Buller Electric Power Trust
Consolidated Financial Statements
31 March 2011

Buller Electric Power Trust

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Buller Electric Power Trust
Statement of comprehensive income

For the year ended 31 March 2011

In thousands of New Zealand dollars	Note	Group 2011	Group 2010
Revenue	5	13,353	15,517
Finance income	8	115	83
Total Revenue		**13,468**	**15,600**
Operating expenses	7	6,477	8,409
Transmission Costs		2,148	2,116
Administration expenses	6,7	3,854	3,775
Finance expenses	8	84	5
Total Expenses		**12,563**	**14,305**
Profit before income tax		905	1,295
Income tax expense	9	190	46
Net profit for the period		715	1,249
Other Comprehensive income			
Net fair value gain/(loss) on available-for-sale financial assets	13	(169)	(144)
Income tax on income and expense recognised directly in equity	9	-	-
Other comprehensive income for the period, net of tax		**(169)**	**(144)**
Total comprehensive income for the period		546	1,105

The notes on pages 6 to 21 are an integral part of these financial statements.

Buller Electric Power Trust

Consolidated statement of financial position

As at 31 March 2011

In thousands of New Zealand dollars	Note	Group 2011	2010
Assets			
Property, plant and equipment	10	23,416	23,124
Available for sale financial assets	13	997	1056
Total non-current assets		24,413	24,180
Trade and other receivables	11	1,777	1,760
Inventories	18	537	565
Cash and cash equivalents	12	2,460	2,288
Loan to subsidiary		575	-
Total current assets		5,350	4,614
Total assets		**29,763**	**28,794**
Equity			
Trust capital	15	7,550	7,550
Reserves	15	411	580
Retained earnings	15	15,040	14,323
Total equity attributable to equity holders of the Trust		23,001	22,453
Liabilities			
Deferred tax liabilities	14	3,213	3,141
Total non-current liabilities		3,213	3,141
Loans & Borrowings		2,000	1,551
Trade and other payables	16	1,548	1,648
Total current liabilities		3,549	3,200
Total liabilities		**6,762**	**6,341**
Total equity and liabilities		**29,763**	**28,794**

The notes on pages 6 to 21 are an integral part of these financial statements.

Signed for and on Behalf of the Trustees:

J C Coll (Trustee)   C M Scanlon (Trustee)

Dated: 19 October 2011

Buller Electric Power Trust

Consolidated Statement of changes in equity

For the year ended 31 March 2011

In thousands of New Zealand dollars	**Note**	**Group** **2011**	**2010**
Profit/(loss) for the year		715	1,249
Other comprehensive income for the period, net of tax	13	(169)	(144)
Total comprehensive income for the period at 31 March 2011		**546**	**1,105**

The notes on pages 6 to 21 are an integral part of these financial statements.

Buller Electric Power Trust

Consolidated Cash Flow

For the year ended 31 March 2011

In thousands of New Zealand dollars	**Note**	**Group 2011**	**2010**
Cash flows from operating activities			
Cash receipts from customers		13,134	15,658
Cash paid to suppliers and employees		-11,411	-13,461
		0	0
Interest received		105	223
Interest paid		-119	-144
Income tax paid		-39	-113
Net cash from operating activities	24	**1,670**	**2,164**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		50	119
Purchase of available for sale financial assets		-15	-1,200
Acquisition of business		-75	-934
Acquisition of property, plant and equipment		-1,352	-1,318
ASB Bank Term Deposits		0	
Net cash from/(used in) investing activities		**-1,392**	**-3,333**
Cash flows from financing activities			
Proceeds from borrowings		449	1,851
Repayment of borrowings		0	-300
Advances Made		-750	0
Repayment of Advances		195	0
Net cash from/(used in) financing activities		**-106**	**1,551**
Net (decrease)/increase in cash and cash equivalents		172	382
Cash and cash equivalents at 1 April 2010		2,288	1,906
Cash and cash equivalents at 31 March 2011	12	**2,460**	**2,288**

The notes on pages 6 to 21 are an integral part of these financial statements.

