Electra

Annual Report

For the year ended
31 March 2018

WE ARE ELECTRA

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THE ELECTRA GROUP

Alongside the core electricity network, Electra Limited owns three other 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 165 full-time-equivalent people employed across the Group.

Electra Limited, an electricity network company, based in Levin with a branch in Paraparaumu, employing 103 people.

Sky Communications Limited, a telecommunications contracting services business based in Auckland, employing 31 people.

Electra Services Limited, a security monitoring and call centre business based in Levin, employing 31 people.

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


Electra
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POWERING OUR REGION'S GROWTH

OUR REGION

Electra is the electricity network owner and operator in the Kapiti and Horowhenua region on the west coast of the lower North Island, New Zealand. Our region stretches from Foxton and Tokomaru in the north to Paekakariki in the south.

We are one of 29 network companies in New Zealand, and the 9th largest network in terms of total connections.

WE LOOK AFTER

44,593 Electricity consumers

2,276km in circuits

20,282 Poles

10 Substations

KEEPING PRICING COMPETITIVE

21 electricity retailers operating on our network ensure strong electricity price competition

$9m in sales discounts issued to our consumers in 2018

EST.1922

For 96 years we have distributed electricity to consumers throughout our region

SUPPORTING THE LOCAL ECONOMY

100% consumer owned

165 staff employed across the Electra Group

$13.4m spent directly supporting local people & businesses

$64.4m in total Group revenue

$187m in sales discounts (incl. GST) issued to electricity consumers over the last 25 years

13th lowest electricity prices per kWh (out of 42 charging areas)[1]

special 'time of use' and 'low user' network charges designed to create fairer pricing for our consumers

ONE OF NEW ZEALAND'S FASTEST GROWING REGIONS

Major infrastructure projects such as the Kapiti Expressway and Transmission Gully roading developments are having a significant impact on the region's growth and economic opportunities.

The Kapiti and Horowhenua region has an estimated population of around **84,844** and Statistics NZ forecasts indicate it could exceed

101,000 by 2043

1,850 new residential building consents were issued in our region over the last 5 years (2013-2017), with **450** issued in 2017 alone.

434 new connections to the network this year.

$41 million in non-residential building consent work in Kapiti – a **173%** increase on the previous year.

Annual GDP growth well above the national average: **4.5%** in Horowhenua and **4.9%** in Kapiti (national average 2.8%).

WE ARE REGULATED BY

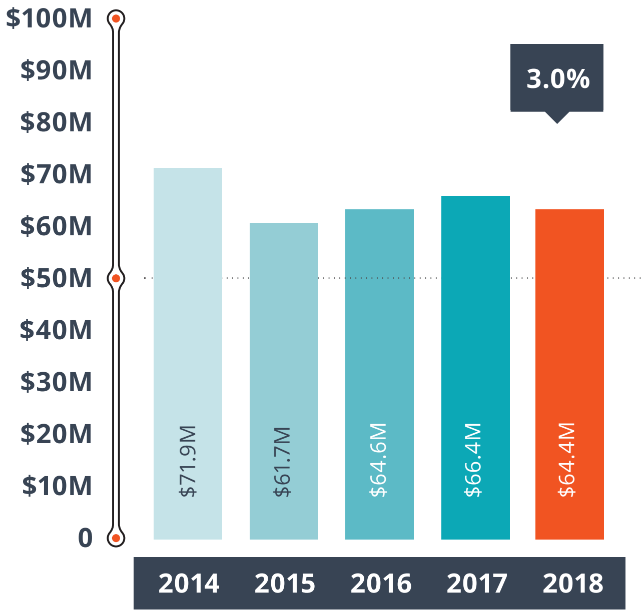
New Zealand's electricity market (NZEM) is regulated by the Electricity Industry Participation Code administered by the Electricity Authority (EA), an independent Crown Entity.

Suppliers of electricity lines services are subject to regulatory provisions under the Commerce Act 1986. As a 'consumer-owned' network company we are exempt from the default/customised price-quality regulation under Part 4 of the Commerce Act 1986.

1. Ministry of Business Innovation and Employment's quarterly survey of Domestic Electricity Prices as at 15 February 2018

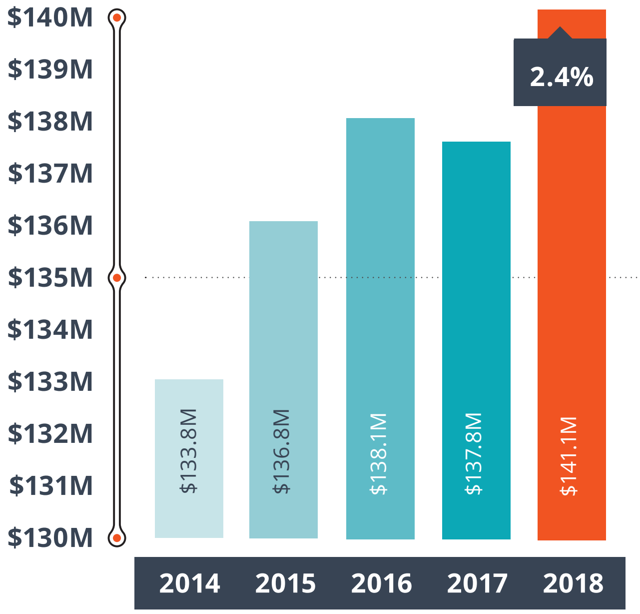
FINANCIAL PERFORMANCE

TOTAL GROUP REVENUE



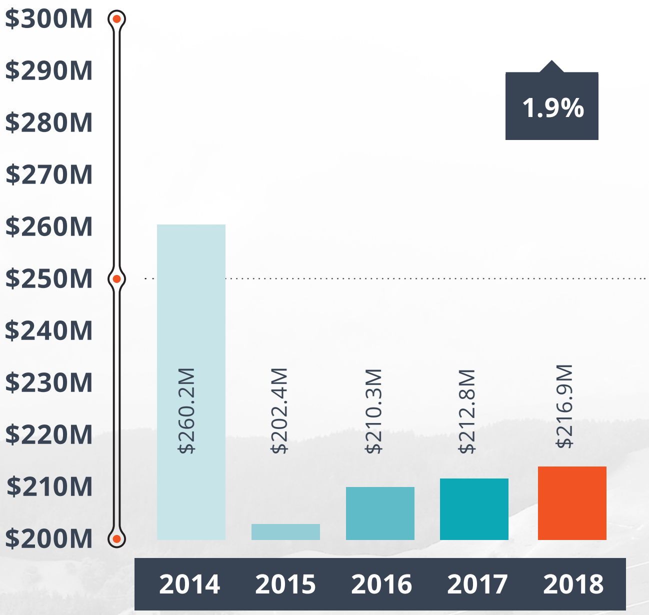
This is the total revenue we have generated from sales, interest earned and other revenue generating activities.

TOTAL SHAREHOLDERS' FUNDS

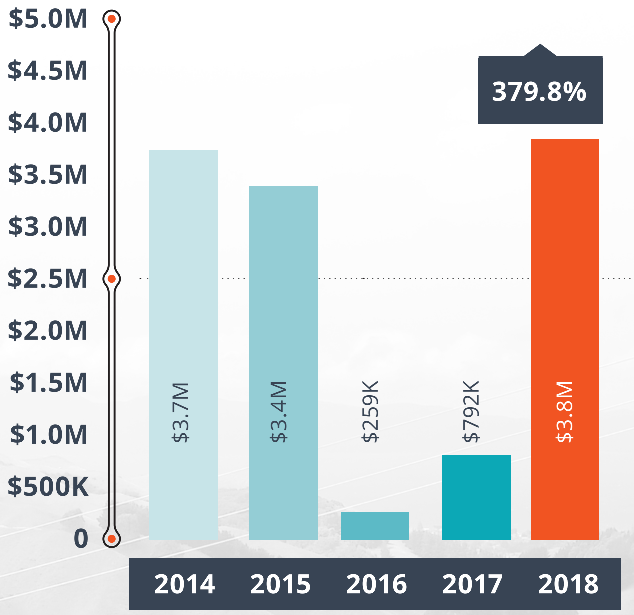


This is the amount that our owners have invested in the company. It's made up of the original share capital reserves (the value that's been built up over the last ten years), and retained earnings (profits that have been reinvested).

