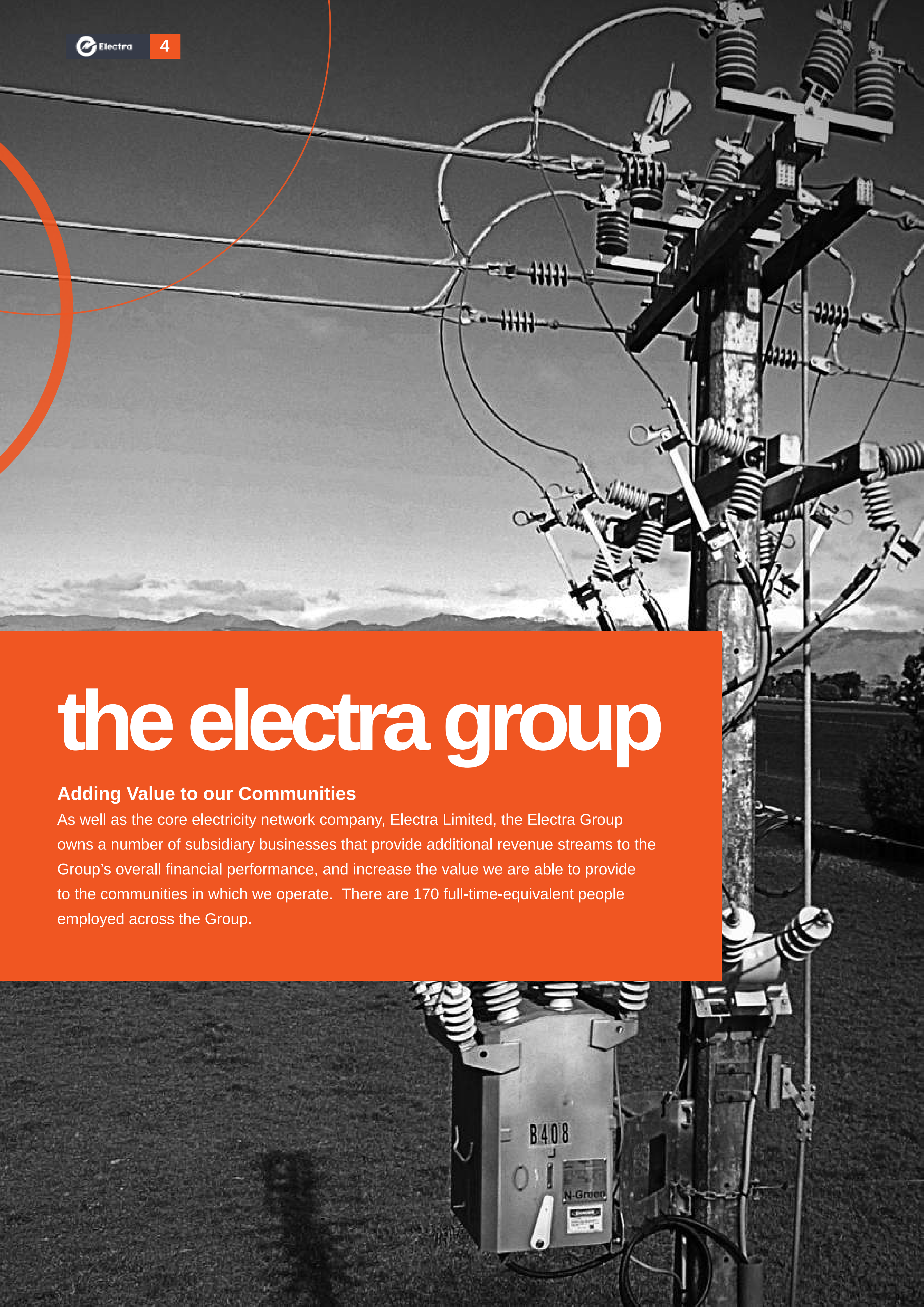




the electra group

Adding Value to our Communities

As well as the core electricity network company, Electra Limited, the Electra Group owns a number of subsidiary businesses that provide additional revenue streams to the Group's overall financial performance, and increase the value we are able to provide to the communities in which we operate. There are 170 full-time-equivalent people employed across the Group.

Electra Limited, an electricity network company, based in Levin with a branch in Paraparaumu, employing 97 people.

DataCol NZ Limited, a national meter reading and data collection company based in Christchurch, employing 23 people.

Sky Communications Limited, a telecommunications contracting business based in Auckland, employing 29 people.

Electra Monitoring Limited, a security monitoring business based in Levin, employing 21 people, trading under the name Securely. During the year the business acquired the call centre operation from Electra Energy following its sale to Pulse Energy Alliance LP. The business has subsequently been renamed Electra Services to reflect the additional opportunities that exist from the expanded operation.

SECURELY
the peace of mind company

Electra Energy, an electricity retail and call centre operating in the Electra network, based in Levin. During the year Electra exited the retail electricity market and the Electra Energy brand and customer base were sold to Pulse Energy Alliance LP. At the same time an agreement was entered into for Electra to provide call centre services to Pulse, meaning all Electra Energy staff were retained and transferred to a new Electra Services business unit.

Electra Generation Limited, an electricity generation business based in Papakura, Auckland.

$66.4M IN TOTAL GROUP REVENUE

$137.8M OF SHAREHOLDERS' FUNDS

$212.8M IN TOTAL ASSETS

$792K IN NET PROFIT AFTER TAX*

65% IN SHAREHOLDERS' FUNDS TO TOTAL ASSETS

$8.6M (INCL GST) IN SALES DISCOUNT ISSUED TO CUSTOMERS

* Includes Goodwill Impairment cost of ($3.0m)

Our performance

(As at 31 March 2017)

Key highlights

$179m incl GST

In sales discounts issued to electricity consumers
over the last 24 years

Continued Investment

in creating a smarter network

Paraparaumu substation upgrade complete

NZ 1st

New Zealand's first distribution network loop Automation scheme

9,144 kWh

average sales per customer

44,159

electricity consumers

488

new connections this year

22

electricity retailers operating on the Electra Network

22nd Year

as principal sponsor of the Electra Business Awards


News

Business

Electra Business Awards

22nd year as principal sponsor of the Electra Business Awards

GJ Gardner Homes

Electra

Safely delivering a secure and reliable power supply to more than

44,000 customers

electra

Electra Limited is a community owned electricity network company, safely delivering a secure and reliable power supply to more than 44,000 homes, businesses, organisations and schools in communities throughout the Horowhenua and Kapiti regions. Our ownership is vested in the Trustees of the Electra Trust on behalf of the 44,159 electricity consumers connected to our network.

Shazil Khan working on the new Paraparaumu substation

Our network

We own and operate the electricity network in the Kapiti and Horowhenua regions on the west coast of the lower North Island, New Zealand.

Our network of 2,248km in circuits supplies 44,159 electricity consumers across an area of 1,628km^2, making us New Zealand's ninth largest lines company in terms of connections to its network.

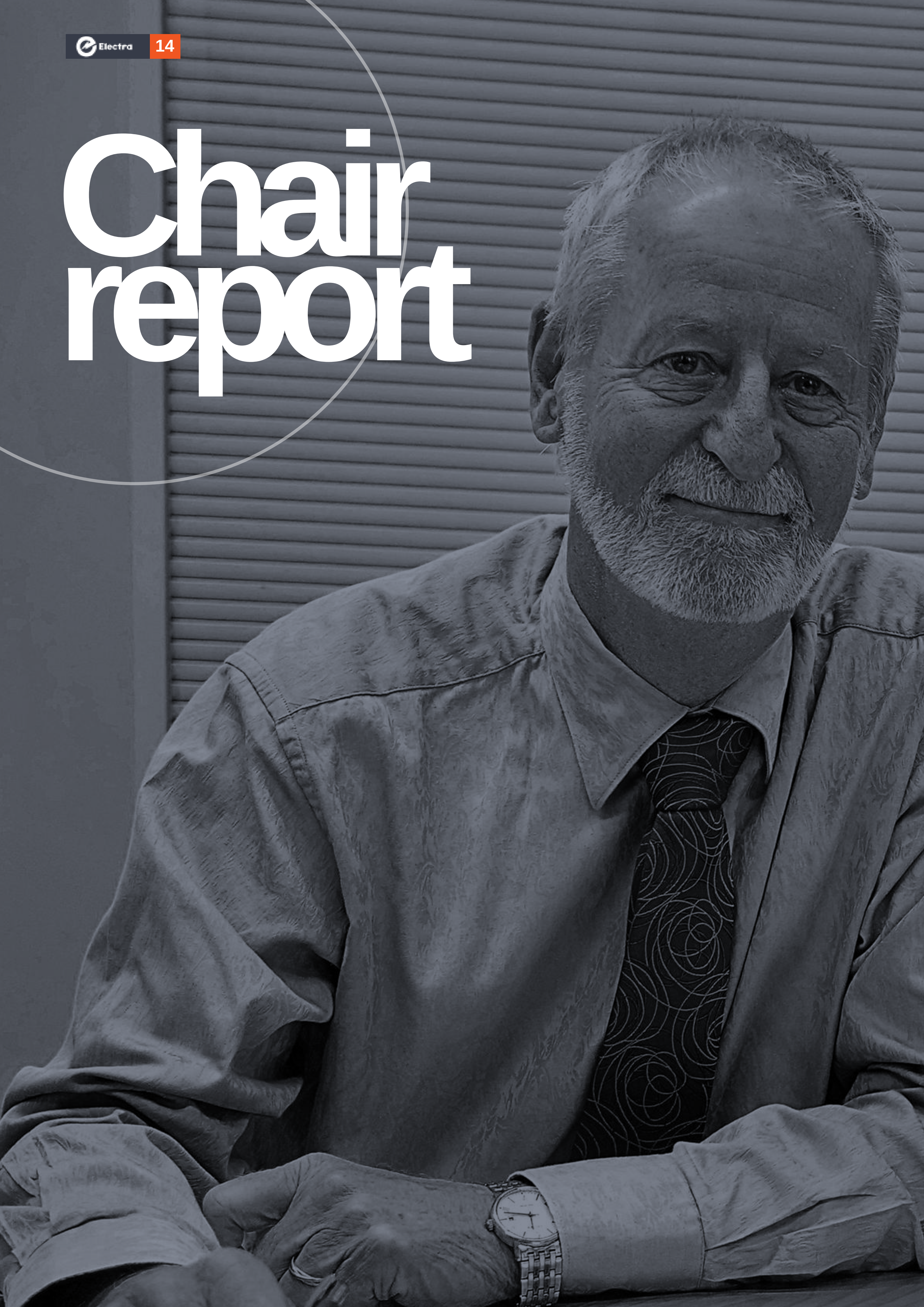
Our Network Performance

- Top quartile performance (nationally) in terms of reliability
- 12th lowest electricity network prices per kWh (out of 42 charging areas)[1]
- 403.8 GWh sold
- 6.87% Loss Ratio
- 48% Load Factor
- 33% Capacity Utilisation
- 104 MW Maximum Demand
- 89.3 SAIDI (System Average Interruption Duration Index)
- 1.5 SAIFI (System Average Interruption Frequency Index)
- 59.5 CAIDI (Consumer Average Interruption Duration Index)
- 15 Faults per 100km of Line (per year)

[1] *Ministry of Business Innovation and Employment's quarterly survey of Domestic Electricity Prices as at 15 February 2017*

Our Network covers an area of

1,628km²


Chair
report

In the year under review Electra delivered a solid financial performance, increased its capability to deliver on its strategic objectives and developed the strategy in keeping with the changing environment.

The strategic direction of the business was reviewed and some changes were made to finesse the strategy to emerging technologies; how they are impacting on the way our customers think about and use energy and the challenges to our existing business models.