Buller Electric Power Trust

Notes to the financial statements

1. Reporting entity

Buller Electric Power Trust ("Trust") is a Trust established by Trust Deed dated 18 May 1993. The Buller Electric Power Trust is an Electricity Consumer Trust domiciled in New Zealand.

The Trustees hold shares in Buller Electricity Limited in accordance with Clause 6 of the Trust Deed. The Trustees hold income arising from the Trust Fund to be dealt with in accordance with Clause 5 of the Trust Deed.

Financial statements of the Group are presented as at and for the year ended 31 March 2011. They comprise of the Trust and its subsidiary, Buller Electricity Limited (together referred to as the "Group").

The Group is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act and section 44 of the Energy Companies Act 1992.

The Group is primarily involved in the reticulation of electricity.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for public benefit entity. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements were approved by the Trustees on 19 October 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for distribution assets which are measured at deemed cost at the date of transition to IFRS and land and buildings which are measured at fair value.

The method used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

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

(d) Use of 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. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 13 and 4 (c) - Determination of fair value of financial assets

Note 21 - Business combinations

(e) Changes in Accounting Policy

The Group adopted NZ IFRS 9 (2009) "Financial Instruments: for the first time in 2011. The impact of adopting NZ IFRS 9 (2009) is disclosed in Note 28.

Notes to the financial statements (continued)

3. Significant accounting policies

Apart from the changes in accounting policies detailed in note 2(e) the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise, trade and other receivables, cash and cash equivalents, loans and borrowings, customer deposits and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(ii) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(iii) Interest-bearing borrowings

Interest-bearing borrowings are classified as other non-derivative financial instruments. Subsequent to initial recognition they are measured at cost less any impairment losses.

(iv) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits and are classified as loans and receivables. Subsequent to initial recognition they are measured at cost less any impairment losses.

Call deposits are held to collect contractual cash flows on specific dates that are solely payments of principal and interest.

(v) Trade and other payables

Trade and other payables are classified as other non-derivative financial instruments and are stated at cost.

(vi) Financial assets measured at fair value through other comprehensive income

The Group's investment in equity securities (other than investments in subsidiaries of the Group) are classified as financial assets measured at fair value through other comprehensive income. After initial recognition these assets are measured at fair value with gains and losses being recognised in other comprehensive income (equity). Dividend income on these investments is recognised in the profit or loss. Shares received as consideration in lieu of cash are recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The cost of property, plant and equipment at 1 April 2006, the date of transition to NZ IFRS, was determined by reference to fair value value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the financial statements (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

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

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

- electricity distribution system 3 – 60 years SL
- freehold buildings 40 – 50 years SL
- other 3 – 10 years SL
- plant and equipment 3 – 10 years SL

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Subsequent Measurement

Non-system land and buildings are subsequently measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers. The fair values are recognised in the financial statements of the Group and are reviewed at the end of each reporting period to ensure that the carrying value of non-system land and buildings are not materially different from fair value.

Any revaluation increase arising on the revaluation of land and buildings 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 income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the financial statements (continued)

(g) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the profit or loss.
As the Group has adopted NZ IFRS 9 (2009), all fair value movements on financial assets classified as fair value through other comprehensive income is recognised through other comprehensive income, and not recycled through profit or loss.

(i) Impairment of receivables
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.
Impairment losses on an individual basis are determined by an evaluation of the exposures on an instrument by instrument basis. All individual instruments that are considered significant are subject to this approach.

(ii) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups of assets. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits
(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the risk free interest rate. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(iii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the financial statements (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Revenue

(i) Goods sold

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Lines charges represent income charged to energy retailers based on their meter readings during the period. An allowance is made for unbilled line charges from energy retailers to the end of the period.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Assets and capital contributions

Vested assets and capital contributions are recognised as revenue at the fair value of the assets at the point that assets are connected to the network.

(k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(l) Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. An asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(m) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements (continued)

(n) Business combinations
(i) Subsequent to 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the acquiree and the equity issued by the Group, and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date.