TOTAL ASSETS

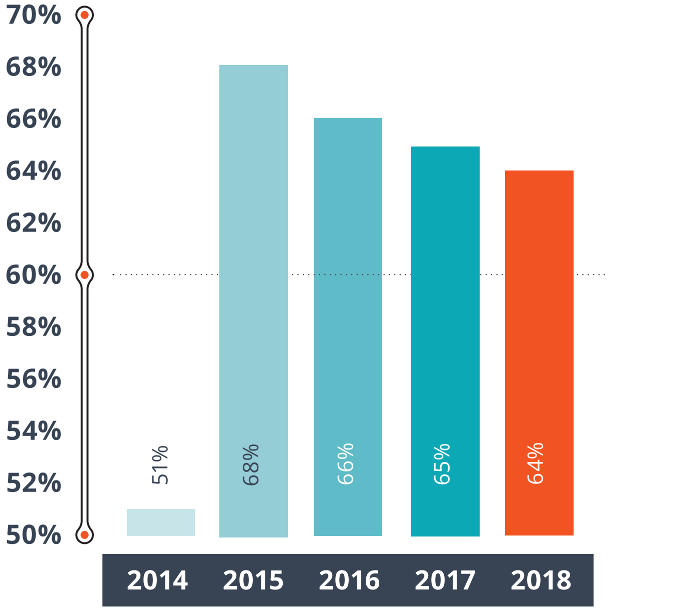


NET PROFIT AFTER TAX



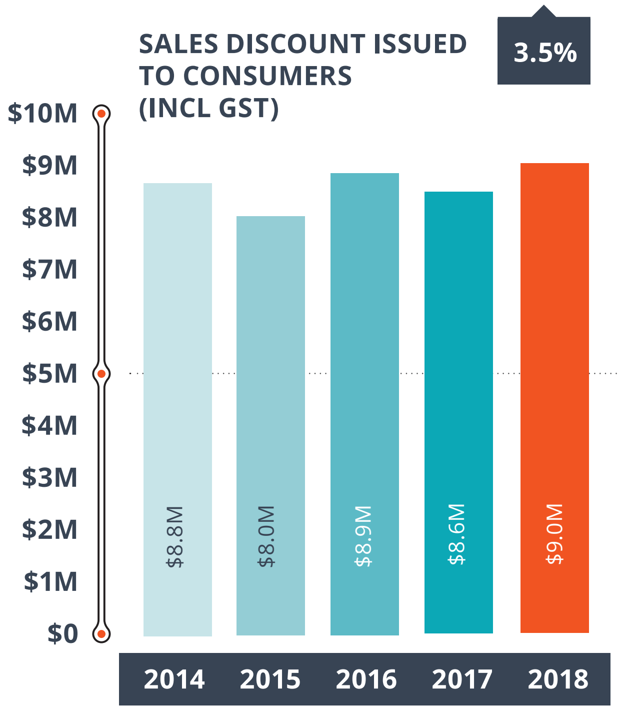
The profit we are left with after the sales discount is paid and the costs of running the business are deducted.

SHAREHOLDERS' FUNDS TO TOTAL ASSETS



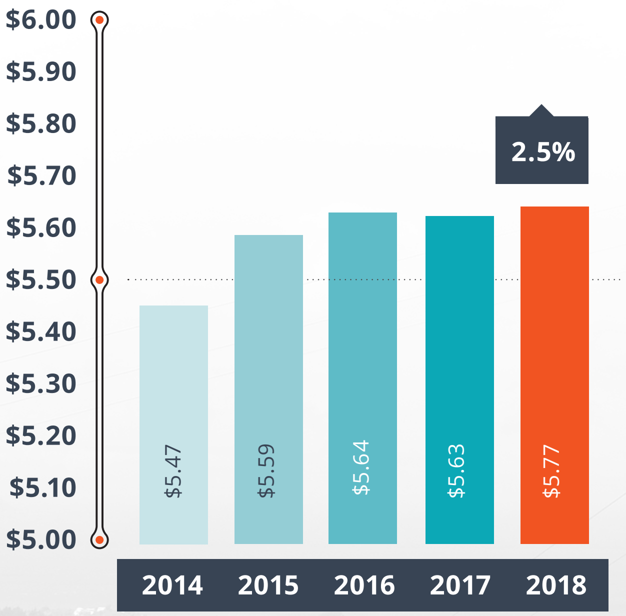
The ratio that shows what portion of the company's assets were financed by shareholders' equity.

SALES DISCOUNT ISSUED TO CONSUMERS (INCL GST)



The sales discount paid to each individual consumer connected to the network is based on a fixed amount plus a percentage of the network charges paid.

NET ASSET BACKING PER SHARE



In theory, this is how much each consumer would receive for each connection they have if the company was liquidated and the Group's assets were sold at that point in time.

CHAIR REPORT

Electra has delivered a strong financial performance for the year to 31 March 2018.

The overall performance has been a team effort with the core network once again producing a solid return enhanced by positive results from the well established subsidiary businesses.

Our core network performance continues to compare very favourably when benchmarked against Electricity Distribution Businesses of similar customer density and urban/rural mix.

We have used a combination of competitive pricing, quality services and efficient operations to deliver value to our stakeholders.

This year's operating revenue of $64.4m is below last years ($66.4m) due largely to the sale of Datacol during the year. The Group's Net Profit Before Tax for the 2017/18 financial year was $4.8m, an increase of $3.3m on the previous year. A total of $9m (incl. GST) in discounts were credited to our consumers (via their electricity retailers) for the year.

POISED FOR GROWTH

The Kapiti-Horowhenua region continues to go from strength to strength. Our economic environment is being reshaped by industry, government and technological trends which are disrupting business models and fundamentally changing jobs.

Future business growth and competitiveness will be anchored in adaptability, innovation and workforce skills.

In our own business Electra has invested in future growth and competitiveness, building the capability of the company to meet the demands of a changing environment and to increase business efficiencies.

We will continue to invest in emerging smart technologies such as the Advanced Distribution Management System to improve the utilisation of existing assets and our ability to deliver timely and accurate information to consumers connected to our network. Electra will also utilise new and proven technology and process improvement to deliver greater business efficiency and performance and achieve stronger returns for our stakeholders.

We have also looked to strengthen the internal capabilities within the company by recruiting specialist engineering, business development, general management and legal resource.

At a Board level we have spent time assessing the capabilities of our Directors to ensure we remain vital and relevant to the business now and in the future. We have applied a skills matrix to the Board to better understand our existing strengths and abilities and identify areas where we need to introduce additional skills and experience.

The investments in technology and people combined with a strong balance sheet leave the group well placed to pursue its growth strategy.

In recent years growth has largely been achieved through an acquisition strategy as we looked to grow scale in key areas of our business, particularly within our subsidiary businesses.

While we will continue to seek acquisition opportunities that complement our core capabilities, particularly in related infrastructure, we will also be focusing our attention on delivering more organic growth from our existing businesses.

EMBRACING TECHNOLOGICAL CHANGE

As a group we are planning for a future where new technologies will disrupt current norms and challenge businesses to adapt and innovate to remain competitive.

Electric vehicles (EVs) are one such area of significant change and Electra is currently developing a programme in partnership with local councils and private organisations to develop the necessary charging infrastructure to support their uptake locally and encourage travel through and within our region.

At the same time we are implementing a multi-year programme for incorporating EVs into our company fleet.

New energy ecosystems are emerging utilising "Internet of Things" enablement architecture that will provide consumers with the ability to manage their electricity needs to suit their budget and lifestyle.

We are working with vendors and service partners to develop customer offerings that will allow customers to better manage their energy and lower their costs. The goal of this work is to offer a range of products and services that will allow customers to choose a level of interaction over their energy use.

COLLABORATION IS KEY

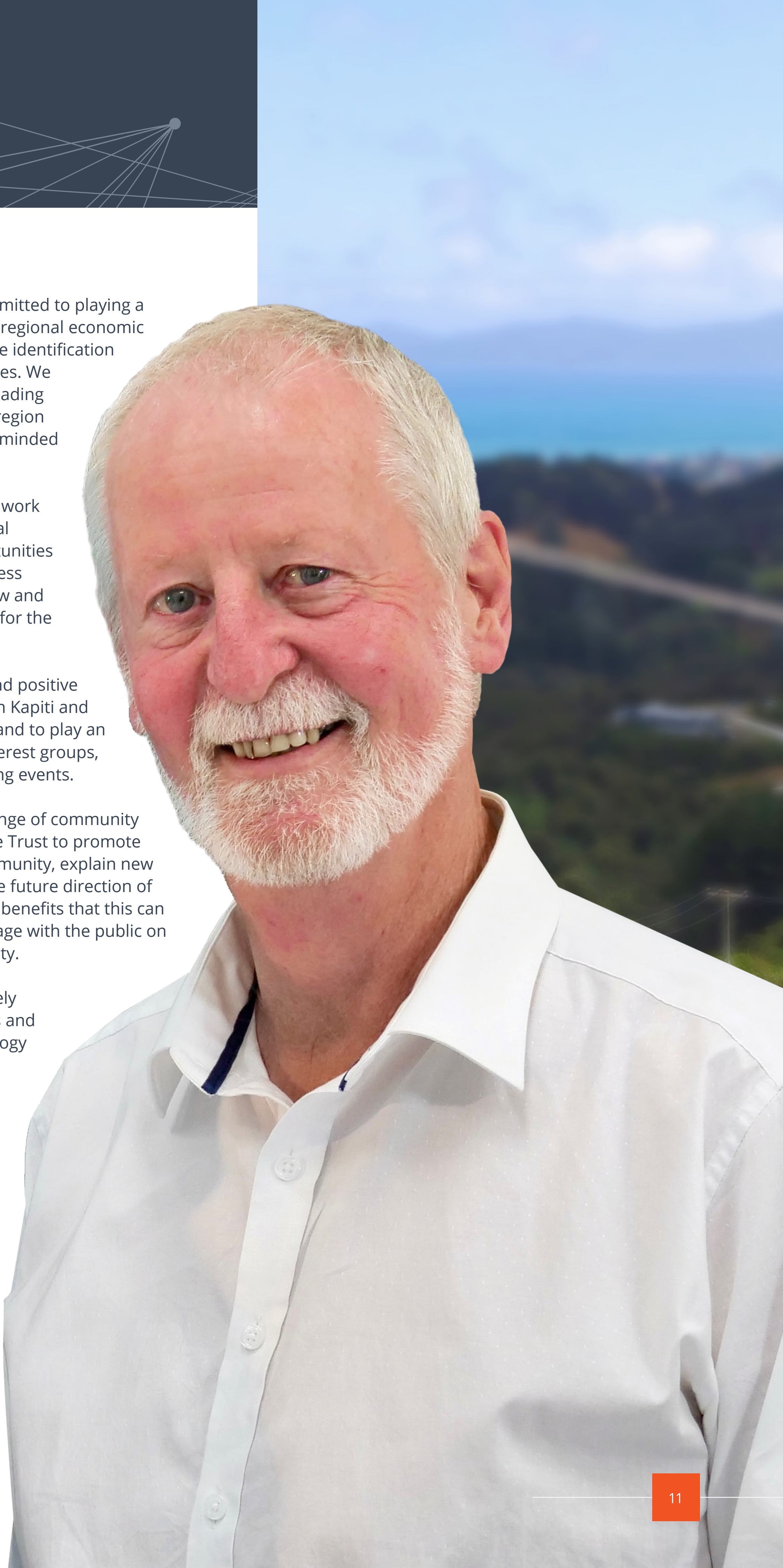
As an organisation we are committed to playing a more active role in stimulating regional economic growth, particularly through the identification of local investment opportunities. We also acknowledge our role in leading and supporting change in our region through engagement with like-minded businesses and organisations.