Strategies are now being developed to respond to the new and emerging diversity of customers with different needs and profiles; predictability and constant stable bill, lowest possible price, latest technology to control consumption and those who will pay a premium for renewable energy.

Electra has invested in emerging smart technology; an Advanced Distribution Management System (ADMS) to improve the utilisation of existing assets and create business efficiencies and is deploying self-healing schemes (both independent and ADMS ready.) We are assessing Solar PV, battery storage opportunities to improve reliability and whether these technologies can provide a cost effective alternative to current practice.

Financial Performance

This year's operating revenue of $66.4m compares favourably with the previous year ($64.6m). The Group's Net Profit Before Tax for the 2016/17 financial year was $1.5m a small increase on the previous year. A total of $8.6m (incl. GST) in discounts were credited to our consumers (via their electricity retailers) for the year.

As always our goal is to deliver value to our stakeholders through a combination of competitive prices, quality services and efficient operations.

Positioning the Group for Future Growth

It is pleasing to note that the Group's core business continues to perform well and the subsidiary businesses are well positioned to benefit from future opportunities. The Board have continued to work with the management team and have challenged them to focus on the long term direction of the business, helping them to identify areas where improvements can be made and new opportunities developed. We have continued to invest in subsidiary growth to further enhance shareholder value.

One such investment was in Pulse Alliance LP (Pulse) an electricity and gas retailer serving 57,000 customers nationwide. In February 2017 Pulse assumed the role of metering and billing for Electra Energy while staff at Electra Energy now deliver services to Pulse customers across NZ. We believe the scale and expertise of Pulse will help Electra Energy to more effectively serve their retail customers while allowing us to leverage our call centre expertise and capabilities.

Collaborative approach

As a Board we are committed to working collaboratively with the Senior Management team (SMT) and our key stakeholders. We enjoy strong working relationships with both the SMT and the Electra Trustees and there is a genuine consensus over the direction the Group is taking. We also continue to work closely with both local Councils and share a similar vision for the Horowhenua and Kapiti regions and the opportunities that exist to create economic growth.

Getting our people home safely

Improving our health and safety performance remains a key goal, with the Group focussed on achieving zero harm through a process of continuous improvement. This is something that the Board has given considerable emphasis to over the past year with Directors attending various sites to observe health and safety practice and to reinforce the fact that everyone should return home safe and without incident each day.

Acknowledgements

On behalf of the Board I would like to thank Electra's Chief Executive Neil Simmonds for his leadership and for assembling a talented Senior Management Team that have shown their skills and expertise in delivering some excellent results. I would also like to acknowledge the staff for their continued commitment and contribution in meeting the company's goals.

At the Board table we farewelled Trish McKelvey and Piers Hamid after 23 years of invaluable service and welcomed John Boshier and Alan McCauley who have brought Regulatory, Industry and Strategic skills and experience that will ensure that the Board continues to perform its role to a high standard.

I would also like to thank my fellow Directors for their support in the governance of the Electra Group and for their strong contribution to the ongoing development of the Company.

Finally I would like to thank the Trustees for their support and the role they play in ensuring Electra's ongoing success.

Neil Mackay
Chair

Chief executive report

I am pleased to present the following performance review of the Electra Group of businesses for the year ended 31 March 2017. The Group has delivered a positive result for the year.

The Electra Group has always focused on identifying and implementing strategies that will position the business for future growth, increase our revenue streams and, ultimately, the level of return we can provide to the communities in which we operate.

Part of this strategy has been to invest in companies that complement the Group's core (electricity network) business and provide opportunities to add value and expanded services and, as a result, enhance the returns to our consumers over time. We intend to increase the strength of this virtuous circle as this alignment strategy grows. Economies of scope are much easier to achieve and more valuable than just focussing on economies of scale, as regulators and the wider commentariat appear keen to do.

We had a challenge growing our start-up energy retail and security businesses. The issues were identified early and improved processes and strategies were implemented to address them. It was great to see the team looking for the best result in the new environment rather than defending the past. In both cases, we are now in a much better position.

A Technology Driven Business

We are also focused on using emerging technologies to deliver added value in the most efficient and cost-effective way, using robust information systems and smart technologies to create business efficiencies and drive decision making.

At the heart of one such strategy is an Advanced Distribution Management System ('ADMS'). We've recently selected a market leading solution from the United States (Milsoft) to deliver this platform to our business.

The ADMS will deliver many benefits to our business, including end-to-end engineering design and loadflow management, through to the provision of better information for decision making, outage management and reporting, and other customer communication and messaging. For our consumers, it will mean a more reliable and responsive electricity network.

The implementation of this new system has commenced and will be fully rolled out in a phased approach over the next two years.

The implementation of an ADMS is a first step in being able to better analyse and utilise the data we already have at hand. It will allow us to develop leading indicators on which to inform our decision making.

Increasing Our Cyber Security

As in any industry, an increased reliance on digital solutions to monitor and manage business operations, data and insights presents security challenges. Cyber security has therefore become a major focus for our business and will continue to be so into the future. It is critical that we ensure the data we collect can be shared across the Group, and externally (where necessary), safely and securely.

That is why we have taken a proactive approach to data and asset protection over the last twelve months, focusing on data security and improving our readiness for the ADMS roll-out. Looking ahead we will be increasing the level of cyber security across the business and embedding it in all future development work.

Health and Safety Focus Delivers Genuine Benefits

As previously mentioned by the Chair, we take our health and safety commitments seriously. We have given this area of our business considerable focus over the last two years, implementing a continuous improvement process that will help us to achieve our zero harm target.

While we still have further progress to make, it is pleasing to see that the improvements we have made have not only delivered better outcomes for our staff, they have also delivered a 17.1% improvement in the Group's ACC experience rating that determines the levies we pay each year.

Senior Management Appointment

In July 2016 we welcomed Max Feickert to the Group as the new GM of our Lines Business. Max comes to us having spent the last five years in Canberra, working in leadership roles across the electricity and gas utility ActewAGL. Prior to ActewAGL Max built up considerable experience in distribution, transmission and generation in New Zealand and Australia.

Future Outlook

The Electra Group continues to be in a solid financial position with strong shareholder equity, a diversified asset and revenue base, and new opportunities for additional growth.

Our strategy remains to look for opportunities to grow and diversify our business, increase revenue streams and maximise the value we provide to our owners – the consumers connected to the Electra Network.

The long awaited infrastructure projects across our region have commenced, with phase one of the Expressway now complete and delivering additional value to, and outside interest in, the communities in which we operate.

We have enjoyed working closely with the key contractors involved in this project to identify and mitigate any impacts on our network, and we look forward to engaging with them again once phase two of the project (from Pekapeka to Otaki) commences.

The Government's investment in our region has begun to have a positive effect on regional growth and this is expected to continue over the coming years, presenting further opportunities and challenges for our network. Improved accessibility and availability to our region will lead to business growth and job creation, and investment in other local projects such as the retail development in Paraparaumu and the ongoing development in and around Kapiti airport will further stimulate growth.

We will continue to work closely with the local Councils and the community to ensure the best advantage is taken of the opportunities that are available to us, and remain committed to delivering a reliable electricity supply that can meet the current and future demands of our consumers.

It has been a pleasure to work with my team, the Board and the Trustees this year. The open, honest constructive way we have worked together has helped deliver this excellent performance overall.

Neil Simmonds
Chief Executive,
Electra Group

Board of Directors

Alan McCauley
BCA, MBA, PGDFA, CA, M Inst D
Appointed 2016

Alan has substantial experience in the electricity sector having held senior executive positions with Meridian Energy as General Manager Retail and Red Energy (in Victoria Australia) as General Manager Customer Management.

He currently operates his own management consulting business with clients across NZ, Australia and Asia.

A competitive runner, Alan has competed in the World Masters Mountain Running Championships and has also been a director on both the Board of Athletics NZ and Athletics Victoria.

Chris Dyhrberg
BCom, LLB, M Inst D
Appointed 2014

Chris is a business consultant and has held a number of executive and senior management roles within Telecom New Zealand and Chorus New Zealand, as well as working in the health, education and electricity sectors.

He is a Member of the Institute of Directors in New Zealand and spends considerable time working on community projects and for not-for-profit organisations. He is a director of Swimming Wellington and trustee on the Kapiti Aquatic Centre Trust and Kapiti College Board of Trustees, Te Hinaki Education Trust and Te Whakaaro Education Trust. He is also a member of the Kapiti Digital Leadership Forum and the Kapiti Economic Leadership Group.

Ian Wilson
QSO, CF Inst D, ANZIM
Appointed 2010

Ian is an experienced company manager and director across a wide range of sectors both in New Zealand and overseas.

He is presently a director of a number of New Zealand public and private companies.

He has twenty one years' experience in the energy sector having held past directorships in various network and retail/generation companies notably, Progas Systems, ElectroPower, TrustPower, Central Power and Powerco.

He is a Fellow of the Institute of Directors, an Associate of the NZ Institute of Management, was awarded the Massey University Medal in 2004 and made a Companion of the Queen's Service Order in 2006.

John Boshier
FIPENZ, ME, MBA
Appointed 2016

John is a company director having previously held senior management positions in New Zealand and Australian energy and engineering companies.

He was CEO of Capital Power Ltd in Wellington and is now a member of two government entities, the Accreditation Council and Standards Approval Board. He is a Fellow of the Institution of Professional Engineers New Zealand.

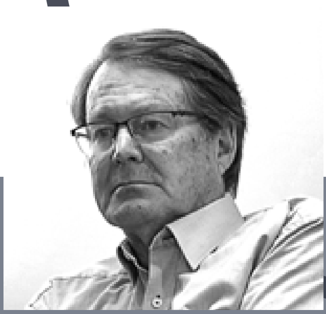
His trustee activities include the Harkness Fellowships Trust Board, the IPENZ Foundation, and the Sir Paul Callaghan Eureka Trust. John is also an active member of the Rotary Club of Wellington where he is convenor of the Fundraising committee.

Neil Mackay - Chair
BCA
Appointed 2007

Neil has held CEO and senior management roles both in New Zealand and overseas, and in a wide variety of industries including power construction, manufacturing, sales and distribution, financial services and the public service.

He was the inaugural chief executive of Industry New Zealand a crown entity which was responsible for the development and implementation of strategies and programmes for industry and regional development.

He is currently an executive director of Green Chip Ltd. He is also a director of three clean technology companies.



Russell Longuet
BE (Elec), M Inst D
Appointed 2008

Russell is managing director of Exergi Consulting Limited, an independent energy consultancy, focusing on Energy Sector risk management for large Industrials and Government liaison. Prior to that, he managed the energy portfolio for Carter Holt Harvey.

Russell's background spans electrical engineering, merchant banking and energy consulting in New Zealand and overseas.

He is a member of the Institute of Directors and an ex-director of the Energy Efficiency and Conservation Authority (EECA) and Energy Intellect Ltd. He has been on numerous advisory groups to Government on electricity and gas markets.

Shelly Mitchell-Jenkins
BBS, FCA, CM Inst D
Appointed 2014

Shelly is a Fellow Chartered Accountant (NZICA), a Member of the NZ Institute of Directors, and a director of Colbert Cooper Limited, a chartered accountancy practice located in Levin.

She is chair of Electra's Risk and Audit Commitee, a trustee of the Eastern and Central Community Trust and chair of the Trust's Audit and Risk Committee, and a trustee of Horowhenua based charitable trusts; Levin Charitable Trust and Horowhenua Scholarship Trust.

Community owned, community focused

Electra is wholly-owned by its 44,159 consumers, stretching from Paekakariki in the south to Foxton and Tokomaru in the north.

Shares in the company are held on behalf of all consumers by a Trust, elected under a Trust Deed to represent the owners' interests and protect their asset.