(ii) Prior to 1 April 2010
In comparison to the above-mentioned requirements, the difference explained below applied prior to 1 April 2010.
Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

(o) Goods and Services Tax
The Trust is a supplier of financial services in terms of Section 3(1) (ka) of the Goods and Services Act and is therefore exempt from registration for Goods and Services Tax.
The transactions related to Trust are therefore presented on a GST inclusive basis.
All other items in the financial statements are net of Goods and Services Tax except for debtors and creditors which are shown in the balance sheet inclusive of GST.

(p) New standards adopted and interpretations not yet adopted
(i) Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group have adopted the following new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations as of 1 April 2010.

- NZ IFRS 9 : Financial Instruments will replace NZ IAS 39.

At present only Phase I of NZ IFRS 9 has been issued. Phase 1 of NZ IFRS 9 includes NZ IFRS 9 (2009) and NZ IFRS 9 (2010). NZ IFRS 9 (2009) covers classification and measurement of financial assets. NZ IFRS 9 (2010) covers the classification and measurement of financial liabilities. The Group has adopted NZ IFRS 9 (2009) as at March 2011 but has not adopted NZ IFRS 9 (2010). The Group is not required to adopt NZ IFRS 9 (2010) or Phase II and Phase III of NZ IFRS 9 until the year ending 31 March 2014. The impact of adopting NZ IFRS 9 (2009) is reported in Note 28.
- Amendments to NZ IAS 27: Consolidated and Separate Financial Statements
- Amendments to NZ IFRS 3: Business Combinations
- Improvements to NZ IFRS arising from the Annual Improvements Project (2008)
- Improvements to NZ IFRS arising from the Annual Improvements Project (2009)

(ii) Accounting standards and interpretations issued but not yet effective
NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 March 2011, oor are not expected to have any significant impact:

	Effective for the financial year ending
-Amendments to NZ IFRS 8: Operating Segments	2012
-Amendments to NZ IAS 24: Related Party Disclosures (Revised 2009)	2012
-Amendments to NZ IAS 12: Income Taxes - Deferred Tax: Recovery of Underlying Assets	2013
-Amendments to NZ IFRS 7: Financial Instruments: Disclosure	2013
-NZ IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments	2012
-Amendments to NZ IFRS 3: Business Combinations	2012
-Amendments to NZ IAS 27: Consolidated and Separate Financial Statements	2012
-Amendments to NZ IFRIC 14, NZ IAS 19: The Limit on Defined Benefit Asset Minimum Funding, Requirements and their Interaction	2012
-NZ IFRS 9: Financial Instruments (2010)	2014
-Improvements to NZ IFRS (2010)	2012

Notes to the financial statements (continued)

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of land and buildings recognised is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Non-system land and buildings were revalued at 31 March 2009 by Coast Valuations Limited, an independent registered valuer in accordance with the New Zealand Institute of Valuers Asset Valuation Standards. The value of land and buildings is not considered to have materially changed since the last valuation.

If non-system land and buildings in the Group were measured using the cost model the carrying value of land would be $369,000 (2010: $369,000) and the carrying value of buildings would be $718,000 (2010: $737,000). For the Company, the carrying value of land would be $369,000 (2010: $369,000) and the carrying value of buildings would be $702,000 (2010:$702,000).

(b) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) Financial assets measured at fair value through other comprehensive income

The fair value of investments follows a hierarchy based on the source of inputs used in the valuation (as defined by NZ IFRS 7). Valuations determined by reference to quoted unadjusted market prices for identical assets or liabilities are classified as 'Level 1'. 'Level 2' valuations are determined by inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.

In the prior reporting period, the entire valuation of financial assets measured at fair value through other comprehensive income ($1,056,000) was based on unadjusted quoted prices in active markets for identical financial assets (Level 1). At 31 March 2011, all financial assets measured at fair value through other comprehensive income ($997,000) were reclassified from Level 1 to Level 2 as the availability of current market transactions were limited.

The 31 March 2011 valuation is based on the market price of the most recent transaction for identical financial assets. Because the instrument is thinly and infrequently traded, consideration is given to events that may have occurred since the most recent transaction.