That is why we will continue to work collaboratively with key regional stakeholders to identify opportunities to grow and develop the business community and to leverage new and planned infrastructure growth for the benefit of our communities.

We continue to enjoy strong and positive working relationships with both Kapiti and Horowhenua district councils, and to play an active role in local business interest groups, activities and regular networking events.

We are also implementing a range of community engagement initiatives with the Trust to promote the value of Electra to the community, explain new technologies that will shape the future direction of the electricity network and the benefits that this can deliver to consumers, and engage with the public on network performance and safety.

At a national level we are actively partnering with lines operators and other providers in new technology trials and looking for ways to continually improve the efficiency and performance of our business. Electra continues to contribute to discussions around the future of our industry and provide input into key sector decisions through our Chief Executive Neil Simmonds' representation on the Board of the Electricity Networks Association (ENA).



CHAIR REPORT (contd)

ACKNOWLEDGEMENTS

On behalf of the Board I would like to thank Electra's Chief Executive Neil Simmonds and his highly capable Senior Leadership Team for their efforts in delivering another excellent performance and a strong financial result for the year.

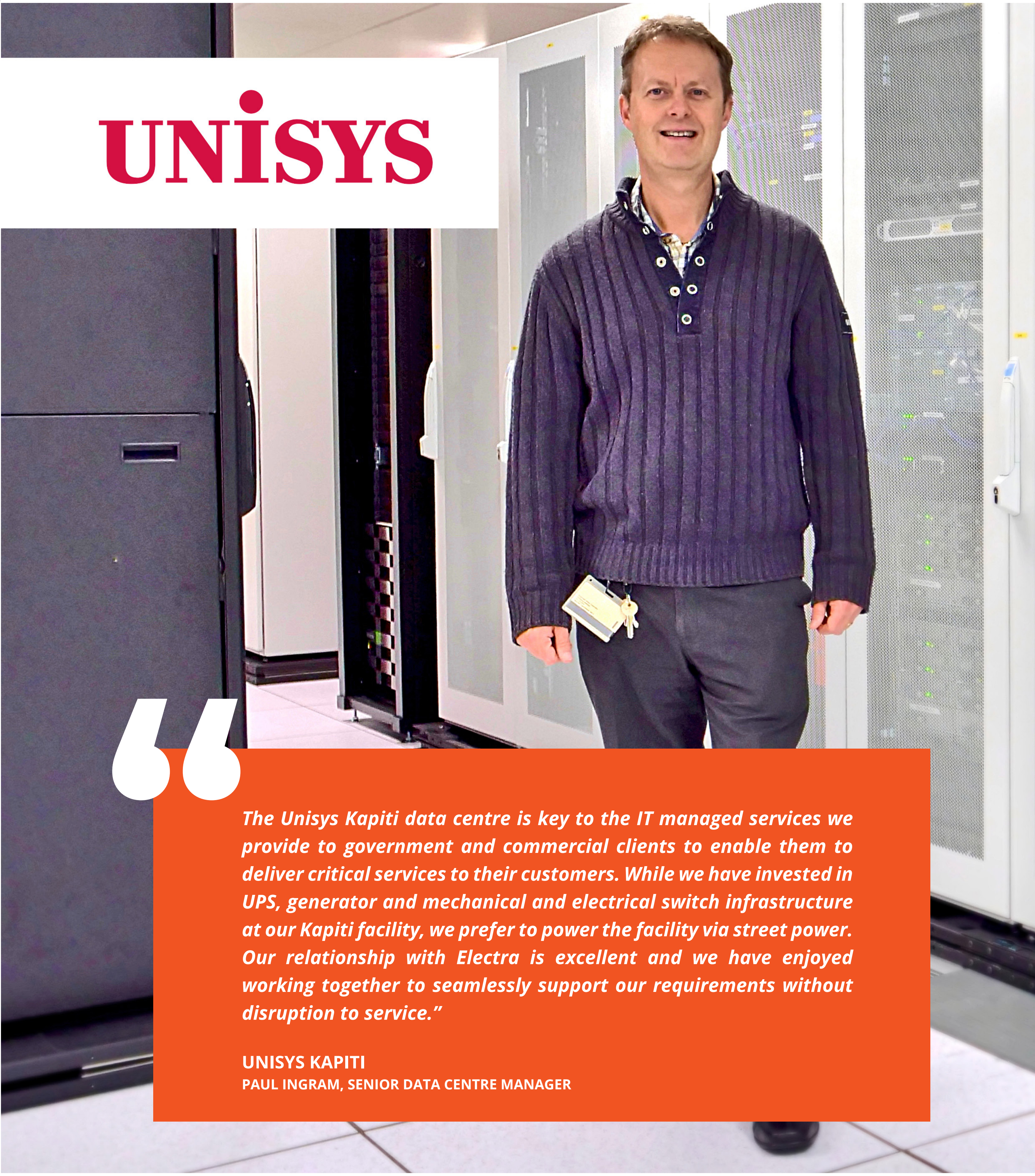
I would also like to acknowledge the staff from across the Electra Group for their continued commitment and contribution in meeting the company's goals, and for their vigilance and commitment in working towards our zero harm health and safety target.

To my fellow Directors, thank you for the valuable contribution you make to the governance of the Electra Group and for ensuring the Board continues to perform its role to a very high standard.

Thanks also for the guidance and direction you have provided to the Senior Leadership Team to ensure the company has a clear understanding of the strategy we wish to pursue.

Finally, I would like to acknowledge the important role the Trustees have played in contributing to the Group's overall success this year and I look forward to continuing our extremely positive working relationship in the year ahead.

Neil Mackay
Chair



"The Unisys Kapiti data centre is key to the IT managed services we provide to government and commercial clients to enable them to deliver critical services to their customers. While we have invested in UPS, generator and mechanical and electrical switch infrastructure at our Kapiti facility, we prefer to power the facility via street power. Our relationship with Electra is excellent and we have enjoyed working together to seamlessly support our requirements without disruption to service."

UNISYS KAPITI
PAUL INGRAM, SENIOR DATA CENTRE MANAGER

CHIEF EXECUTIVE REPORT

It is my pleasure to present this performance review of the Electra Group of businesses for the year ended 31 March 2018. We have delivered a strong result for the year on the back of positive contributions from both our core Network and other well-established subsidiaries.

Electra has always had a philosophy of identifying opportunities that will position the business for future growth, increase our revenue streams and, ultimately, the level of value 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 that enhance the benefit we can deliver to the Group.

While this strategy has been largely effective in delivering positive returns to the Group over the last ten years, in early 2017 the Board challenged the Senior Leadership Team to adopt a more ambitious strategy that will see the Group experience significant growth over the next ten years.

Since then we have worked closely with the Board to refine this strategy and identify opportunities that will allow us to deliver significant growth to the Group. This has led to some decisions that were needed to position the Group for the growth phase we are about to enter.

In reviewing our current operations and identifying where our growth opportunities lay, it became clear to us that one of our subsidiary businesses was at a tipping point. Datacol had been highly successful in transitioning itself from a manual electricity meter reading company into a leading data collection and monitoring business. However if it was to position itself for future growth it would need to have much greater economies of scale. In considering the possible opportunities that existed for Datacol, we commenced discussions with Arthur D. Riley and Co Ltd (ADR), a company that supplies and services the utility industry with special emphasis on electricity and water metering.