The Electra Trust's key roles include appointing the Directors of Electra Limited, commissioning ownership reviews (as required), ensuring Electra Limited maintains an annual sales discount, and maintaining open communication with both the beneficiaries and the company.

www.electratrust.co.nz

"It is pleasing to report that the relationship between the Electra Trust and the Board of Electra Limited is stronger than it has ever been and there is a positive level of comfort for Trustees in a climate of continuing technological and industry change." Chris Turver MNZM JP, Chairman, Electra Trust

Electra Trustees

Chris Turver
MNZM JP of Waikanae (Chairman)

Lindsay Burnell
QSM of Ohau

George Sue
QSM JP of Paraparaumu

John Yeoman
BBS ACA FCIS of Paraparaumu

Ray Latham
of Paraparaumu

Sharon Crosbie
CNZM OBE of Manakau

Obituary – George Sue

It is with great sadness that we acknowledge the passing of one of our Trustees, George Sue in April this year. George was an extraordinary man - a leader of the Chinese community in the Horowhenua and Wellington, a market gardener, a staunch Rotarian, an astute businessman, and a caring family man.

We all miss his personal friendship and his professionalism as an Electra Trustee.

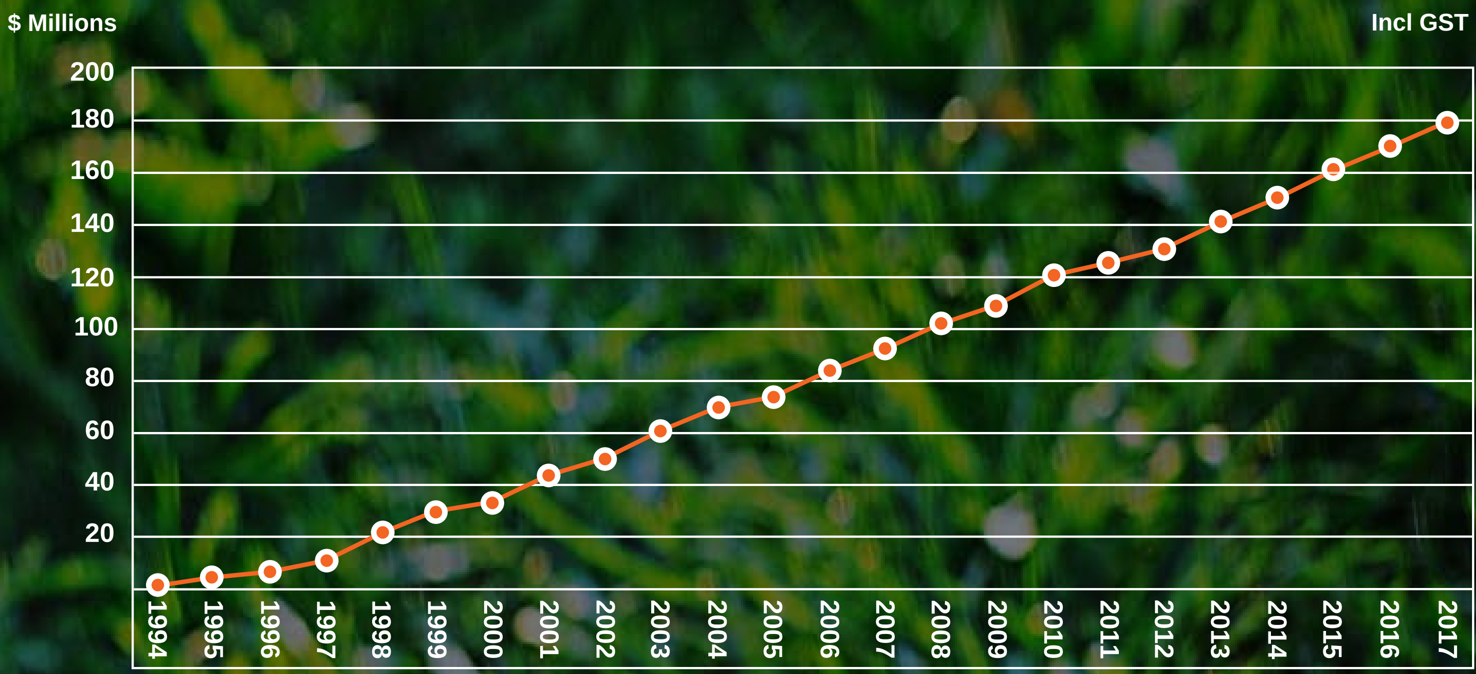
Rest in peace George.

Delivering value to our communities

Our greatest commitment to the community is to deliver safe and reliable power at a fair price, and to maximise the annual Electra sales discount that is credited to each electricity account on the Electra network.

$179m

in total sales discounts to our consumers over the last 24 years.



Encouraging energy efficiency

Energy efficiency has always been a major focus for Electra with numerous initiatives delivered over the last 20 years to increase awareness and help bring benefits to both our residential and commercial customers, including financial incentives to install heat pumps.

It is therefore pleasing to see that Electra's annual Market Awareness Study has found that 40% of residential customers and 44% of commercial customers on the network currently have a heat pump installed – a significant increase on the previous year (38% and 40% respectively).

The study also reported that 85% of residential customers and 70% of commercial customers on the network have installed energy efficient light bulbs.

Supporting our communities

At Electra we've always held a strong interest in supporting and promoting business and employment growth in Kapiti and Horowhenua. Business growth will ultimately fuel regional growth and create opportunities for everyone.

That is why we work closely with both local councils and enjoy strong working relationships with them.

Kapiti Road Undergrounding

Over the past year we have been particularly proud of the partnership we formed with the Kapiti Coast District Council to deliver a community project that saw undergrounding and relocation of electricity services along Kapiti Road to accommodate the new expressway and to improve pedestrian access. The work site spanned a kilometre in which multiple contractors and utilities were working to tight timeframes.

Electra Kapiti Horowhenua Business Awards

Having been the principal sponsor of the hugely popular and successful Electra Business Awards since its inception in 1995 we were proud to continue our involvement with New Zealand's longest running business awards programme in 2016. We believe the Awards are an important way of recognising businesses that are helping to drive economic and job growth in the region. Congratulations to G.J. Gardner Homes Kapiti/Wellington for winning the 2016 Business of the Year Award, and to Rimu Chiropractic Studio for being Highly Commended.

Business Networking Events

Our long association with the Kapiti Electra Business Breakfast continued in 2016, with a number of networking events held in Kapiti throughout the year, providing local business owners with access to top quality business and related speakers. We also partnered with the Horowhenua District Council to host "Business After 5" events for local business owners and their key staff.

Massey MBA Program

In 2016 we continued our collaboration with the Massey University Executive MBA (EMBA) program, providing second year MBA students with access to local businesses as part of an elective Business Development paper. This partnership provides a small number of selected Kapiti and Horowhenua businesses with the opportunity to engage with Massey MBA executives to act as real world consultants within their businesses, discussing the issues they face and making recommendations to solve these. *"Working in partnership with Electra to help local businesses is a delight for Massey Business School, is of great benefit to our Executive MBA students in their final year of study, and benefits everyone."*
Associate Professor David Tweed

Left to Right: John Heng, Billie-Jo Ropiha, Marty Jarrett (Marty's Panel & Paint), Ali Hamlin-Paenga, Seta Efaraimo

Promoting Community Groups

As well as our support for local business, we also provide local community organisations an opportunity to promote themselves and the positive work they do in the community through free advertising space in a "Caring for our Community" page in the Kapiti and Horowhenua weekly newspapers. The page also features energy related information such as energy saving tips and product offers, plus any other information that might be of interest to customers of the Electra Group of companies.

Satisfying our customers

We're committed to delivering a reliable electricity network and world class customer service to the consumers connected to it.

As well as monitoring and reporting our own performance against clearly identified key performance indicators ('KPIs'), we also carry out an annual customer satisfaction survey to gather more formal data on how our customers feel we are performing.

The results of our latest survey, carried out at the beginning of 2017, indicates that we are performing particularly well in a number of key areas.

While our performance has always been strong, the changes we have made to the way in which we respond to and communicate with customers has delivered truly exceptional results over the last year.

Consumer satisfaction with Electra's faults response remains extremely high with the Call Centre receiving a "very good" or "excellent" satisfaction rating for their overall service from 93% of respondents surveyed (up from 91% in 2016), and faults staffs receiving a 96% satisfaction rating (up from 90% in 2016).

The timeliness of our faults staff has been given a 92% approval rating by our customers, while satisfaction with our fault resolution has been rated at 91%.

Working smarter, delivering more

The proliferation of smart meters across New Zealand's electricity networks is beginning to deliver significant benefits in terms of the capture of and access to data in the field.

Combined with the emergence of smart mobile technology, people now expect greater reliability and real time information and support.

It is inevitable that technologies will converge to deliver greater efficiencies to support improved management of the network and provide customers with much better and more timely information.

Alongside technological change, the significant earthquakes in Christchurch, Seddon and more recently in Kaikoura have highlighted significant issues for the country in terms of our infrastructure and how we respond to major events such as earthquakes.

The need for a modern, flexible, and responsive electricity network capable of withstanding significant natural disasters is a challenge that we have accepted and are in the process of delivering.

The Kaikoura event in particular had a significant impact on our region, with our network sustaining 25% of our annual allowance for outages in a single day.

Half the feeders on our network were tripped but power was restored to most within 20 minutes. However, there were four feeders that suffered considerable damage, putting them out of action for around 24 hours.

The earthquake triggered our emergency response plan and our crews responded to the event quickly and effectively. We were extremely proud of their efforts following such a significant event.

A post-event review identified a number of areas where we performed well, but a couple of key learnings that we needed to respond to.

In addition to the Kaikoura event, a current 'slow slip earthquake' event occurring off the Kapiti Coast has triggered multiple responses by local authorities and other Government agencies throughout the Greater Wellington region.

We are currently undertaking some seismic strengthening work across the network, although we were already in a relatively strong position. The Expressway project has created a second river crossing across the Waikanae river, removing one key network operational weakness as a result.

We are also in the process of reviewing and refreshing our earthquake preparedness plan so that we are "match ready" should a disaster strike.

The collective expertise across the Electra Group means our business is well placed to be at the forefront of this evolution, delivering world class service and response to consumers on our network.

Keeping people informed

In 2015 we launched our own mobile application ('Field Service App') for call taking and fault dispatching, creating a field service management platform for our field crews to provide estimated repair times and fault resolution progress.

During 2016 the App was updated to provide even greater data about the fault including customer contact information, and to enable more jobs to be managed concurrently. All Electra staff now have access to the App and can view every aspect of the fault.

This mobile tool, combined with location and driver identification devices on all faults vehicles, means we can make better dispatching decisions and provide faster response and greater real time visibility of our faults crews.

With more and more people turning to digital channels and social media for information, the way that we communicate with our customers must evolve to meet this change. As well as using social media to keep customers informed, we've also created an improved website that includes up to date outage information.

The website was significantly improved to provide customers with access to detailed outage information, including a detailed faults map (including the location of faults vehicles) with easy to understand icons and a legend providing summarised fault information. Customers are even able to report faults.

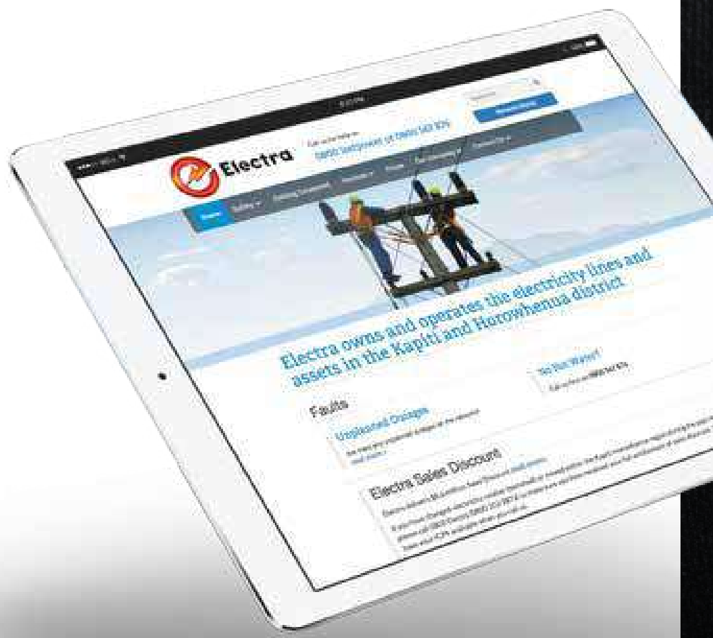
We then used the website outage application to launch an App for mobile devices - the Electra Customer Outage App.