(d) Inventory

The fair value of inventory acquired in a business combination is determined based on the expected selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

5. Revenue

In thousands of New Zealand dollars	Group 2011	2010
Line Charges	7,621	6,799
Rentals and sundry income	171	270
Capital contributions	279	1,001
Vested assets	48	57
Contracting revenue	5,234	7,390
Total revenues	13,353	15,517

6. Administrative expenses

The following items of expenditure are included in administrative expenses:

In thousands of New Zealand dollars	Group 2011	2010
Net loss on sale of property, plant and equipment	281	271
Trustees Remuneration	38	35
Auditor's remuneration to KPMG comprises:		
Audit of BEL financial statements	36	37
Taxation Services	-	2
Other audit-related services	10	13
Other services	4	-
Auditor's remuneration to Ernst & Young comprises:		
Audit of BEPT's financial statements	4	3
Other Fees Paid to Auditors	2	3
Total auditor's remuneration	56	57

Other audit-related services includes audit of regulatory accounts and assistance with the Group's

7. Personnel expenses

In thousands of New Zealand dollars	Group 2011	2010
Included in operating expenses are personnel expenses as follows:		
Wages and salaries	2,689	2,070
Contributions to defined contribution plans	28	20
Increase in liability for long-service leave	-	-
	2,717	2,090

8. Finance income and expense

In thousands of New Zealand dollars	Group 2011	2010
Interest income on loans and receivables	0	0
Interest income on bank deposits	115	83
Finance income	115	83
Interest expense on financial liabilities measured at amortised cost	0	0
Finance expenses	84	5
Finance Expenses	84	5

9. Income tax expense in the income statement

In thousands of New Zealand dollars	Group 2011	2010
Current tax expense		
Current period	115	197
Adjustment for prior periods	2	-97
	117	**100**
Deferred tax expense		
Origination and reversal of temporary differences	101	(54)
Adjustment for Prior Periods	(28)	-
Reduction in tax rate	-	-
Total deferred tax expense	**73**	**(54)**
Total income tax expense	**190**	**46**

Reconciliation of effective tax rate

In thousands of New Zealand dollars	Group 2011	2010
Profit for the period	715	1,249
Total income tax (credit)/expense	190	46
Profit excluding income tax	**905**	**1,295**
Income tax using domestic tax rate	271	389
Non-deductible expenses	(15)	4
Tax exempt income	(25)	(317)
Impact of Change in tax rates	(232)	-
Removal of deferred tax recognised on long-live buildings	214	-
Under/(over) provided in prior periods	(23)	(30)
Losses brought forward	-	-
	190	**46**

Income tax recognised directly in equity

There are no deferred tax movements recognised in other comprehensive income.
In the May 2010 Budget announced by the New Zealand Government the tax rate will change from 30% to 28% for the 2011/12 year. As the new tax rate was substantially enacted before year end, the income tax rates used to calculate deferred tax have been adjusted where appropriate.

Imputation credits

	2011	2010
Imputation credits at 1 April	400	1,141
New Zealand tax payments, net of refunds	60	(101)
Imputation credits attached to taxable bonus issue	-	(640)
Imputation credits at 31 March	**460**	**400**

10. Property, plant and equipment

In thousands of New Zealand dollars	Electricity distribution system	Land	Buildings	Motor vehicles	Other	Total
Cost / revalued amount						
Balance at 1 April 2009	21,720	610	1,241	1,127	1,276	25,974
Revaluations	-	-	-	-	-	-
Additions	1,470	-	90	128	77	1,765
Acquisitions through business combinations	-	-	-	150	456	606
Disposals	(390)	-	-	-	-	(390)
Balance at 31 March 2010	22,800	610	1,331	1,405	1,809	27,955
Reassessment to fair value of acquisition value (Note 21)	-	-	17	201	(184)	34
Balance at 31 March 2010	22,800	610	1,348	1,606	1,625	27,989
Balance at 1 April 2010	22,800	610	1,348	1,606	1,625	27,989
Additions	1,340	-	7	124	231	1,702
Disposals	(245)	-	-	(71)	(39)	(355)
Balance at 31 March 2011	23,895	610	1,355	1,659	1,817	29,336
Depreciation and impairment losses						
Balance at 1 April 2009	2,233	-	104	690	802	3,829
Depreciation for the year	759	-	24	136	117	1,036
Balance at 31 March 2010	2,992	-	128	826	919	4,865
Balance at 1 April 2010	2992	-	128	826	919	4865
Depreciation for the year	732	-	26	147	150	1,055
Balance at 31 March 2011	3,724	-	154	973	1,069	5,920
Carrying amounts						
At 31 March 2010	19,808	610	1,220	780	706	23,124
At 31 March 2011	20,171	610	1,201	686	748	23,416