Based on these discussions, the decision was made to sell Datacol to ADR in October 2017. We believe the sale allows the combined operation to achieve the necessary scale to fuel further growth, and provides the most positive outcome for the business, its staff and clients. We are grateful for the positive contribution that Datacol has made to the overall performance of the Electra Group over many years and wish the entire team the very best for the future.

As well as the return on the sale of this asset, the rest of the Electra Group has delivered an excellent financial performance for the 2017/18 financial year with positive contributions from the established businesses within the Group, and especially the core network business.

The result is a strong balance sheet with significant surpluses available for investment.

IDENTIFYING GROWTH OPPORTUNITIES

While the Group is focused on identifying opportunities to generate significant business growth, it is important these opportunities relate to the Group's core capabilities - our people, our infrastructure and our technologies. Growth will be a blend of acquisitions and organic growth. There is a focus on identifying local opportunities, possibly in partnership with like-minded businesses and aligned to key demographics, such as the over 65's market.

From a network perspective, opportunities exist due to strong regional growth and the new connections this brings to the network, as well as through disruptive technologies such as smart networks, electric vehicles (EVs), solar photovoltaics and battery storage.

We have already begun working with the local councils and private organisations to identify the most suitable locations for public EV charging infrastructure and several new sites across our region are now under construction.

Electra Services Limited was created in 2017 with the amalgamation of the Electra Energy call centre function and Electra Monitoring Limited, bringing together a modern contact centre capability with security monitoring, automation services and independent living support services.

Over the last twelve months the business has experienced exponential growth. Over 10,000 customers were added to the business, largely through merger and acquisition activities in the security monitoring and energy retail operations business. Two more acquisitions in health and security monitoring will be completed in early 2018.

While it is expected that further acquisition opportunities will be identified over the coming year, the business has now achieved critical mass and can begin to focus on delivering organic growth through sales activity and new product development. The appointment of a General Manager with experience in driving business growth through product development and innovation is a clear signal of the Group's intentions in this area.

Another is the exclusive agreement we have secured to offer the Essence platform in New Zealand. This Israeli-based technology brings a global award-winning solution in wireless home automation, security and aged care monitoring to the New Zealand market. Using algorithms and Artificial Intelligence, the system allows people to continue to live independently in their own home for longer by giving families and caregivers the ability to track and monitor daily movements, and predict if a person is likely to become sick or experience a fall. The system also maintains a greater level of customer privacy than existing alternatives.

TECHNOLOGY REMAINS A KEY DRIVER

In the 2016/17 financial year we reported that we had commenced work on implementing an Advanced Distribution Management System ('ADMS') throughout our business, using a market leading solution from the United States (Milsoft) to deliver this platform to our business. For our consumers, it will mean a more reliable and responsive electricity network.

Over the past year we have continued implementing the ADMS across our business, a project that is scheduled to take up to two years to complete.

However we are already beginning to experience many of the benefits such a system offers, from improved efficiencies in network design and loadflow management, to the provision of better information for decision making, outage management and reporting, and customer communication and messaging.

ENGAGING WITH OUR STAKEHOLDERS

Communication and engagement is a critical business activity that we will look to further develop in the year ahead.

Both the Board and the Senior Leadership Team enjoy a positive working relationship with the Electra Trustees based on transparency, open dialogue, full disclosure and collaboration. We look forward to continuing to build on this relationship over the next twelve months.

One of the commitments we have made to the Trustees is to better engage with the community. We have already made significant progress in terms of communicating network activity and outages with the community through various channels such as the website, Outage App, call centre and telephone system.

The next area of focus will be providing better information, education and advice around pricing, energy efficiency and new technologies – delivered in a way that best meets consumer needs. A number of initiatives are planned to provide information and to have discussions with consumers to assist them to find out about energy efficiency measures and learn about developing technologies such as EVs, solar photovoltaic and batteries.

We are also keen to provide greater information around the plans for the Group and what this will mean for our local communities.

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 improvements to make, it is pleasing to report the longest period free of lost time injuries ('LTI') in Electra's history, enabling us to achieve our LTI target for the year. I would like to thank all our people for accepting shared responsibility in this aspect of our business and working together to ensure we can all go home safe and well at the end of each day.

SENIOR MANAGEMENT APPOINTMENTS

During 2017 we welcomed two new senior appointments to the Electra Group, with Mark Smith assuming the role of General Manager of our rapidly growing subsidiary, Electra Services Ltd, and Jenny Beale joining the team as Electra's first ever General Counsel.

FUTURE OUTLOOK

The Electra Group remains in a positive financial position with strong shareholder equity and a diversified asset and revenue base. It has new opportunities for additional growth.

While our growth strategy has become more ambitious, it remains focused on increasing revenue streams and maximising the value we provide to our owners – the consumers connected to the Electra network.

Regional growth continues to be stimulated by central government roading investment. An affordable and comfortable lifestyle opportunity is attracting new families and businesses to the region, stimulating existing businesses. Strong regional growth is forecast to continue over the next twenty years, presenting further opportunities and challenges for our network.

We will support growth opportunities across our region by ensuring we continue to deliver a reliable and affordable electricity supply that can meet the current and future demands of our consumers.

Meanwhile we remain focused on achieving improvements and innovation in our products, services and processes through a combination of technology, process improvement, improved capabilities, strategic partners and technology.

We are excited about the future and the strategy that we have developed to focus on business growth through regional investment - outstanding local businesses contribute in many ways to the health and wellbeing of our local economy and the communities within it, and we are committed to supporting this growth.

It has been a pleasure to work with my team, the Board and the Trustees once again this year. This excellent financial performance has been achieved in large part to the transparent, honest and positive way we have worked together.

It is a privilege to lead the team that are guardians of this precious taonga for the people of Kapiti and Horowhenua. I think the company is well positioned to serve the next generation too.

Naku te rourou nau te rourou ka ora ai te iwi
"With your basket and my basket the people will live"

Neil Simmonds
Chief Executive, Electra Limited

As the operator of an expanding shopping centre and landlord to over 120 commercial and retail tenants, it's vital we deliver a secure electricity supply capable of meeting their huge range of needs, including keeping our guests and workers comfortable, shops and signs lit, the food at the right temperature, EFTPOS terminals, tills and computers running, and people and inventory safe."

COASTLANDS
RICHARD MANSELL, DIRECTOR

BOARD OF DIRECTORS

1 **NEIL MACKAY - CHAIR**

Neil Mackay (BCA) has held a number of CEO and senior management roles in a wide variety of industries in New Zealand, UK, Hong Kong and Australia including power construction, manufacturing, sales and distribution, financial services, transport 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.

Neil is an experienced Director and is currently an Executive Director of Green Chip Ltd which owns and supports technology companies to commercialise and scale up their business. He is also a Director of new technology companies including injection moulding; polymer, metal and ceramics, and Water Security; water quality monitoring, risk management and water & waste water treatment.

Neil was appointed Director of Electra in 2007 and Chair in July 2016.

2 **RUSSELL LONGUET**

Russell Longuet (BE (Elec)) 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 the Carter Holt Harvey Group.

Russell's background spans Electrical Engineering, Merchant Banking and Energy Consulting in New Zealand and overseas.

He is an ex-Director of the Energy Efficiency and Conservation Authority (EECA), Energy Intellect Ltd and the MEUG executive. He has been on a number of advisory groups to the Electricity Authority and Government on electricity and gas markets.

Russell was appointed a Director of Electra in 2008.

3 **SHELLY MITCHELL-JENKINS**

Shelly Mitchell-Jenkins (BBS FCA CMInstD) is a Fellow Chartered Accountant and Chartered Member of the NZ Institute of Directors.

Shelly is a Director of Colbert Cooper Limited, a chartered accountancy practice located in Levin, providing business, accountancy and tax services to clients throughout the region and across NZ. She is currently Chair of the Eastern and Central Community Trust and is a Trustee of Horowhenua based charitable trusts, Levin Charitable Trust and Horowhenua Scholarship Trust. Previously she has served as independent director of Oxford Finance Corporation Limited, elected District Councillor for the NZ Institute of Chartered Accountants, Trustee of the Life to the Max Horowhenua Trust, Trustee of Horowhenua Events Centre Trust and on the Board of Nature Coast.

Brought up in Whanganui and with a BBS from Massey University, Shelly worked for Audit NZ and the Office of the Auditor General before spending several years in Japan and then settling in Levin in 1996.

Shelly was appointed a Director of Electra in 2014 and is Chair of the Risk and Audit Committee.

4

CHRIS DYHRBERG

Chris Dyhrberg (BCom LLB MInstD) held a number of executive roles within Telecom New Zealand and Chorus New Zealand. He has experience across multiple disciplines including commercial, strategy, marketing, product management, industry and stakeholder management, engineering and infrastructure build and has worked in the ICT, health, education and electricity sectors.

Chris is a Business Consultant and also 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 College Board of Trustees.

Chris is a member of the Institute of Directors in New Zealand and was appointed a Director of Electra in 2014.

5

ALAN MCCAULEY

Alan McCauley (BCA MBA PGDFA CMInstD) is a Senior Executive with substantial experience in the Electricity Sector. He has held senior executive positions with Meridian Energy as General Manager Retail and Red Energy (in Victoria, Australia) as General Manager Customer Management.