These real-time customer information tools are proving extremely popular with over 500 views per month, 56% of them from mobile devices. We are also receiving around 30 fault reports via the App every month – ten times more than we receive by phone.

But the real value of this communication was demonstrated during a major storm event in June 2016, when we experienced over 1,000 visits on the day of the storm and 47 faults reported.

Recognising that there is a large group of customers connected to the network who chose not to use digital channels, we've also invested in improving our telephone service. A new Interactive Voice Response ('IVR') system will enable callers to receive more targeted messaging.

While the number of phone calls we receive has fallen slightly since the launch of the website and mobile apps, increasing the number of communication channels has enabled us to connect with a much larger audience quicker than ever before. There is also a 'self-service' market emerging due to the readily available real-time information about our network.



These real-time customer information tools are proving extremely popular with over 500 views per month, 56% of them from mobile devices.

Building a better network

In 2015 we set the company on a direction to create a truly modern electricity network, with modernised information systems and smart network technologies.

This involved replacing aged lines and creating alternative supply routes and providing greater flexibility in transferring load during network outage situations. Making these changes to the network allows us to make use of automated switching opportunities to isolate faults and get the power back on quickly.

The rebuild of the Paraparaumu substation was completed in 2017 with the existing 11kV and 33kV switchgear removed and replaced with an indoor 11/33kV switch room, incorporating fire proof walls that will ensure a continuation of supply in an emergency event.

The new Paraparaumu substation provides greater flexibility and reliability on our network and will support growing demand in the Kapiti area for the foreseeable future.

New Zealand's First Loop Automation Scheme

We continue to work with Transpower to improve the capacity of our network in the northern part of the region.

As mentioned in both the 2015 and 2016 Annual Reports, we are working with Transpower to purchase sections of their now redundant 110kV lines between Paekakariki and Mangahao, principally the lines between Mangahao and Levin. Securing these lines will improve reliability and capacity on the network in those areas, but requires protracted negotiation with multiple landowners. We are currently in consultation with all the parties involved in the purchase and progress is being made towards a favourable outcome. It is hoped that an agreement may be in place by the middle of 2017 with the final handover taking place shortly after.

We continued to trial a 'self-healing network', using technology to disconnect, isolate and restore supply after a loss of supply on the feeder or after a permanent fault. Working with Schneider Electric we implemented New Zealand's first Loop Automation scheme, designed to improve reliability and availability in the Opiki area of Electra's northern network – an area of around 800 customers that typically experiences a reasonably high number of faults per year (4.8), each with a duration of about 40 minutes.

Loop Automation reconfigures a network to return supply to fault-free sections that have lost supply due to a fault condition on another section of the network. Using Nulec reclosers combined with embedded voltage detection and timers, the system operates without any human operator intervention, automatically restoring power to the healthy parts of the network (within 22 seconds) and allowing the operator to dispatch line crews to the faulted segment.

Once the trial is complete the results will be reviewed and similar installations may be implemented in other areas where it is cost effective to do so.

Investing in ADMS Technology

Following an extensive search and selection process, Distribution Management System (ADMS) with Milsoft Utility Systems selected as the supplier. This is a significant investment for Electra but one that will deliver significant value to both the business and the consumers connected to our network. Key benefits will be improved efficiencies in work planning, faults restoration and a better customer experience.

Milsoft is a market leading ADMS provider, with over 1,000 lines business customers in the US and an existing customer in New Zealand - Marlborough Lines, a similar sized business to Electra.

An ADMS will provide our business with the latest technology in end-to-end engineering design and loadflow management. It will also improve our ability to take advantage of smart technology on the network, including the installation of smart sensors to provide real time data and information, and it will integrate the system with all our other existing systems to provide better information for decision making, outage management and reporting, and other customer communication and messaging.

A project of this magnitude will take time to implement as it requires the integration of our existing systems, including our existing faults and dispatching systems. The base products will be installed and commissioned in 2017 and work is currently underway to prepare the data to support the system. The system is expected to be fully operational within two years of initial commission.

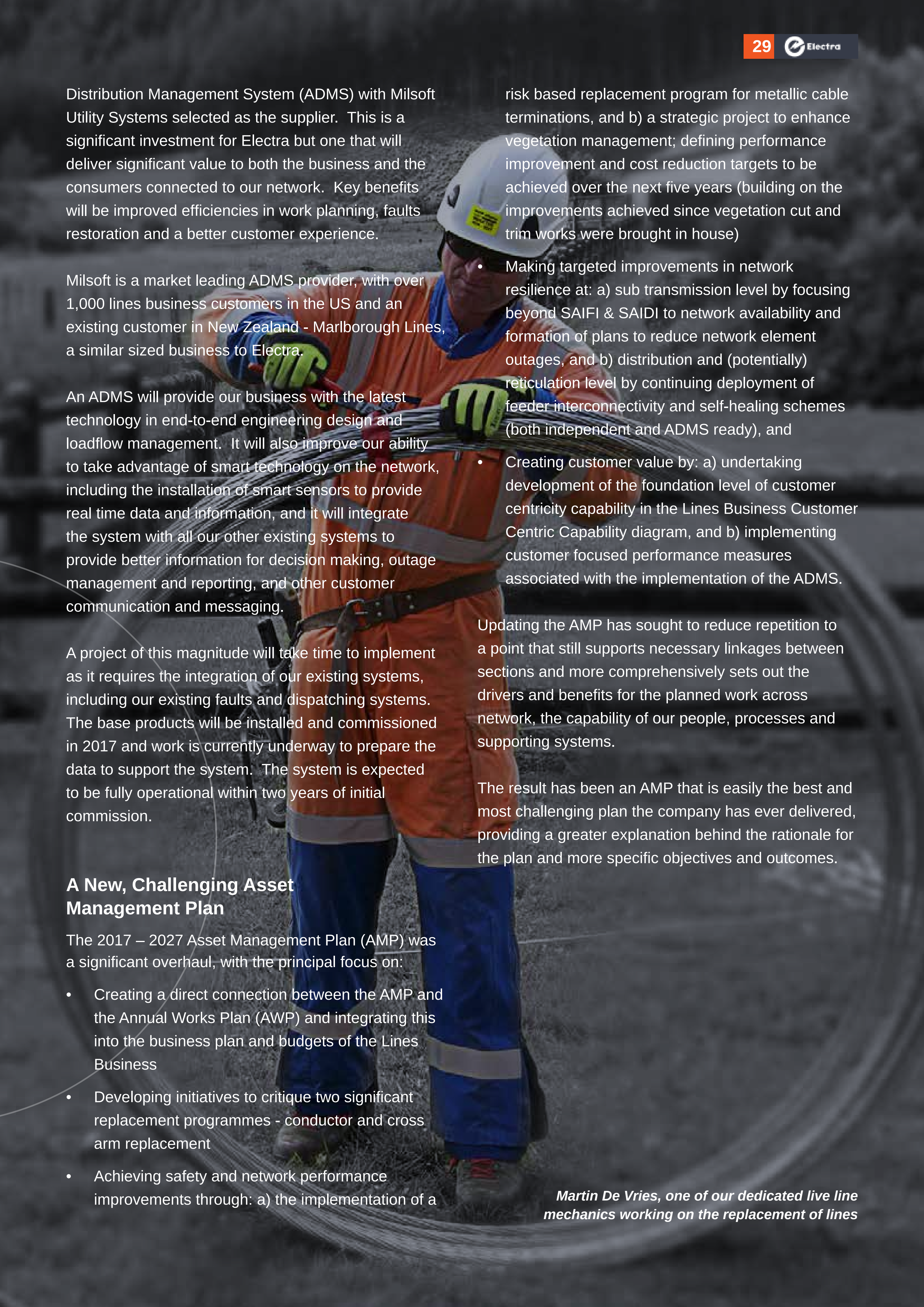
A New, Challenging Asset Management Plan

The 2017 – 2027 Asset Management Plan (AMP) was a significant overhaul, with the principal focus on:

- Creating a direct connection between the AMP and the Annual Works Plan (AWP) and integrating this into the business plan and budgets of the Lines Business
- Developing initiatives to critique two significant replacement programmes - conductor and cross arm replacement
- Achieving safety and network performance improvements through: a) the implementation of a risk based replacement program for metallic cable terminations, and b) a strategic project to enhance vegetation management; defining performance improvement and cost reduction targets to be achieved over the next five years (building on the improvements achieved since vegetation cut and trim works were brought in house)
- Making targeted improvements in network resilience at: a) sub transmission level by focusing beyond SAIFI & SAIDI to network availability and formation of plans to reduce network element outages, and b) distribution and (potentially) reticulation level by continuing deployment of feeder interconnectivity and self-healing schemes (both independent and ADMS ready), and
- Creating customer value by: a) undertaking development of the foundation level of customer centricity capability in the Lines Business Customer Centric Capability diagram, and b) implementing customer focused performance measures associated with the implementation of the ADMS.

Updating the AMP has sought to reduce repetition to a point that still supports necessary linkages between sections and more comprehensively sets out the drivers and benefits for the planned work across network, the capability of our people, processes and supporting systems.

The result has been an AMP that is easily the best and most challenging plan the company has ever delivered, providing a greater explanation behind the rationale for the plan and more specific objectives and outcomes.



Martin De Vries, one of our dedicated live line mechanics working on the replacement of lines

The future direction of pricing

Over the past ten years, average energy consumption worldwide has been declining as buildings and appliances become more energy efficient. At the same time, peak demand (i.e. more appliances being used at the same time) continues to grow on networks across New Zealand (and internationally), including the Electra network.

In addition, new types of connections to networks and customer installations such as batteries and electric vehicle chargers have been flagged by Energy Safety as representing new hazards that are not yet well managed by standards and codes.

The use of alternative energy sources (such as photovoltaic generation and battery storage) is expected to increase and we need to ensure the network we provide and the prices we charge are appropriate for the future needs of consumers.

The Electricity Authority continues to promote the provision of cost reflective distribution price options. We support this initiative. Through the Electricity Networks Association, we have been working with other distribution businesses to develop common and practical approaches to make cost reflective distribution available and visible to end customers within the overall retail price options.

There is a strong linkage between peak demand and overall network capacity requirements.

Our pricing methodology aims to reflect this relationship with higher pricing charged for consumption during periods of high demand. This will ensure the costs of building infrastructure to meet peak demand will be fairly shared while efficient usage of our infrastructure will be encouraged and rewarded.

We will be progressively introducing service-oriented and cost-reflective price changes to fairly recover the full cost of the network from all consumers on the network - the underlying goal being to continue to improve the network and deliver an efficient and reliable electricity supply to the region.

That is why from 1 April this year we introduced a number of changes that are consistent with this strategy. One such change was to establish a time-of-use price option to apply to small and medium users. With 76% penetration of smart meters in the network this time-of-use option is widely available.

At the same time, we passed through an overall 2.6% increase to our prices, reflecting a 4.89% increase in Transpower's transmission charges and a CPI adjustment to the distribution portion of our charges (capped at 1.7% as forecast in the October 2016 ANZ Economic Outlook). It needs to be highlighted that increases to the distribution price portion were not applied to time-of-use options such as the night/off peak periods.