Security
The assets are subject to a negative pledge. (refer Note 17)
No borrowing costs have been capitalised in the current or comparative periods.

11. Trade and other receivables

In thousands of New Zealand dollars	Note	Group 2011	2010
Trade receivables	16	1,436	1,495
Other receivables		341	265
		1,777	1,760

At 31 March 2011, there were no open construction contracts nor any progress billings or advances received from customers in respect of open construction contracts (2010:$nil).
See note 19 with respect to impairment of trade receivables.
In addition, the Group has an interest bearing short term loan to Pulse Utilities New Zealand Limited of $575,000 (2010:$nil).

12. Cash and cash equivalents

In thousands of New Zealand dollars	Group 2011	2010
Bank balances	217	1,033
Call deposits	2,244	1,255
Cash and cash equivalents in the statement of cash flows	2,460	2,288

13. Financial Assets Measured At Fair Value Through Other Compr

In thousands of New Zealand dollars	Group 2011	2010
Share - Equity Securities:		
Fair Value at the start of the reporting period	1,056	-
Acquisition of shares	110	1200
Movement in fair value	(169)	(144)
Fair value at the end of the reporting period	**997**	**1,056**

The Group account for its share investment in Pulse Utilities New Zealand Limited at fair value with fair value changes recorded in other comprehensive income because the investment is held for long term strategic reasons. No dividend income has been received or accrued for the reporting period or for the prior period.
The subsidiary entity, Buller Electricity Limited holds options to purchase Pulse Utilities New Zealand Limited shares:330,000 options exercisable at $0.60c per share in the 2012 financial year and 334,000 options exercisable at $0.70c per share in the 2012 financial year. Options are non transferable and personal to Buller Electricity Limited.
The fair value of the options at 31 March 2011 has been determined as nil (2010:$nil).

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

In thousands of New Zealand dollars	Assets 2011	2010	Liabilities 2011	2010	Net 2011	2010
Property, plant and equipment	-	-	(3,303)	(3,216)	(3,303)	(3,216)
Trade Receivables	-	-	-	-	-	-
Employee Benefits	90	75	-	-	90	75
Net tax (assets)/liabilities	90	75	(3,303)	(3,216)	(3,213)	(3,141)

Movement in temporary differences during the year

In thousands of New Zealand dollars	Balance 1-Apr-09	Recognised in profit or loss	Recognised in equity,	Balance 31-Mar-10	Recognised in profit or loss	Recognised in equity	Balance 31-Mar-11
Property, plant and equipment	(3,253)	37	-	(3,216)	(87)	-	(3,303)
Employee Benefits	58	17	-	75	15	-	90
	(3,195)	54	-	(3,141)	(72)	0	(3,213)

15. Capital and reserves

The Trust capital of $7,550,000 fully paid shares were vested under the terms of the Energy Companies Vesting Order 1993, and this capital is held jointly by the Trustees for the consumers of Buller.

All issued shares are fully paid and have no par value. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

Investment reserve
The investment reserve comprises the cumulative net change in the fair value of equity instruments classified as financial assets measured at fair value through other comprehensive income.

Revaluation reserve
The revaluation reserve relates to the revaluation non-system land and buildings.

Dividends
No dividends have been declared and paid by the Group for the year ended 31 March 2011 (2010: $nil).

16. Trade and other payables

In thousands of New Zealand dollars	Group 2011	2010
Trade payables and accruals	1,168	1,159
Employee entitlements	380	363
Income received in advance	-	126
Trade and other payables	1,548	1,648

17. Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 19.