He currently has his own Management Consulting Business operating across New Zealand, Australia and Asia.

A competitive runner, Alan has competed in the World Masters Mountain Running Championships and has also been a Director on the Board of Athletics New Zealand and Athletics Victoria. In his spare time he now enjoys running over the hills behind Kapiti.

Alan was appointed a Director of Electra in August 2016

6

JOHN BOSHIER

John Boshier (FEngNZ ME MBA) holds a number of governance positions after extensive general management experience in energy and engineering companies.

In addition to being on the Board of Electra, John is a Director of two Crown Entities. He was appointed by the Minister of Commerce to be a member of the Standards Approval Board in March 2016 and was appointed a member of the Accreditation Council in July 2014.

He is presently a Director of the Harkness Fellowships Trust Board, and a Trustee of the Engineering Foundation of Engineering New Zealand. He is also Principal of his own company, Boshier Consulting Ltd, and a Fellow of Engineering New Zealand.

Previously John was Executive Director of the National Generators Forum, the representative body for Australia's electricity generators. For five years he was Chief Executive of Engineers Australia, the professional institution for all engineers.

Before moving to Australia in 1999, he was a General Manager in the Electricity Corporation of New Zealand, and Chief Executive of Capital Power, Wellington's electricity retailer. He has also been Assistant Secretary of Energy in the New Zealand government.

His community involvement is through the Rotary Club of Wellington, where he is Trustee of the RCW Eureka Trust (which organises the Sir Paul Callaghan Awards each year) and Convenor of the Club's Fundraising Committee.
John has published a number of technical papers in energy policy and engineering. Recently he was Project Director for the Centre for Advanced Engineering where he led a major project on improved decision-making for infrastructure investment.

John was appointed a Director of Electra in August 2016.

WE ARE PROUDLY 100% CONSUMER OWNED

Electra is wholly-owned by its 44,593 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.

Anyone who is connected to the Electra network (i.e. a residential or business owner who has a dedicated ICP number as shown on their power account) is eligible to stand for election to the Trust.

Under the Trust Deed, Trustees are individually elected for three years. Once a year, two of the six Trustees (the longest in office) must on a rotating basis either retire or stand for re-election, thus providing an annual opportunity for change in representation. The Trustees elect a Chair after each AGM.

Amongst its many roles, the Electra Trust is responsible for appointing the Directors of Electra Limited, commissioning ownership reviews (from time to time), ensuring any surplus funds generated by Electra Limited are returned to the owners in the form of an annual sales discount, and maintaining open communication with owners.

"The Trust is encouraged by the company's work in further developing a forward looking strategy to focus on and invest in our region. This builds on the already excellent reputation Electra has established. At a time of change and challenge in the energy sector our owners can be assured their interests continue to be paramount.

SHARON CROSBIE CNZM OBE CHAIR

BETTER ENGAGEMENT WITH OUR COMMUNITIES

Electra Trust has invested in technology solutions to improve our stakeholder engagement, using electronic and digital methods to communicate with our beneficiaries (such as announcing Trustee elections). We've received extremely positive feedback about what we're doing, with New Zealand's leading election management services company, Electionz, stating that we are leading the way in terms of using technology to communicate with beneficiaries. Our methods also attracted considerable attention at the Energy Trusts of New Zealand Inc national conference in May 2017.

YOUR ELECTRA TRUSTEES

From left to right - Brendan Duffy, ONZM JP of Levin   Lindsay Burnell, QSM of Ohau   Ray Latham of Paraparaumu   Sharon Crosbie, CNZM OBE of Manakau (Chair) John Yeoman, BBS ACA FCIS of Paraparaumu Chris Turver, MNZM JP of Waikanae

COMMITTED TO OUR COMMUNITIES

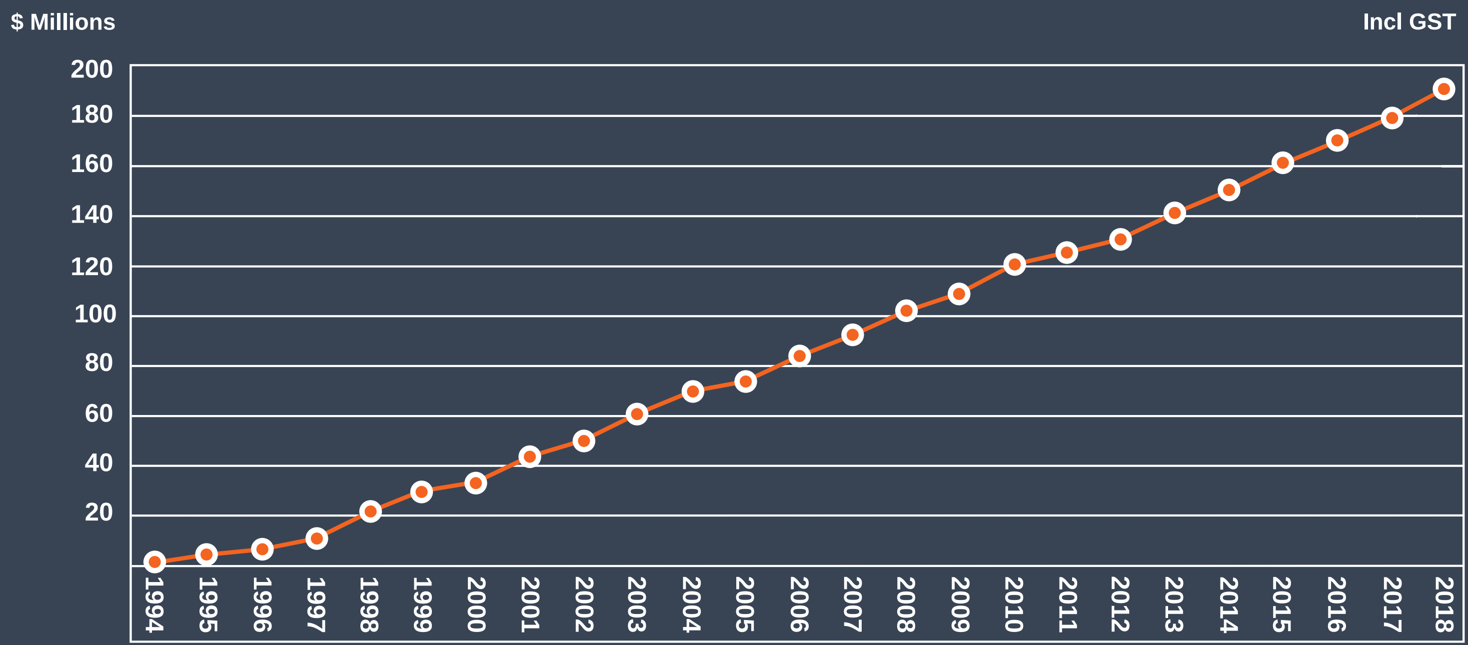
As your elected representatives, we are committed to ensuring power is delivered safely and reliably to every home, business, school and organisation that we represent.

We're also focused on providing this power at a fair price. We do this by working with the Board and senior leadership team to maximise the annual Electra sales discount that is credited to each electricity account on the Electra network.

Over the last 25 years we are proud to have delivered more than

$187m

in sales discounts to the consumers on the Electra *network.*



DRIVING LOW EMISSION VEHICLES

With New Zealand's light vehicle fleet responsible for 67% of greenhouse gas (CO_2) emissions from the transport sector, it's clear why the government has made the transition to low emission vehicles such as electric vehicles (EVs) a priority.

Worldwide, EVs are expected to account for 50% of total new vehicle sales by 2040. In 2016 the New Zealand government set a target of doubling the size of New Zealand's EV fleet every year to reach 64,000 vehicles by 2021.There are now over 7,000 vehicles on our roads and the country is well on track to exceed the government's original target.

Not only will EVs play a significant role in reducing our greenhouse gas emissions, they also generate no exhaust or noise pollution, and are considerably cheaper to maintain and run with off-peak electricity (which is also good from a network perspective) allowing owners to charge their vehicles for the equivalent of 30 cents per litre. What's more, with 85% of New Zealand's electricity generated from renewable sources, the country's reliance on fossil fuels will diminish considerably.

So it's not a matter of if EVs will become a significant part of New Zealand's transport landscape, but when.

At Electra we are embracing the commitment to a low emissions economy, both within the company and in the community.

We now have one fully battery powered EV (BEV) based at our head office for local urban travel needs, and a plug-in hybrid (PHEV) at our Levin depot that is used by the Vegetation Manager to travel all over the district, on and off-road. We expect to add further EVs in future, where practicable, as existing petrol and diesel vehicles come up for replacement.

There are currently public EV charging stations in Waikanae (Park & Ride), Otaki (New World) and Levin (New World), and we are working with both local councils and a private charging infrastructure company to identify suitable locations for additional stations that will facilitate travel through and within our region. It is likely that Foxton, Waikanae and Paraparaumu will have new charging stations in the coming year with Shannon also a possible future site.

Longer term, as EV numbers increase further, there are smart grid opportunities relating to the use of surplus battery capacity at peak times.