SkyComms

SkyComms: Disaster Response and Infrastructure Projects Underpin Performance

Sky Communications is a leading telecommunications contracting services company, designing, building, supplying and maintaining wireless, fibre and copper networks and products for clients including Spark, Vodafone and 2degrees as well as large commercial facilities such as offices, hospitals and stadia.

The company is based in Auckland with a field office in Wellington, employs 29 staff and undertakes work in New Zealand, Australia and the Pacific Islands.

Sky Communications enjoyed another strong year as its reputation as a leading full service telecommunications contracting services provider saw it entrusted to rebuild two cellular networks post-disaster and deliver two major infrastructure projects in Auckland.

On 22 February 2016 the strongest tropical cyclone to reach landfall in the South Pacific in recorded history (Cyclone Winston) devastated Fiji, leaving 42 people dead and significantly impacting around 40% of the nation's population, and an estimated US$1.4 billion in damage to infrastructure, businesses and homes.

Due to a long standing relationship with Vodafone Fiji, eight Sky Communications staff were sent to the tiny Pacific nation to help rebuild the country's shattered cellular network, spending two months there restoring microwave radio links and repairing cell towers.

Then, just after midnight on 14 November 2016, a magnitude 7.8 earthquake devastated the Kaikoura region at the top of the South Island, disrupting communications and destroying infrastructure across the region. Sky Communications staff were deployed as an integral part of the rapid response team, charged with restoring communications to the devastated region, working in isolated areas such as Clarence, Kaikoura, Waiau and Eltham.

The company's expertise in microwave linking solutions allowed communications to be quickly restored, allowing relief efforts to be coordinated and delivered to those most affected by the quake.

The speed and quality of the response from Sky Communications' staff was highly regarded and appreciated, as evidenced by the Head of Spark's mobile division visiting the Sky Communication's Auckland office and personally hosting a BBQ for the team.

In addition to post-disaster restoration work, the company continued to work with all three major mobile providers with ongoing 4G deployment work, cell site upgrades and new builds for 2degrees, and the design and deployment of a nationwide microwave network for Spark.

The massive Waterview Tunnel project in Auckland saw the company build and commission a customised fibre optic cellular network to provide full mobile coverage inside the tunnel.

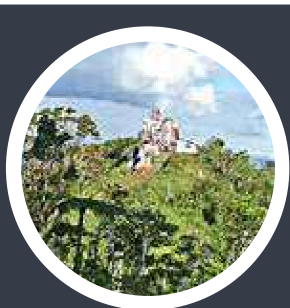
Despite significant overall civil project delays, we were still able to deliver the telecommunications solution on time and budget.

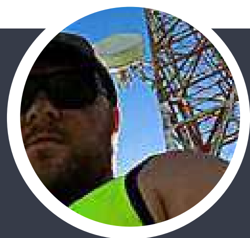
The exponential growth in data demand on mobile networks is clearly highlighted by the Eden Park experience, and indicates significant future revenue potential for Sky Communications given its expertise in the design and installation of rural and 'in building' ('IBC') telecommunications and microwave linking solutions.

The company won the tender to design and deploy such an IBC network at Eden Park in time for the 2011 Rugby World Cup, with the solution deemed to be a major success at the time.

Fast forward to 2016 and the company was awarded the contract to increase capacity within the Eden Park network to cope with the 1,000% increase in mobile data use that had occurred over the ensuing five years.

Looking ahead, as well as a growing demand for IBC solutions, the $150m Government Rural Broadband Initiative will provide additional opportunities for Sky Communications, while trials of the new 5G network will commence in 2017 and significant deployment will occur following ratification of international standards.





DataCol: Agricultural Sector Provides Opportunities

DataCol is a data collection, monitoring and management business, based in Christchurch with branches in Auckland and Wellington.

The company is New Zealand's leading provider of water meter reading services with a market share of around 80%. It has also developed leading edge software solutions for the water meter reading and agricultural sectors, and has enjoyed international success with its proprietary SevenX software package.

Originally a manual electricity meter reading company, DataCol has spent the last seven years repositioning itself as New Zealand's leading provider of water meter reading services with a market share of around 80%. It has also established a dominant position as data collection, monitoring and management experts - delivering leading edge software and technology solutions to a broad range of customers.

During 2016 the company has focused largely on maintaining standards and relationships within their core water meter reading business, while taking time to realign its business following the purchase of the largest player in the agricultural market, Watermetrics.

The purchase of Watermetrics brings together a large client base with Datacol's market leading, proprietary remote data collection and monitoring system (Collect) to create a strong market proposition.

Having taken 18 months to realign the business, including the rationalisation of two client databases, the company can now look to secure further growth opportunities in the agricultural sector.

As well as targeting new clients, the company is looking to expand the range of variables it can monitor and measure. This includes effluent monitoring - a major challenge for dairy farmers.

Another opportunity is in irrigation scheme monitoring with DataCol, previously selected by Crown Irrigation, as the development partner for the Water Transfer Platform. This gives water use a tangible value and increases efficiency around its use.

A pilot trial is currently underway and has the potential to lead to a formal spot market for water rights.

This could provide further opportunities for the company as large water users look to combine weather data with atmospheric and soil data to predict when they are in surplus. It could even be used to identify energy savings.

Internationally, the contract to manage the water meter reading contract on behalf of Sydney Water has been in place for two years and continues to be a major success. Sydney Water have agreed to be a key reference site for the company and are a strong advocate for its solutions, with at least one new potential client in the early stages of discussions with Datacol.

Alongside the opportunities in the New Zealand agricultural market, the Australian water market will be a major focus for the company over the coming year. However, with lead times of at least two years in most instances (from discovery to installation), the company will need to adopt a medium to long term view on growth opportunities in this exciting new market.

SECURELY
the peace of mind company

Securely: Independence Monitoring Keeps People at Home Longer

Securely is a security monitoring and response company based in Levin, providing a 24/7 monitoring service for customers. The business is focused on combining electronic monitoring and smart home technologies to keep people safe and independent in their own homes, for longer.

At the beginning of 2015 the Electra Group acquired Wanganui Security, a business that had been delivering traditional monitoring, response and security guard services throughout New Zealand for 30 years.

The acquisition was made with a future plan in mind, driven by an aging population and the fact that the convergence in electronic monitoring and smart home technologies would create significant future opportunities, particularly in the area of aged care and independent assisted living.

We believe the traditional security business model is becoming obsolete as technology rapidly evolves and attitudes and behaviours about lifestyles continue to change. We want to disrupt the market and use innovative solutions that don't just take market share from our direct competitors but actually grow the overall size of the market.

In mid 2016, the company relocated to Levin to take better advantage of the benefits from having shared services with the rest of the Electra Group and direct access to our in-house technology expertise.

The newly restructured business, rebranded under the "Securely" name, is focused on understanding the market and the needs of individual customers, then finding solutions to meet these needs. The company has embraced "Human Centred Design", using technology to solve human problems.

Finding solutions that allow people to stay at home for longer will become a major theme for our aging population as more people delay going into aged care facilities in favour of maintaining their independence. However, being able to do this safely is a challenge for many older New Zealanders – the Health Quality and Safety Commission reported that 25,000 New Zealanders aged over 50 were admitted to hospital in 2014 from falls alone.

This is why at the end of 2016 we launched the Securely Independence Monitor ('SIM') - a monitoring solution that aims to help people stay in their homes longer.

SIM works as a panel that is connected to Securely's central monitoring station via the cellular network. The panel consists of three sensors, all wireless, combining the traditional panic functions of a medical alarm pendant (that is worn) with additional monitoring for smoke and periods of extended inactivity.

We believe this new product will not only appeal to people who value their own independence, it will also provide family members with peace of mind that their elderly relative can remain safe in their own home.

Jeff Smith and Chris Barber with the new Securely Independence Monitor – launched in late 2016

Electra Services is a new business bringing together the operational teams of Electra Monitoring Ltd and Electra Energy to create a full service monitoring, response and call centre service.

Call centre experience delivers opportunities

Call Centre Experience Delivers Opportunities

In June 2015 Electra entered the retail electricity market, launching the Electra Energy brand to commercial and residential consumers on the Electra network, complete with a new call centre based in Levin.

The company's entry into the local market triggered an intense period of competition, with many retailers offering discounted prices and other incentives to win customers back - ultimately a good result for consumers on the Electra network.

However this highly competitive environment, coupled with an inability to offer combined electricity and gas offerings, meant that the new brand faced significant challenges in terms of being able to scale the business.

So in February this year the Group entered a partnership with Pulse Alliance LP, an electricity and gas retailer serving over 57,000 customers nationwide.

Under the new relationship, the Pulse Alliance (which also includes Buller Electricity and Pioneer Energy) has purchased the Electra Energy customer base and assumed the role of metering, reconciliation and billing for the business (which will continue to operate as a separate brand), while staff at the Electra Energy call centre will now deliver services to Pulse Alliance customers across the country.

As a result, all staff employed by Electra Energy have been retained and transferred to a new Electra Services business unit, amalgamating the Electra Energy and Electra Monitoring businesses and reflecting the new, broader focus of the business that will incorporate monitoring and response services with call centre capabilities both within and outside the Electra Group.

We have recently secured several bureau services ranging from security monitoring through to after hours calls. This leverages our call centre expertise and capabilities and is a significant opportunity for Electra Services.

Investing in generation

In December 2015 we purchased the Dent Place Generation site, otherwise known as the Papakura Power Station.

Our rationale for investing in generation plant was twofold: 1) to sustain profitability by providing necessary physical hedging against large swings in electricity wholesale pricing, and 2) to operate as a 'peaking station' in order to take advantage of high price peaks in the Auckland market.

The power station, now operating as Electra Generation Limited, has connected 4.7MW generation from its gas and diesel sets with resource consent to increase the site to 10MW. The site is connected via a gas transmission pipeline and the local electricity distribution network.

Located in Papakura (South Auckland), the plant is well placed to benefit from a high growth area and revenue relating to capacity constraints on the Transpower network.

The site came online in March 2016 having been mothballed for around five years prior to this. Much of the first year has been spent commissioning the plant, learning how to operate it, and ensuring reliability. In spite of this focus, we still managed to generate during 96 of the 100 billable Upper North Island transmission peaks, locking in a solid cashflow for 2017/18.

This has been taking place during a period when the electricity spot market has been soft with a wet year suppressing prices.

Alongside this, the market regulator has proposed rule changes around distributed generation which has created additional market uncertainty. The proposal, covering pricing principles and transmission pricing methodology, is expected to take up to 12 months to wash out, but we remain hopeful that we will be able to expand our operation in this new regulatory environment.

That is why we are currently undergoing economic modelling to consider the viability for further generation investment, both at the current site and at additional sites across Auckland.

> ***"We still managed to generate during 96 of the 100 billable Upper North Island transmission peaks, locking in a solid cashflow for 2017/18"***

We have adopted a process of continuous improvement with the ultimate aim being to achieve zero harm.

Taking care of each other

At the core of any good business are its people. It is our people who enable us to deliver solid financial results while maintaining the highest standards in quality, safety and customer service.

We believe that health and safety is a shared responsibility and a core business function, and we are committed to putting structures in place that will ensure the safety of our people, our contractors, our consumers and the general public.

Improving our health and safety performance remains one of Electra's key goals in the new strategic plan, and we have adopted a process of continuous improvement with the ultimate aim being to achieve zero harm.

We continue to identify and implement systems and processes that will improve the health and wellbeing of everyone we interact with, including:

- Implementing an online Health and Safety system which enables team members to report incidents, hazards and 'near misses' straight from the worksite via mobile devices
- Providing staff with instant online access to Health and Safety related documents, plant and equipment information
- Conducting safety compliance training
- Implementing a competency development framework for Health & Safety committee members, supervisors and foremen, and
- Integrating health and safety requirements into our daily business activities, from design and commissioning activities through to introducing and operating new plant and equipment.