In thousands of New Zealand dollars	Group 2011	2010
Secured loans	2,000	1,551

The Group has a $3.5 million rolling loan facility for five years until 31 December 2013.
There is a balance drawn down on this facility at 31 March 2011 of $2 million (2010:$1.6 million). This carries a fixed interest rate of 4.88%.

The facility is subject to a negative pledge over the assets of the Group.

18. Inventories

In thousands of New Zealand dollars	Group 2011	2010
Finished Goods	537	565
Cash and cash equivalent in the statement of cashflow	537	565

Inventories recognised as an expense for the year ended 31 March 2011 totalled $1,998,858 (2010: $1,199,856) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

19. Financial instruments

Exposure to credit, interest rate, foreign currency, and liquidity risks arises in the normal course of the Group's business.

Credit risk

Financial instruments which potentially subject the Group to credit risk are cash and cash equivalents, and trade receivables.
The Group places its cash with high quality financial institutions and limits the amount of exposure to any one financial institution. Due to the fact that there are a small number of electricity retailers in New Zealand there are high concentrations of credit risks.
Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and delivery terms and conditions are offered.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

Foreign currency risk

The Group has minimal currency risk given that financial instruments are principally transacted in New Zealand dollars.

Interest rate risk

The Group is exposed to interest rate risk on its external loans and short term deposits. The Group does not have any derivatives to manage interest rate risks on these financial instruments.

Equity price risk

The Group is exposed to equity price risk from its equity investment in a listed Company. Given the size of the investment there are no practical step that the Group can take to manage this risk.

Quantitative disclosures

Credit risk

The carrying amount of financial assets and the total exposure of the guarantee to Pulse Utilities New Zealand Limited of $2.5m represents the Group's maximum credit exposure.
The Group has not renegotiated the terms of any financial assets which would result in the carrying amount no longer being past due or avoid a possible past due status.
The Group's exposure to geographical credit risk is entirely within New Zealand.
The status of trade receivables at the reporting date is as follows:

In thousands of New Zealand dollars	**Gross receivable 2011**	**Impairment 2011**	**Gross receivable 2010**	**Impairment 2010**
Trade receivables				
Not past due	1,191	-	942	-
Past due 0-30 days	71	-	338	-
Past due 31-120 days	12	-	186	-
Past due 121-360 days	165	(32)	29	-
Past due more than 1 year	29	-	-	-
Total	1,468	(32)	1495	-

In summary, trade receivables are determined to be impaired as follows:

In thousands of New Zealand dollars	**2011**	**2010**
Gross trade receivables	1,468	1,495
Individual impairment	(32)	-
Trade receivables net	1,436	1,495

There were no insolvent customers at 31 March 2011. In the case of insolvency, the Group generally writes off the receivable in full unless there is clear evidence that a receipt is highly probable.

Liquidity risk

The Group's financial liabilities namely trade payables, financial guarantees and related party borrowings are contracted to be repaid with 6 months of balance sheet date.
Similarly, the Group's financial assets namely trade and other receivables, equity investments, and cash and cash equivalents are contracted to be repaid with 6 months of the balance sheet date.

Interest Rate Risk

The Group's financial assets and liabilities that are subject to interest rate risk are re-priced within 6 months of the balance sheet date.

Equity Price Risk

The group's available for sale asset, with a carrying value at 31 March 2011 of $997,000 (2010: $1,056,000 is subject to equity price risk).

Capital management

The Group's capital includes share capital, reserves and retained earnings.
The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and shareholder confidence and to sustain future development of the business. The impact of the level of capital on shareholder's 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 not subject to any externally imposed capital requirements.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.
There have been no material changes in the Group's management of capital during the period.

Sensitivity analysis

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March 2011, it is estimated that a general increase of one percentage in interest rates would not have any significant impact on the Trust's profit or loss. This is because the Group was financed by way of fixed rate loans and borrowings throughout the year.

At 31 March 2011, it is estimated that a 25% increase/decrease in quoted price of listed equity investments would increase/decrease the carrying value and equity by $250,000.