SUPPORTING COMMUNITY WELLBEING

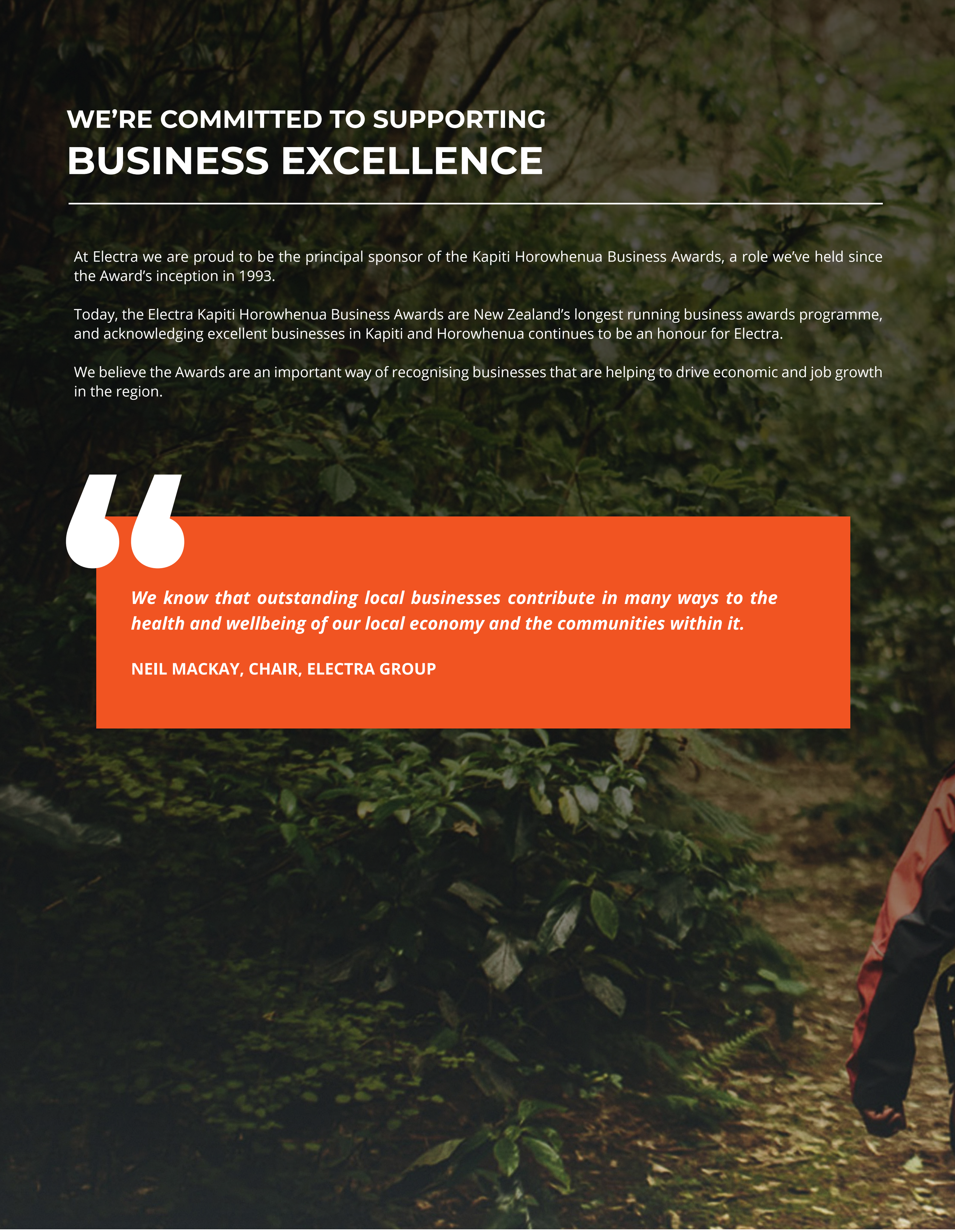
At Electra, we believe that business growth will ultimately fuel regional growth and create opportunities for everyone. That's why we've always held a strong interest in supporting and promoting activities that will generate business and employment growth in Kapiti and Horowhenua.

BUSINESS NETWORKING EVENTS
In 2017 we continued our long association with the Kapiti Electra Business Breakfasts, sponsoring a number of networking events in Kapiti throughout the year that provided local business owners with access to top quality business and related speakers. We also continued our partnership with the Horowhenua District Council in hosting "Business After 5" events for local business owners and their key staff.

MASSEY MBA PROGRAMME
Our successful collaboration with the Massey University Executive MBA (EMBA) programme continued in 2017, providing second year MBA students with access to local businesses as part of an elective Business Development paper. This partnership gives selected Kapiti and Horowhenua businesses 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.

HOROWHENUA TASTE TRAIL
Launched in 2016, the Horowhenua Taste Trail is a self-drive adventure through Horowhenua's specialist food producers, providing the public with a unique opportunity to get behind the scenes and sample delicious fresh produce, directly from the source. This event celebrates the richness and diversity of all that is grown and produced in the region and is a celebration of local producers that demonstrate excellence in their specialist categories. It was a privilege to be a supporting sponsor for the event when it was held on Saturday, 25 November 2017.

PROMOTING COMMUNITY GROUPS
Alongside our support for local business, we 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.



WE’RE COMMITTED TO SUPPORTING BUSINESS EXCELLENCE

At Electra we are proud to be the principal sponsor of the Kapiti Horowhenua Business Awards, a role we’ve held since the Award’s inception in 1993.

Today, the Electra Kapiti Horowhenua Business Awards are New Zealand’s longest running business awards programme, and acknowledging excellent businesses in Kapiti and Horowhenua continues to be an honour for Electra.

We believe the Awards are an important way of recognising businesses that are helping to drive economic and job growth in the region.

> ***We know that outstanding local businesses contribute in many ways to the health and wellbeing of our local economy and the communities within it.***
>
> **NEIL MACKAY, CHAIR, ELECTRA GROUP**

2017 BUSINESS OF THE YEAR: MAKAHIKA OUTDOOR PURSUIT CENTRE

Makahika
OUTDOOR PURSUIT CENTRE

Boutique business Makahika Outdoor Pursuit Centre ('Makahika OPC') was named the Electra Business of the Year at a sold-out gala dinner at Southwards Car Museum on Friday, 27 October 2017. The company also claimed the Small Business Excellence Award on the evening.

Makahika OPC is a registered Adventure Activities Provider situated in the foothills of the Tararua Ranges behind Levin. The company designs, writes and delivers experiential learning programmes that allow individuals and organisations to identify, challenge and alter existing perceptions and practices, and to grow and develop future successes. The Centre also offers on-site accommodation and catering.

Programmes include short term (1-18 day) residential school programmes through to 2 year accumulative corporate team building and leadership development programmes.

In announcing the supreme award, the judges noted the systems and processes employed by the business, and the vision and drive of its owner, Sally Duxfield. "The strategic drive of this company is underpinned by a complete and seamless suite of planning processes and instruments, each carefully synchronised with the other. Sally has a very persuasive long-term vision for the company with a sharp eye for detail, providing the driving force, passion and personality that has seen the company grow to its current position of eminence in its sector, underpinned by strong financial performance. We are very proud to see this company as an overall winner in this year's awards."

In a tightly contested evening, PAK'nSAVE Kapiti received the Highly Commended Award as well as the Large Business Excellence Award, with the judges recognising the company's overall success and the qualities of its management team. The company enjoyed additional success on the evening, receiving two Achievement Awards (Sustainability, and Employer of Choice).

Overall, ten different businesses shared the fifteen Excellence, Achievement and Customer Choice Awards on the evening.

EXCELLENCE AWARD WINNERS
Owner-Operator: Kiwi Hearing
Small Business: Makahika Outdoor Pursuit Centre
Medium Business: Paula's Furniture & Beds
Large Business: PAK'nSAVE Kapiti

ACHIEVEMENT AWARD WINNERS
Health and Safety: Mills Albert Limited
Sustainability: PAK'nSAVE Kapiti
New Thinking: Tomm Limited
Emerging Business: Tomm Limited
Employer of Choice: PAK'nSAVE Kapiti
"It's Great to be Here": Kapinua

CUSTOMER CHOICE AWARD WINNERS
Retail: Bin Inn Kapiti Wholefoods & Deli
Service: Kapiti Learn to Swim
Age Friendly: Unichem Levin Pharmacy

OUR NETWORK


Foxton Beach
Foxton
Tokomaru
Waitarere
Shannon
Mangahao
Hokio
Levin
Waikawa Beach
Manakau
Otaki Beach
Otaki
Te Horo Beach
Te Horo
Kapiti Island
Waikanae Beach
Waikanae
Paraparaumu Beach
Paraparaumu
Raumati
Paekakariki
Electra office and/or depot

KEY FACTS

TOTAL CONSUMERS **44,593**	**TOTAL ELECTRICITY DELIVERED** **405 GWh**
NEW CONNECTIONS **434**	**AVERAGE SALES PER CUSTOMER** **9,127 kWh**
NETWORK AREA **1,628 KM²**	**MAXIMUM DEMAND** **104 MW**
TRANSMISSION & DISTRIBUTION **2,276 KM**	**CAPACITY UTILISATION** **33%**
TRANSFORMER CAPACITY **332,374 kVA**	**LOSS RATIO** **8.16%**
AVERAGE OPERATING COST **$5,398/KM**	**LOAD FACTOR** **48%**