But despite our best efforts and zero harm goals, sometimes things go wrong and people are hurt. As a company it is our responsibility to make sure our people are well cared for and do not return to work until they are completely fit to do so.

Part of this involves keeping in regular contact with anyone who has suffered an injury and offering them options for alternative duties that will allow them to remain engaged in our workplaces. Not only has this reduced the amount of time lost through work place and non-workplace injuries, it's also allowed our people to uncover some hidden talents when they return to work duties that are outside their normal work activity.

Investing in our people

We pride ourselves on developing a diverse workforce equipped with the right blend of skills to take the company into the future.

The electricity industry continues to face challenge with an aging workforce and ongoing difficulties in recruiting qualified staff.

Line Mechanics in particular remain a difficult position to fill and we have been fortunate to recruit a number of new team members that have recently chosen New Zealand as their new home.

At the same time we continue to apply a three year cycle to recruit trainees across our whole field workforce. Training locals is a good way to reduce staff turnover and fits well with our values.

We provide all our staff with access to training that will enable them to grow personally while delivering genuine value to our organisation and customers. This includes developing detailed training plans as well as broader training around Electra and the values we live by.

We pride ourselves on developing a diverse workforce equipped with the right blend of skills to take the company into the future.

Manu Mori is a qualified line mechanic. He is currently investigating options to further his electrical qualifications as part of his training and development plan.

Looking ahead

There is a real sense of optimism building for the future and a focus on preparing for the inevitable boost to the regional economy as a result of a number of significant infrastructure projects throughout the Kapiti and Horowhenua regions.

The opening of phase one of the Expressway project (Raumati South to Pekapeka) will bring with it a period of growth and development for the region with population growth over the next decade expected to create thousands of new homes and jobs, and provide financial stimulus for further investment in economic growth and urban development.

> ***"Population growth over the next decade expected to create thousands of new homes and jobs, and provide financial stimulus for further investment in economic growth and urban development."***

Phase two of the Expressway project is scheduled to commence in 2017 (Pekapeka to Otaki), and will continue to deliver short term employment and business benefits until it opens to the public in 2020.

In addition, completion of the Transmission Gully Motorway (also in 2020) will provide even better access from our region to Wellington and will further add to the attractiveness of the area.

Improved connectivity (and the resulting reduction in transport costs) between our district and the greater Wellington region will encourage more people and businesses to locate to the Kapiti and Horowhenua regions.

While some of these benefits have begun to materialise, many more will be staggered over a number of years.

The Government has stated that it plans to double economic growth in our region (from $1.6 billion to $3.2 billion per annum) over the next 20 years so we expect to see massive local stimulus in the coming years.

Economic growth is already showing significant upward movement while unemployment numbers continue to trend downwards. This has led to an increase in retail spending and a lift in the construction sector.

Residential building consents for the year ended 31 December 2016 had risen sharply across the region compared to the previous year. Horowhenua in particular is finally experiencing a substantial bounce back in construction numbers after several years of very low growth.

This growth shows little sign of abating with existing residential subdivisions continuing to produce new homes and a number of new subdivisions currently in the planning phase.

This has seen new connections to our network doubling in numbers, month-on-month.

From a commercial perspective, we are seeing ongoing development in Kapiti at both Coastlands and also the Kapiti Landing commercial park, while additional commercial activity is underway in Levin.

We remain committed to working with the Councils and businesses throughout our region to support and attract business growth and development to leverage off these new infrastructure investments.

At an energy level, surplus generation capacity and flat demand growth nationally, coupled with intense retail competition, should ensure greater price stability for consumers over the next few years.

The Government has stated that it plans to double economic growth in our region from

$1.6 to $3.2 billion

over the next 20 years so we expect to see massive local stimulus in the coming years.

Corporate governance

Principles

The Directors recognise the need for the highest standards of corporate governance practice and ethical conduct by all directors and employees of Electra Limited and its subsidiaries. The Board embraces and endorses the principles embodied in the New Zealand Institute of Directors Code of Best Practice for New Zealand Directors. The Directors recognise good governance is not merely a matter of achieving legislative compliance but ensuring that exemplary standards and behaviour are sustained. This involves the establishment and maintenance of a culture at board level and throughout the Group to ensure that the Directors and employees deal fairly with others, with transparency and protect the interests of all stakeholders. It is the objective of the Directors to ensure that all issues within the Group are dealt with in a manner which will reinforce or enhance the reputation of the Group and those involved. The Board will ensure that the Group is governed within the broader framework of corporate responsibility and regulatory oversight.

Role of Directors

The Directors are responsible to the Shareholder for the setting of strategies and objectives in accord with key policies adopted in Electra's annual Statement of Corporate Intent. It is their ongoing responsibility to monitor management's operation of the business. They will direct management to develop appropriate structures, processes and plans necessary to achieve agreed objectives, and delegate to them the day to day operations in order that the plans are executed.

Risk Management

The Directors recognise their primary responsibility is the identification, evaluation and mitigation (where possible) of all risks to the business. They ensure that management has appropriate systems and controls in place to regularly review and assess these risks and mitigation plans are adjusted accordingly. A particular focus for the Board is continuing to improve Health and Safety practices to ensure our employees and the public are kept safe.

Board Operation

Operation of the Board is governed by the Constitution of Electra, and the rules, procedures and guidelines adopted by the Board, which are set out in the Electra handbook. The Board oversees the development of annual and long term plans. It meets monthly to receive reports from management on progress against such plans, and reviews and approves changes to strategies where necessary. Where more detailed or technical supervision is necessary the Board has delegated responsibilities to committees as appropriate. Currently the Board has one standing committee for Risk and Audit. The committee determines its own meeting timetable to meet the specific requirements of its work programme. The Directors meet quarterly with the shareholding Trustees to report on achievement of corporate objectives and discuss matters relating to the operation of the Group.

Conflicts of Interest

Directors are required to identify any potential conflicts of interest they may have in dealing with the Group's affairs. Where a conflict arises, a Director may still attend a Board meeting but may not take part in the debate or vote on any resolution in which they are interested.

Directors' Statutory Report

The Directors take pleasure in presenting their Report and financial statements of Electra Limited and Group for the year ended 31 March 2017

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	**2017 $000**	2016 $000
Operating revenue	**66,440**	64,626
Discount to consumers	**(7,500)**	(7,711)
Other expenses	**(57,422)**	(55,865)
Profit before tax	**1,518**	1,050
Tax	**(726)**	(791)
Net profit after tax*	**792**	259
Dividend	**(300)**	(285)
Retained earnings brought forward	**69,806**	69,832
Retained earnings carried forward	**70,298**	69,806

* Includes goodwill impairment cost of ($3.0m) (2016: ($2.7m))

Directors' interests

Directors have declared interests in transactions with the Company during the year as set out in note 18 of these financial statements.

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

Directors

At the annual general meeting held on 29 July 2016 Mr John Boshier and Mr Alan McCauley were appointed as Directors to the Electra Limited Board. Mr Ian Wilson retired in June 2017. Mrs Shelly Mitchell-Jenkins, Mr Russell Longuet and Mr Chris Dyhrberg will retire at the annual general meeting of the Company and will be offering themselves for re-election. Mr Neil Mackay continues as Director.

Use of Company information

During the year the Board received no notices from Directors of the Company requesting the use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

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 Board

Neil Mackay
Chair
8 June 2017

Shelly Mitchell-Jenkins
Director
8 June 2017

Performance highlights

The following performance measures are disclosed in accordance with the Ministry of Commerce Disclosure Regulations for Electricity Distribution Companies and the company's 2016/17 Statement of Corporate Intent.

	2017	2016
Financial		
Total revenue ($000)	**66,440**	64,626
Discount issued ($000) excl GST	**7,500**	7,711
Profit (after tax) ($000) *	**792**	259
Total assets ($000)	**212,799**	210,331
Total shareholders' funds ($000)	**137,760**	138,099
Shareholders' funds to total assets	**65%**	66%
Net asset backing per share	**$5.63**	$5.64
Network – Parent		
GWh sold (GWh)	**403.8**	409.2
Loss ratio	**6.87%**	6.76%
Load factor	**48%**	47%
Capacity utilization	**32.87%**	32.55%
Maximum demand (MW)	**104**	107
Circuit kilometers (kms)	**2,248**	2,256
Transformer capacity (kVA)	**331,074**	328,939
Supply area (sq kms)	**1,628**	1,628
Operating costs per kilometre	**$4,963**	$4,783
Capital expenditure cost per kilometre	**$5,554**	$6,543
Consumer Information - Parent		
Number of consumers	**44,159**	43,671
Average kWh sales per consumer	**9,144**	9,370
Operating costs per consumer	**$253**	$247
Capital expenditure cost per consumer	**$283**	$338
Discount issued per consumer (incl. GST) (Average)	**$195**	$202
Network Reliability - Parent		
System Average Interruption Duration Index (SAIDI)	**89.3**	100.1
System Average Interruption Frequency Index (SAIFI)	**1.50**	1.16
Consumer Average Interruption Duration Index (CAIDI)	**59.5**	86.6
Faults per 100km line (number)	**15.1**	8.8
Personnel - Group		
Number of employees		
- Electra Limited	**97**	90
- DataCol NZ Limited	**23**	27
- Electra Energy Limited	**-**	9
- Electra Generation Limited	**-**	-
- Electra Monitoring Limited	**21**	12
- Sky Communications Limited	**29**	28

* Includes goodwill impairment cost of ($3.0m) (2016: ($2.7m))

Financial Statements

Index
for the Audited Financial Statements

The Group Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2017

	Note	2017 $000	2016 $000
Revenue			
Sales - Distribution		**41,564**	40,489
Sales - Contracting		**20,154**	22,092
Interest revenue		**315**	342
Other income		**4,407**	1,703
Total operating revenue	1	**66,440**	64,626
Expenses			
Discount to customers		**(7,500)**	(7,711)
Interest expense		**(968)**	(1,128)
Other expenses	2	**(56,454)**	(54,737)
Total operating expenses		**(64,922)**	(63,576)
Profit before tax		**1,518**	1,050
Income tax (expense)	3	**(726)**	(791)
Net profit for the year		**792**	259
Other comprehensive income			
Foreign exchange reserve (decrement) / increment		**(1)**	4
Asset revaluation increment	4	**-**	2,232
(Decrement) on disposal of revalued assets	4	**(1,153)**	(285)
Income tax benefit / (expense) relating to components of other comprehensive income	3	**323**	(598)
Other comprehensive (loss) / profit for the year net of tax		**(831)**	1,353
Total comprehensive (loss) / profit for the year net of tax		**(39)**	1,612

The notes on pages 51 to 70 form part of these financial statements.

The Group Consolidated Statement of Changes in Equity for the Year Ended 31 March 2017

	Note	Issued Capital	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Attributable to owners of the parent	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 April 2015		**18,000**	**48,973**	**(33)**	**69,832**	**136,772**	**136,772**
Profit / (loss) for the year		-	-	-	259	259	259
Revaluation of assets movement	4	-	2,232	-	-	2,232	2,232
Disposal of revalued assets		-	(285)	-	-	(285)	(285)
Other comprehensive profit / (loss) for the year net of tax		-	(598)	4	-	(594)	(594)
Total comprehensive profit / (loss) for the year		**-**	**1,349**	**4**	**259**	**1,612**	**1,612**
Dividends paid	11	-	-	-	(285)	(285)	(285)
Balance at 31 March 2016		**18,000**	**50,322**	**(29)**	**69,806**	**138,099**	**138,099**
Balance at 1 April 2016		**18,000**	**50,322**	**(29)**	**69,806**	**138,099**	**138,099**
Profit / (loss) for the year		-	-	(1)	792	791	791
Disposal of revalued assets	4	-	(1,153)	-	-	(1,153)	(1,153)
Other comprehensive profit / (loss) for the year net of tax		-	323	-	-	323	323
Total comprehensive profit / (loss) for the year		**-**	**(830)**	**(1)**	**792**	**(39)**	**(39)**
Dividends paid	11	-	-	-	(300)	(300)	(300)
Balance at 31 March 2017		**18,000**	**49,492**	**(30)**	**70,298**	**137,760**	**137,760**

The notes on pages 51 to 70 form part of these financial statements.