20. Lease Commitments

The Group has entered a commercial lease on a building. The commitment by the Group expires on 25 November 2011. This equates to a total of 8 payments.

Future minimum rentals payable under non-cancellable operating leases at 31 March 2011 are as follows:

In thousands of New Zealand dollars	2011	2010
Within one year	43	57
After one year but no more than five years	-	43
	43	100

21. Business Combinations

On 31 March 2010 Electro Services Limited acquired certain assets of Electro Services (NZ) Limited and its electrical reticulation services division.

The Group has provisionally recognised the fair values of the assets and liabilities acquired based on the best information available.

Provisional business combination accounting is as follows:

In thousands of New Zealand dollars	Group				
	2010 Pre-Acquisition Carrying amounts	2010 Fair Value Adjustments	2010 Fair Value Recognised in Prior Period Financial Statements	2010 Reassessed Fair Value Adjustments	2010 Recognised Value on Acquisition
Property, plant and equipment	891	(285)	606	34	640
Inventories	616	(288)	328	78	406
Employee Liabilities	-	-	-	(37)	(37)
Net identifiable assets and liabilities	1,507	(573)	934	75	1,009
Cash Paid	-	-	854	-	854
Transaction Costs	-	-	80	-	80
Additional Cash Payment	-	-	-	-	75
Total Consideration	-	-	934	-	1,009

A reclassification between property, plant and equipment, inventory and employee liabilities has been performed in respect of the balances disclosed in the 2010 financial statements. In accordance with NZ IFRS 3 (2008): Business Combinations, the comparative information for the year ended 31 March 2010 in these financial statements and accompanying notes has been revised to reflect the reassessed fair values, as if the accounting for the business combination had been completed at the acquisition date.

Pre-acquisition carrying amounts were determined based on applicable NZ IFRSs immediately before the acquisition. The value of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of plant, equipment, fixtures and fittings was based on the Group's assessment of the current market prices that would be attained in the current economic environment at the date of acquisition. The values were negotiated with a third party in an arm's length transaction.

22. Capital commitments

During the year ended 31 March 2011, there were no contacts entered into to purchase property, plant and equipment (2010: $nil).

Buller Electricity Limited has an agreement with the Buller District Council for naming rights for the aquatic centre. Buller Electricity Limited is committed to sponsorship of $100,000 per annum until 30 June 2017.

23. Contingent Liabilities

There is a contingent liability for discrepancies that may arise on the reconciliation of energy transported versus energy charged by the various energy retailers. The potential on maximum liability is not able to be estimated.

Buller Electricity Limited has provided Westpac a guarantee for $2.5m in order for Pulse Utilities New Zealand Limited to meet its obligations under the prudential security requirements to purchase electricity on the wholesale market. As Buller Electricity Limited has a General Security Deed over the assets of Pulse Utilities New Zealand Limited, in the event that Buller Electricity Limited do incur a liability under the guarantee, any liability would be covered by the realisable assets of Pulse Utilities New Zealand Limited.

24. Reconciliation of the profit for the period with the net cash from operating activities

In thousands of New Zealand dollars	Note	Group 2011	2010
Profit for the period		715	1,249
Adjustments for:			
Depreciation	10	1,055	1,036
Vested assets	5	(48)	(57)
Capital Contributions		(279)	(423)
Income received by way of share issue		(95)	-
Interest received and capitalised to loans		(20)	-
Income tax expense	9	(25)	(46)
Change in deferred tax liability		73	-
Change in trade and other receivables		(16)	(139)
Change in inventories		28	265
Change in trade and other payables		1	8
Net (Profit) Loss on Sale of Fixed Assets	6	281	271
Net cash from operating activities		1,670	2,164

25. Related parties

Transactions with key management personnel
Key management personnel compensation comprised:
The Company also provides non-cash benefits to directors and executive officers.

Key management personnel compensation comprised: *In thousands of New Zealand dollars*	Group 2011	2010
Short-term employee benefits	568	552
Other long-term benefits	1	1
Other post employment benefits	-	123
	569	676

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities, this includes the CEO, CFO, Operations Manager and Directors.