WE'RE SUPPORTING REGIONAL GROWTH BY BUILDING A MODERN, RESPONSIVE AND RELIABLE NETWORK

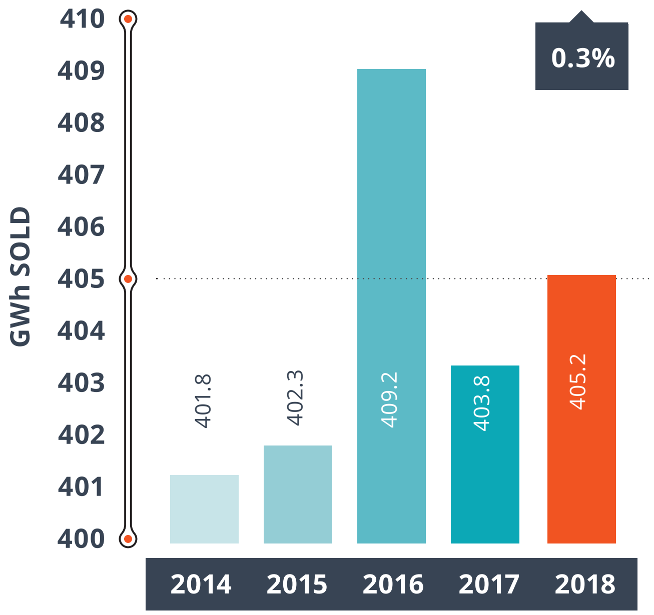
The long awaited roading projects along the Wellington region's northern corridor have now begun to deliver significant growth to the Kapiti Horowhenua region as more businesses and families look to move into the area.

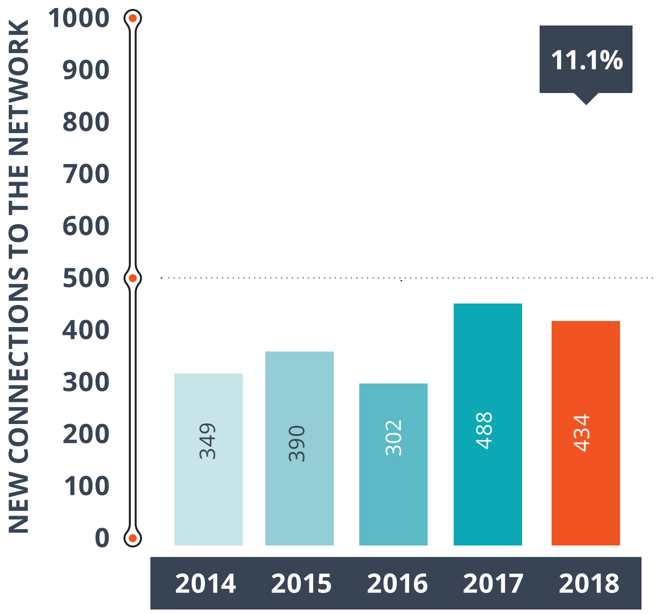
We are already seeing significant investment in the local economy. Local businesses are looking to increase production and expand; the Alliance Group has moved to "double shifting", creating a virtually continuous production line which is not only good for local employment but also delivers an improved load profile to the network.

Residential developers are also ramping up to meet increasing demand for property, with large scale developments underway such as the Ngarara subdivision in Waikanae which plans to add 850 new homes to the district over the next 25 years.

The positive impact of these investments isn't just reflected in the more traditional economic indicators, they are also reflected in some key network indicators, such as connection growth and electricity sales growth.

SUPPORTING NETWORK GROWTH





This activity is expected to continue as the next phase of the Expressway project from Pekapeka to Otaki commences (2018) and the Transmission Gully Motorway project nears completion (2020). Meanwhile local bylaw changes such as the removal of planning restrictions on land in and around Kapiti Airport are expected to further fuel commercial and residential growth in these areas, albeit moderated by uncertainty around the future use of the airport.

Of course, this boost to the regional economy has been forecast for some time. And as a key regional infrastructure provider, we have been planning and preparing for this much anticipated period of sustained regional growth for a number of years. Since 2015 we have been focused on creating a truly modern electricity network that delivers both the capacity and a responsive and reliable power supply to support this growth.

This involves our ongoing programme of replacing lines meeting end-of-life criteria and simultaneously taking the opportunity to create alternative supply routes that provide greater flexibility in transferring load during network outage situations, supported by information systems and smart network technologies that allow us to make use of automated switching to isolate faults and get the power back on quickly.

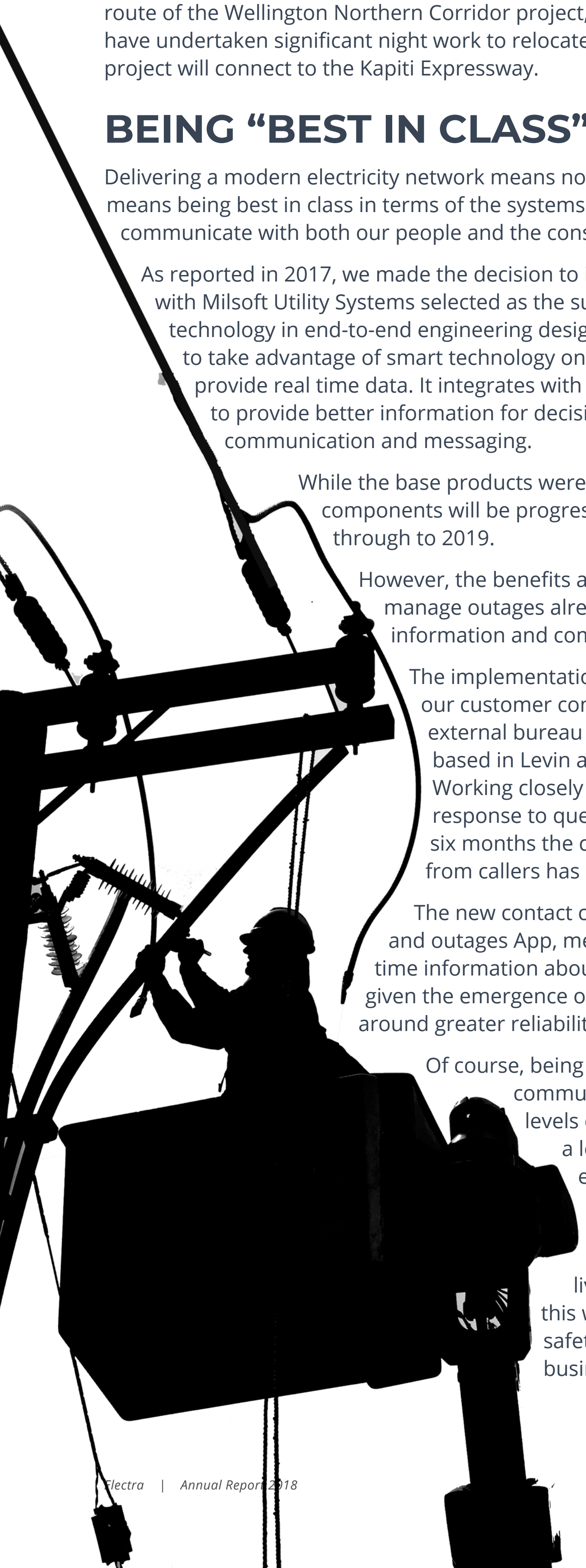
The rebuild of the Paraparaumu substation was completed in early 2017 and became fully operational during the year, providing greater flexibility and reliability on our network. A pleasing aspect to this significant project was that it was completed with zero harm to the staff and contractors who were involved in its rebuild.

In 2015 we commenced discussions with Transpower over the purchase of sections of their lines between Paekakariki and Mangahao, principally the lines between Mangahao and Levin. Securing these lines in 2017 is an ideal way of improving reliability and capacity on the network in the northern part of the region and to allow maintenance on other assets to be conducted more easily and with less reliability risk.

We are now in the process of connecting this important asset to our network, converting the line from 110kV to 33kV operation as part of the project.

We have also been working closely with NZTA and its contractors to ensure the network can accommodate the route of the Wellington Northern Corridor project, moving and replacing lines when required. In the last year we have undertaken significant night work to relocate the network at Mackays Crossing where the Transmission Gully project will connect to the Kapiti Expressway.

BEING "BEST IN CLASS"



Delivering a modern electricity network means not only investing in the core infrastructure components, it also means being best in class in terms of the systems we use, the information we collect and manage, and the way we communicate with both our people and the consumers on our network.

As reported in 2017, we made the decision to invest in an Advanced Distribution Management System (ADMS) with Milsoft Utility Systems selected as the supplier. An ADMS provides our business with the contemporary technology in end-to-end engineering design and loadflow management. It also improves our ability to take advantage of smart technology on the network, including the installation of smart sensors to provide real time data. It integrates with control (SCADA) and Field Service Management (FSM) systems to provide better information for decision making, outage management and reporting, and customer communication and messaging.