The Group Consolidated Statement of Financial Position as at 31 March 2017

ASSETS	Note	2017 $000	2016 $000
Non-current assets			
Property, plant and equipment	4	**196,293**	193,276
Goodwill and intangible assets	5	**3,298**	6,224
Investment	17	**1,500**	-
Total non-current assets		**201,091**	199,500
Current assets			
Cash and cash equivalents		**714**	1,388
Receivables and prepayments	6	**8,472**	7,159
Finance receivables	7	**1,544**	1,636
Inventories and work in progress	8	**978**	648
Total current assets		**11,708**	10,831
Total assets		**212,799**	210,331
LIABILITIES			
Non-current liabilities			
Debt finance	16	**12,900**	12,900
Deferred tax liability	3	**31,917**	33,212
Total non-current liabilities		**44,817**	46,112
Current liabilities			
Debt finance	16	**22,700**	18,736
Trade and other payables	9	**7,522**	7,384
Total current liabilities		**30,222**	26,120
Total liabilities		**75,039**	72,232
Net assets		**137,760**	138,099
EQUITY			
Share capital	10	**18,000**	18,000
Reserves		**49,462**	50,293
Retained earnings		**70,298**	69,806
Total equity		**137,760**	138,099

The Board of Electra Limited authorised these financial statements for issue on 8 June 2017.
For and on behalf of the Board

Neil Mackay
Chair

Shelly Mitchell-Jenkins
Director

The notes on pages 51 to 70 form part of these financial statements.

The Group Consolidated Statement of Cash Flows for the Year Ended 31 March 2017

	Note	2017 $000	2016 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		**55,101**	56,113
Finance receivables		**292**	-
Other interest received		**16**	236
		55,409	56,349
Cash was applied to:			
Payments to suppliers and employees		**(42,589)**	(44,810)
Interest paid		**(970)**	(1,133)
Tax paid		**(1,837)**	(724)
		(45,396)	(46,667)
Net cash flows from operating activities	15	**10,013**	9,682
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		**82**	-
		82	-
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets		**(13,484)**	(21,901)
Capitalised interest on construction of property, plant and equipment		**(222)**	-
Purchase of investments		**(763)**	(409)
		(14,469)	(22,310)
Net cash flows to investing activities		**(14,387)**	(22,310)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		**4,000**	9,780
		4,000	9,780
Cash was applied to:			
Payment of dividends		**(300)**	(285)
		(300)	(285)
Net cash flows from financing activities		**3,700**	9,495
Net (decrease) in cash and cash equivalents held		**(674)**	(3,133)
Add opening cash and cash equivalents brought forward		**1,388**	4,521
Ending cash and cash equivalents carried forward		**714**	1,388

The notes on pages 51 to 70 form part of these financial statements.

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

Statement of Accounting Policies

Reporting Entity

Electra Limited (the 'Company' or 'Parent') is a for-profit entity incorporated in New Zealand. The Company has its head office in Levin. The Company operates primarily in the field of electricity distribution and as a holding company for other investments.

The 'Group' for financial reporting purposes comprises of Electra Limited (Parent) 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

Estimation of electricity distribution revenue	Note 1	Revenue
Revaluation and impairment review	Note 4	Property, plant and equipment
Impairment of Goodwill	Note 5	Goodwill and intangible assets
Provision for doubtful debts	Note 7	Finance receivables
Unrecoverable work in progress	Note 8	Inventories and work in progress
Liabilities in respect of employee entitlements	Note 9	Trade and other payables

Significant 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: Ⓟ

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 Company obtains control and until such time as the Company 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 2016.

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 2017. Management has yet to assess the full 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
Financial Instruments NZ IFRS 9	1 January 2018	31 March 2019
Revenue from Contracts with Customers NZ IFRS 15	1 January 2018	31 March 2019
Leases NZ IFRS 16	1 January 2019	31 March 2020

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.

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The Company 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.

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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:

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.

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.

Other income

	2017 $000	2016 $000
Electricity income	**1,822**	457
Transfer of assets from customers	**1,196**	715
Gain on sale of electricity retail customers	**641**	-
Network support services - Avoided cost of transmission	**413**	-
Other	**335**	531
	4,407	1,703

2 Other expenses

	2017	2016
	$000	$000
Transmission charges	**10,826**	9,579
Remuneration of auditors	**275**	206
Bad debts	**110**	210
Change in provision for doubtful debts	**139**	30
Depreciation and amortisation expenses	**10,297**	9,742
Impairments	**2,957**	2,738
Employee benefits expense	**10,396**	10,941
Inventory expense	**5,280**	7,714
Contractors	**5,220**	4,573
Vehicle expenses	**772**	1,014
Other expenses	**10,182**	7,990
	56,454	54,737

Remuneration of auditors

	2017	2016
	$000	$000
Audit of the financial statements	**227**	155
Audit related services [1]	**48**	51
	275	206

[1] 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.

3 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 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.

Income Tax	**2017**	2016
	$000	$000
Profit before tax	**1,518**	1,050
Tax @ 28%	**425**	294
Tax effect of		
Temporary and permanent differences	**683**	796
Prior year adjustment	**(382)**	(299)
Tax expense	**726**	791
Tax expense comprised of:		
Current tax expense	**1,698**	1,737
Deferred tax benefit	**(972)**	(946)
Total tax expense	**726**	791

Deferred Tax

	Opening Balance	Charged to income	Charged to Other Comprehensive Income	Acquisitions / disposals	Closing balance
	$000	**$000**	**$000**	**$000**	**$000**
Gross deferred tax liabilities					
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)**
Provisions	80	280	-	-	360
Doubtful debts	326	4	-	-	330
Property, plant and equipment	(34,644)	662	80	-	(33,902)
As at 31 March 2016	**(34,238)**	**946**	**80**	**-**	**(33,212)**

Imputation credit account	**2017**	2016
	$000	$000
Closing balance	**15,042**	13,405

4 Property, plant and equipment

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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

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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 have undergone a fair value assessment as at 31 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 Company has adopted this valuation and as the value of the assets is within the fair value range as calculated by Richard Krogh, no revaluation changes have been made. All distribution assets are recorded either at revalued amount minus accumulated depreciation (assets acquired before 31 March 2014) or at cost minus accumulated depreciation (assets acquired after 31 March 2014) plus borrowing costs.

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.

Cost	Distribution plant & equipment (incl. land & buildings) at valuation $000	Other land & buildings at cost $000	Other plant & equipment at cost $000	Motor vehicles at cost $000	Other capital work in progress at cost $000	Total $000
Balance as at 1 April 2015	175,179	2,247	4,469	5,095	7,972	194,962
Additions	-	1,668	3,241	972	14,895	20,776
Disposals	(901)	(19)	(7)	(239)	-	(1,166)
Disposals of revalued assets	(285)	-	-	-	-	(285)
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**	**8,279**	**5,828**	**5,435**	**216,663**
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	(1,092)	(19)	(427)	(439)	-	(1,977)
Disposals of revalued assets	(1,153)	-	-	-	-	(1,153)
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**
Depreciation and impairment losses						
Balance as at 1 April 2015	(8,250)	(270)	(3,193)	(2,469)	(299)	(14,481)
Depreciation charge	(8,181)	(69)	(643)	(465)	-	(9,358)
Write back on disposals	297	14	3	138	-	452
Transfer to / (from) capital work in progress	(299)	-	-	-	299	-
Balance as at 31 March 2016	**(16,433)**	**(325)**	**(3,833)**	**(2,796)**	**-**	**(23,387)**
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)**
Carrying amounts						
Balance as at 31 March 2016	176,769	3,594	4,446	3,032	5,435	193,276
Balance as at 31 March 2017	**182,841**	**3,545**	**4,443**	**3,791**	**1,673**	**196,293**

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.

All other Company property, plant and equipment are recorded at cost less accumulated depreciation.
In accordance with NZ IAS 36, the Company has undertaken a review to determine whether the carrying values of any items of other 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 2017 (31 March 2016: $Nil).

5 Goodwill and intangible assets

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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 - 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 - 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.

Gross carrying amount	**Software $000**	**Goodwill $000**	**Easements $000**	**Total $000**
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**
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**
Accumulated amortisation and impairment losses				
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)**
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)**
Carrying amounts				
As at 31 March 2016	2,735	3,366	123	6,224
As at 31 March 2017	**2,774**	**409**	**115**	**3,298**

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.

	2017 $000	2016 $000
DataCol NZ Limited	**2,957**	2,500
Sky Communications Limited	**-**	54
Electra Monitoring Limited	**-**	164
Impairment loss reported	**2,957**	2,718

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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.

The key assumptions used are free cashflow, discounting rate and terminal growth rate. 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.

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 terminal value, and a discount rate of 8.5% (2016: 8.5%) per annum.

Electra performs annual impairment testing on its goodwill which resulted in an impairment of $2,957,000 in the current year (2016: $2,500,000)

Electra Generation

Electra performs annual impairment testing on its goodwill which did not result in an indicator of impairment in the current year (2016: nil)

6 Receivables and prepayments

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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.

	2017 $000	2016 $000
Trade receivables	**6,856**	6,176
Other receivables	**1,652**	1,053
Prepayments	**199**	150
	8,707	7,379
Less provision for doubtful debts	**(235)**	(220)
	8,472	7,159

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

Movement in the provision for doubtful debts

	2017	2016
Balance at beginning of the year	**(220)**	(322)
Impairment losses recognised on receivables	**125**	189
Amounts written off during the year as uncollectible	**(140)**	(87)
Balance at end of the year	**(235)**	(220)

7 Finance receivables

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.

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.

	2017 $000	2016 $000
Finance receivables	**2,602**	2,595
Less provision for doubtful debts	**(1,058)**	(959)
Total finance receivables	**1,544**	1,636
Due for repayment		
Current	**1,544**	1,636
Non-current	**-**	-
Total	**1,544**	1,636

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.

8 Inventories 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.

	2017 $000	2016 $000
Inventory - Finished goods	**739**	514
Inventory - Work in progress	**239**	134
	978	648

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

9 Trade and other payables

Trade payables

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.

	2017 $000	2016 $000
Trade payables	**3,994**	3,913
Other payables	**1,216**	1,165
Accruals	**970**	1,497
Liabilities in respect of employee entitlements	**1,342**	809
	7,522	7,384

Judgement has been exercised in calculating estimates for retiring gratuities.

10 Share capital

All shares rank equally with one vote attached to each fully paid share, have no par value and are issued and fully paid.

	2017 000	2016 000
Number of shares		
Balance at beginning of year	**24,465**	24,465
Shares issued during the year	**-**	-
Balance at end of year	**24,465**	24,465

Fully paid ordinary shares	**$000**	$000
Balance at beginning of year	**18,000**	18,000
Shares issued during the year	**-**	-
Balance at end of year	**18,000**	18,000

11 Dividends

	2017 $000	2016 $000
Dividends paid	**300**	285
Cents per share	**1.23**	1.16

Dividends were paid during the year to the Electra Trust. There is no proposed final dividend.
A dividend of $300,000 payable to the Electra Trust was declared on 5 May 2017.

12 Commitments

Capital commitments

At balance date, there was $459,000 commitments contracted for and approved by the Group (2016: $1,377,000)

	2017 $000	2016 $000
Distribution network	**330**	1,377
Intangible assets	**129**	-
	459	1,377

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

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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.