The company also provides non-cash benefits to executive officers.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Related Party transactions: *In thousands of New Zealand dollars*	Transaction value for year ended 31 March 2011	2010	Balance outstanding as at 31 March 2011	2010
Interest income - Buller Electricity	139	139	-	-
Related Party Loan - Buller Electricity Limited	-	-	1,741	1,741

M W Frost is a shareholder in Sinclair Knight Mertz, an engineering firm, who have provided services to Buller Electricity Limited worth $22,389 (2010: $93,288).

F T Dooley is a director of F T Dooley Ltd who provided secretarial services to the Trust worth $17,909 (2010: $17,712).

W B McNabb is a director of Boyce Investments Limited, a consulting company, which has provided service to Buller Electricity Limited worth $nil (2010: $9,600).

All transactions and outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances are secured.

As at balance date there were no outstanding related party transactions in relation to M W Frost or W B McNabb (2010: $nil).

26. Group Entities

In thousands of New Zealand dollars	Country of Incorporation	Ownership Interest 2011	2010
Buller Electricity Limited	New Zealand	100%	100%
Electro Services Limited	New Zealand	100%	100%

27. Subsequent events

On 18 August 2011, Buller Electricity Limited (BEL) acquired further shares in Pulse Utilities New Zealand Limited, (Pulse) an NZAX listed company based in New Zealand and an independent electricity retailer and Smart Meter specialist. Becoming the controlling shareholder of Pulse fits with BEL's investment diversification strategy and commitment to add value of its consumer owners.

The total consideration for shares paid by BEL was $8,820,000. This comprised:
- the conversion of $1.12 million of existing loans to Pulse into 22.4 million Pulse ordinary shares (5 cents per share)
- a cash payment of $5 million in exchange for 100 million shares (5 cents per share)
- the entering into guarantee arrangements over various prudential security requirements of Pulse. A guarantee fee receivable of $2.7million was settled by the issue of a further 54 million Pulse shares (5 cents per share) to BEL

At the date of acquisition, BEL held 179,024,091 voting shares, representing 73.08% of the voting shares in Pulse.

On 30 September 2011, Pulse issued a further 13,139,525 shares to other existing shareholders under a Share Purchase Plan which resulted in the BEL, shareholding falling to 69.36% of the voting shares in Pulse.

A process to establish the fair value of the identifiable assets and liabilities of Pulse Utilities New Zealand Limited as at the date of acquisition is currently being performed. Therefore the Trust is unable to disclose this information at the date of completion of these group financial statements.

28. First Time Adoption of NZ IFRS 9

The Group has adopted NZ IFRS 9 (2009): Financial Instruments, for the first time as at 31 March 2011. The Group is required to provide the following disclosures as at the date of initial application of NZ IFRS 9 (2009). The date of initial application is 1 April 2010, being the beginning of the first reporting period in which the Group adopted NZ IFRS 9 (2009). Under the NZ IFRS 9 (2009) transition provisions the Group has elected not to restate prior periods. The Group has considered the impact of the new standard at the date of initial application. There are no differences between the carrying amount of the Group's financial assets prior to adoption of NZ IFRS 9 (2009) and the new carrying amount calculated in accordance with NZ IFRS 9 (2009) at the beginning of the reporting period that includes the date of initial application.

In thousands of New Zealand dollars	**Carried amount determined at 1 April 2010 in**	
Financial Assets		
Cash and cash equivalents	1,802	1,802
Trade and other receivables	1,741	1,741
Equity investments	1,056	1,056

The Group has classified cash and cash equivalents, and trade and other receivables at amortised cost on the basis that the contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group hold these assets with the objective of collecting the contractual cash flows. These assets are not held for trading. Under NZ IAS 39 Financial Instruments: Recognition and Measurement, these assets were classified as loans and receivables.

The Group has classified equity investments (Note 13) as fair value through other comprehensive income on the basis that the assets are not held in order to collect contractual cash flows, and the investments are not held for trading Under NZ IAS 39, the investments were classified as available for sale. The available for sale reserve is now called the investment reserve (Note 15) under NZ IFRS 9 (2009).