Rental and operating lease commitments	2017 $000	2016 $000
No later than one year	**580**	619
Later than one year and not later than five years	**1,142**	1,520
Later than five years	**1,033**	1,256
	2,755	3,395

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

DataCol NZ Limited, Sky Communications Limited and Electra Services Limited (formerly Electra Monitoring 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 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.

	2017 $000	2016 $000
Reported profit after tax	**792**	259
Add / (less) non-cash items:		
Goodwill impairment	**2,957**	2,718
Depreciation and amortisation	**10,297**	9,742
Doubtful debt provision movement	**139**	30
Deferred tax movement	**1,293**	1,026
Bad debts written off	**110**	210
Gain on sale of customer base	**(641)**	-
Assets adjustment to income	**(1,196)**	(695)
Loss on sale of fixed asset	**645**	594
Movements in working capital:		
(Decrease) in accounts payable and other provisions	**(2,687)**	(3,696)
(Increase) in receivables	**(1,470)**	(382)
(Increase) in inventory	**(226)**	(124)
Net cash inflow from operating activities	**10,013**	9,682

16 Financial risk management

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 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 receivables as at reporting date is as follows:	**2017** **$000**	2016 $000
Not past due	**5,620**	5,637
Past due 0 - 30 days	**648**	169
Past due 31 - 60 days	**108**	54
Past due more than 60 days	**480**	316
Total trade receivables	**6,856**	6,176

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 Company 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 Company has no interest hedge contracts.

Fair values

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

As at 31 March 2017						
$000	Int Rate %	Total	0-12 mths	1- 2 years	2 - 5 years	5 + years
Financial assets						
Cash and cash equivalents	1.00	714	714	-	-	-
Trade and other receivables		6,856	6,856	-	-	-
Investment		1,500	1,500			
Finance receivables		1,544	1,544	-	-	-
Total financial assets at amortised cost		**10,614**	**10,614**	**-**	**-**	**-**
Financial liabilities						
Trade and other payables		5,210	5,210	-	-	-
Debt finance	2.73 - 4.95	35,600	22,700	12,900	-	-
Total financial liabilities at amortised cost		**40,810**	**27,910**	**12,900**	**-**	**-**
As at 31 March 2016						
Financial assets						
Cash and cash equivalents	1.00	1,388	1,388	-	-	-
Trade and other receivables		7,159	7,159	-	-	-
Investment		-	-	-	-	-
Finance receivables		1,636	1,636	-	-	-
Total financial assets at amortised cost		**10,183**	**10,183**	**-**	**-**	**-**
Financial liabilities						
Trade and other payables		5,078	5,078	-	-	-
Debt finance	3.20 - 4.95	31,636	18,736	-	12,900	-
Total financial liabilities at amortised cost		**36,714**	**23,814**	**-**	**12,900**	**-**

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 (2016: $49.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $35.6m had been drawn down (2016: $31.6m), 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

As at 31 March 2017

$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	1.00	714	627	87	-	-	-	-	-	-
Trade and other receivables		6,856	-	6,856	-	-	-	-	-	-
Investment		1,500	-	1,500	-	-	-	-	-	-
Finance receivables		1,544	-	1,544	-	-	-	-	-	-
Total financial assets		**10,614**	**627**	**9,987**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables		5,210	-	5,210	-	-	-	-	-	-
Debt finance	2.73 - 4.95	35,600	-	22,700	-	12,900	-	-	-	-
Total financial liabilities		**40,810**	**-**	**27,910**	**-**	**12,900**	**-**	**-**	**-**	**-**

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	1.00	1,388	1,248	140	-	-	-	-	-	-
Trade and other receivables		7,159	-	7,159	-	-	-	-	-	-
Investment		-	-	-	-	-	-	-	-	-
Finance receivables		1,636	-	1,636	-	-	-	-	-	-
Total financial assets		**10,183**	**1,248**	**8,935**	**-**	**-**	**-**	**-**	**-**	**-**
Financial liabilities										
Trade and other payables		5,078	-	5,078	-	-	-	-	-	-
Debt finance	3.20 - 4.95	33,014	-	19,067	319	639	12,989	-	-	-
Total financial liabilities		**38,092**	**-**	**24,145**	**319**	**639**	**12,989**	**-**	**-**	**-**

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% (2016:40%) 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	2017	2016
DataCol NZ Limited	Metering Services	Subsidiary	100%	100%
DataCol PTY Limited	Telecommunications	Subsidiary	100%	100%
Electra Energy	Electricity Retailing	Subsidiary	100%	100%
Electra Finance Limited	Financing	Subsidiary	100%	100%
Electra Generation Limited	Electricity Generation	Subsidiary	100%	100%
Electra Monitoring Limited	Security Monitoring	Subsidiary	100%	100%
Sky Communications Limited	Telecommunications	Subsidiary	100%	100%
DeFrost Limited	Non Trading	Subsidiary	100%	100%
Horowhenua Wind Energy Limited	Non Trading	Subsidiary	100%	100%

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 DataCol Group Pty Limited which is incorporated in Australia.

On 14 February 2017, Electra Ltd invested $1,500,000 in the Pulse Energy Alliance LP.

18 Transactions with related parties

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.

19 Key management personnel

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

	2017 $000	2016 $000
Short-term employee benefits	**2,599**	2,312
Defined contibution plans	**70**	66
	2,669	2,379

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

20 Subsequent events

On 1 April 2017, Electra Energy Ltd was amalgamated into Electra Monitoring Ltd. On the same date, Electra Monitoring Ltd was renamed to Electra Services Ltd.

21 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 2017.

	Actual	Target
Number of Consumer Payments	1,028	<384

Capital Ratio

Electra aims to maintain consolidated shareholders' funds at not less than 40% of consolidated total assets. This target was met in 2017.

	Actual	Target
Consolidated Shareholders Funds to Total Assets percentage	65%	>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 2017 due to the outage relating to the 14 November 2016 Kaikoura earthquake. Notwithstanding this earthquake event, the company successfully met the SAIFI target in 2017.

	Actual	Target
Minutes per year (SAIDI)	89	<83
Times per year (SAIFI)	1.50	<1.66

2) Profit Targets

The Subsidiary result includes non-trading income (debt remission income from the parent company which offsets to nil at the Group level). The Group target has not been met in 2017, mainly due to the non-cash impairment of goodwill relating to DataCol NZ Ltd.

	Actual	Target
Group Net Profit after Tax	$0.8m	$2.1m
Subsidiaries Net Profit / (Loss) after Tax	$2.9m	($0.3m)

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 2017.

	Actual	Target
Sales Discount (excl GST)	$7.5m	$7.5m
Group Return on Equity (pre discount & tax)	6.5%	>6.0%
Number of Consumers	44,159	>44,000

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 2017.

	Actual	Target
Lost Time Injuries (LTI)	7	<10

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF ELECTRA LIMITED'S GROUP FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The Auditor-General is the auditor of Electra Limited Group (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 Group on his behalf.

Opinion on the financial statements and the performance information

We have audited:

- the financial statements of the Group on pages 47 to 69, that comprise the consolidated statement of financial position as at 31 March 2017, 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; and
- the performance information of the Group on page 70.

In our opinion:

- the financial statements of the Group:
    - present fairly, in all material respects:
        - its financial position as at 31 March 2017; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with 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 2017.

Our audit was completed on 8 June 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, 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 Board of Directors for the financial statements and the performance information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and

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the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 2 to 44 and pages 74 to 76, 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 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 Group.

M. Hoshek

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

Statutory Information

Directors and remuneration

The following persons holding office as Directors during the year were authorised and received the following remuneration:

	Electra Limited	DataCol Group PTY Limited
N F Mackay	$69,167	-
J F Boshier	$27,667	-
CC Dyhrberg	$40,000	-
R G Longuet	$40,000	-
A I McCauley	$27,667	-
D L Masters	-	$2,672
S A Mitchell-Jenkins	$40,000	-
I A Wilson	$40,000	-
P A T Hamid	$13,832	-
P F McKelvey	$27,667	-
	$326,000	**$2,672**

Entries recorded in the interest register

The following entries were recorded in the Interest Register of the Company and its subsidiaries during the year:

a. Directors' interests in transactions

Directors have declared interests in transactions with the Company during the year as set out in note 18 of these financial statements.

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

b. Share dealings of Directors

Directors did not purchase or sell shares in Electra Limited or its subsidiaries during the year.

c. Loans to Directors

There were no loans made to Directors by Electra Limited or its subsidiaries during the year.

d. Directors' indemnity and insurance

The Company has insured its Directors, and the Directors of its subsidiaries, against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Employees' remuneration

During the year the following numbers of employees received remuneration and/or other benefits within the following bands:

Continuing employees	Year ended 31-Mar-17	Year - ended 31-Mar-16
$100,000 - $110,000	**11**	12
$110,001 - $120,000	**7**	11
$120,001 - $130,000	**2**	-
$130,001 - $140,000	**2**	4
$140,001 - $150,000	**1**	-
$150,001 - $160,000	**1**	2
$160,001 - $170,000	**1**	1
$170,001 - $180,000	**1**	1
$180,001 - $190,000	**2**	-
$190,001 - $200,000	**-**	1
$210,001 - $220,000	**2**	-
$220,001 - $230,000	**-**	2
$250,001 - $260,000	**1**	1
$280,001 - $290,000	**-**	1
$290,001 - $300,000	**1**	-
$300,001 - $310,000	**1**	1
$400,001 - $410,000	**-**	1
$420,001 - $430,000	**1**	-

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

Changes in accounting policy

There have been no changes in accounting policies during the year.

Donations

During the year the Group made donations of Nil (2016: Nil).

Registered office
Electra Limited
Cnr Exeter & Bristol Sts,
Levin

Postal address
P O Box 244, Levin
Telephone 0800 353 2872
Fax 06 367 6120

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, FIPENZ, ME, MBA
R G Longuet, BE (Elec), M Inst D
I A Wilson, QSO, CF Inst D, ANZIM
A I McCauley, BCA, MBA, PGDFA, CA, M Inst D

Datacol Group PTY Limited

D L Masters, AICD

Executive

N P Simmonds (CE – Electra Group), JP, MBA, BE, FIPENZ
S P Gregan (Deputy CE – Electra Group), BCA, CA
M G Feickert (GM – Lines Business), BEng, FIE Aust
D M Selby (CFO – Electra Group, Company Secretary), BCom, CA
B G Franks (CEO - DataCol NZ), Dip Bus Mgmt
M J Taylor (GM - Sky Communications)
J R McKirdy (Group Business Services Manager)
D M Andrews (CIO – Electra Group), MBA, Dip Bus Mgmt, MIITP

Electra Trust Trustees

C R Turver (Chairperson), JP, MNZM
L R Burnell, QSM
J Yeoman, BBS, ACA, FCIS
S M Crosbie, CNZM, OBE
R J Latham

Auditor

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

Solicitors

C S Law - Levin
Quigg Partners - Wellington

Bankers

Bank of New Zealand

Notice of annual general meeting

Notice is hereby given that the Annual Meeting of Shareholders of Electra Limited will be held at the Company's Registered Office, 25 Bristol Street, Levin on Friday 28 July 2017 at 2pm.

Ordinary business

1. To receive and consider the Directors' Report, the Financial Statements and the Auditor's Report.
2. To consider the Directors' recommendations as to dividends.
3. To elect Directors.
4. To fix remuneration of the Directors for the ensuing year.
5. To record the re-appointment of the Auditor-General (or appointee) as Auditor of the Company and to authorise the Directors to fix their remuneration for the ensuing year.

By order of the Board

Deborah Selby
Company Secretary
8 June 2017

Any member of the Company entitled to attend and vote at the Meeting may appoint another person as proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms must be lodged at the registered office of the Company, Cnr Exeter and Bristol Sts, P O Box 244, Levin 5540.

Web: www.electra.co.nz   Telephone: 0800 353 2872