While the base products were installed and commissioned in 2017, it is expected other components will be progressively implemented and integrated with our other systems through to 2019.

However, the benefits are already being realised with our ability to better predict and manage outages already significantly improved, leading to more timely and accurate information and communications for all the consumers on our network.

The implementation of the ADMS has also provided us with an opportunity to bring our customer contact centre back in house, having outsourced this function to an external bureau in Blenheim more than a decade ago. The new contact centre, based in Levin as part of the Electra Services business, went live in July 2017. Working closely with the Electra control room, we are now providing a local response to queries about the network and any outages that occur. In its first six months the contact centre had handled almost 24,000 calls and the response from callers has been extremely positive.

The new contact centre, combined with our digital platforms such as the website and outages App, means that consumers now have a choice in how they access real time information about the performance of our network. This is particularly important given the emergence of smart mobile technology, and the expectations this has created around greater reliability and real time information and support.

Of course, being best in class doesn't just mean having the best systems and communications – it also means performing our roles to the highest levels of quality and safety. Safety is a core value at Electra, it informs a lot of our decision making and places the onus on our teams to ensure we all get to go home every night.

The new Health and Safety at Work Act has driven a number of changes to our procedural controls, particularly in terms of the live line work our teams carry out on the network and the way this work is managed and reported. Our focus on greater workplace safety has led to improved safety discussions occurring across the business and improved teamwork as a result.

This increased health and safety focus has been supported by the implementation of a new Vault database that captures detailed health and safety information, allowing us to better track investigations, identify improvements and communicate with our teams on health and safety matters.

The collective expertise across the Electra Group means our business is well placed to continue delivering world class service and response to consumers on our network.

SECURITY OF SUPPLY IS A KEY FOCUS

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

A number of significant earthquakes in the South Island in recent years, combined with a “slow slip” event off the Kapiti Coast has highlighted the need to ensure we are prepared for “the big one” in our own backyard.

Despite being in a relatively strong position, we continued seismic strengthening work in 2017. Additionally, the NZTA Kapiti Expressway project has provided a second river crossing across the Waikanae river and the Pekapeka to Otaki Expressway will similarly install a second bridge across the Otaki river.

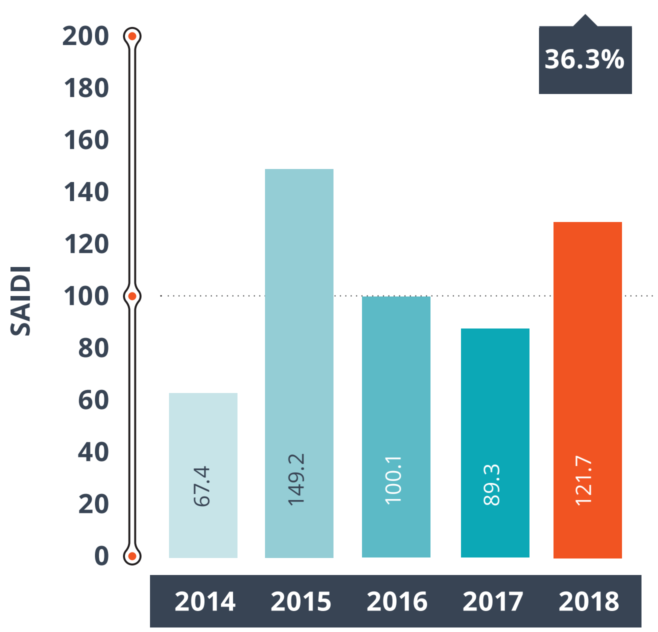
The next challenge we face, and must prepare for, is from the increasing number of extreme weather events triggered by climate change. We are already beginning to see this impact as a particularly wet winter and spring led to two slips impacting the network in the hills east of Paraparaumu.

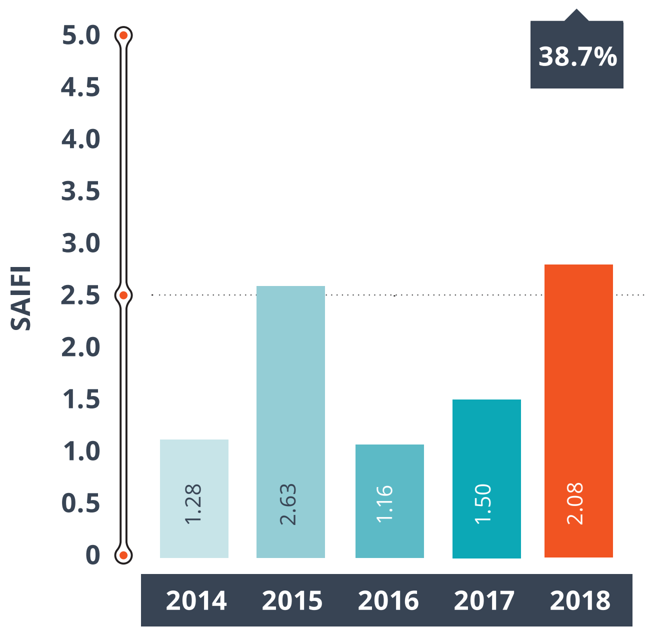
Even with the best of plans, sometimes circumstances beyond our control can impact the performance of our network. This was the case on 15 July 2017 when a tree fell across an 11kV feeder in Valley Road, Paraparaumu, affecting around one third of the consumers connected to our network.

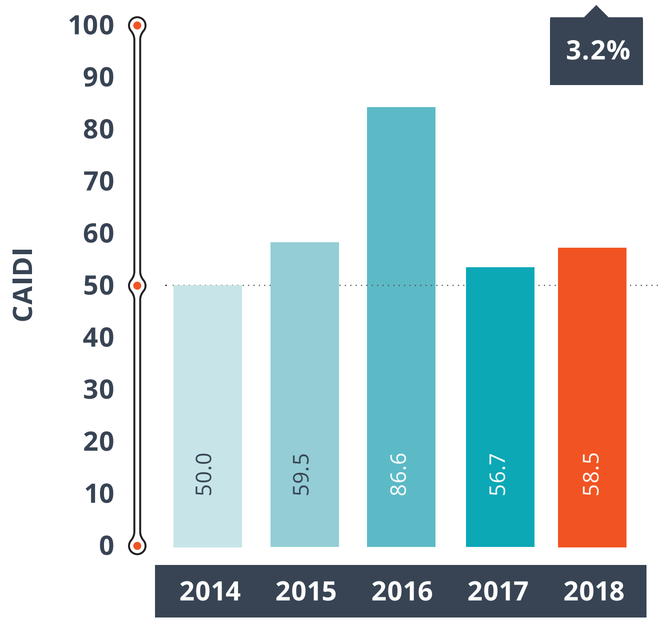
This event triggered a series of unexpected outages and was exacerbated by the fact the new contact centre had only gone live two days prior to the event and the large number of affected consumers placed significant pressure on our communication channels.

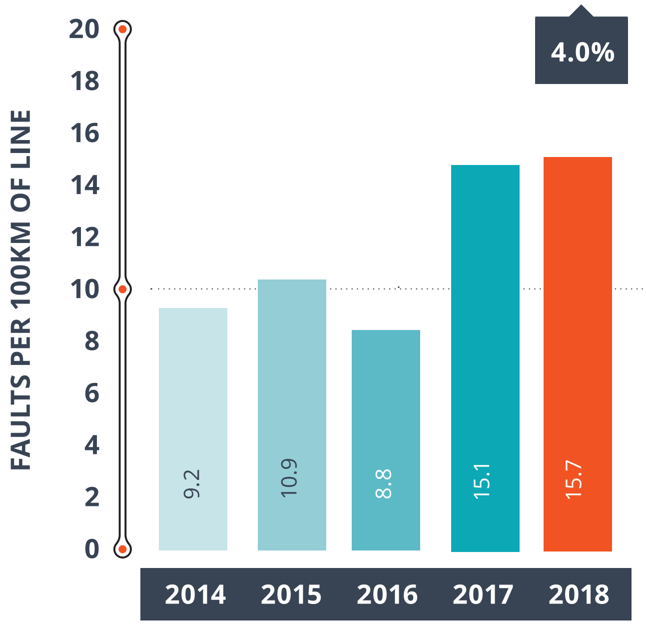
A significant post-event review identified a number of areas where we performed well, together with key learnings that we needed to address, particularly with respect to business continuity and communication with consumers.

The good news is, despite this event, Electra expects to be in the top third performers for network availability for 2018.









PREPARING FOR FUTURE DEMAND

The electricity networks of tomorrow will be significantly different to the networks that have existed for the last 30 years.

The way that people interact with energy is changing – from the appliances and devices they use to the way they source and manage their energy. And as a network operator, we seek to remain at the forefront of this evolution, identifying the technological changes that are driving this change and how we can adapt to the way consumers are interacting with energy.

The two emerging trends for network operators are the steady growth in photovoltaic (PV) generation, and the uptake of electric vehicles (EVs) across the country.

Today, there is around 0.2MVA of generation from PV on our network, and this is expected to continue to grow as technology becomes cheaper and performance and storage continues to improve.

We are currently working with a private organisation on a smart commercial building project that includes potential generation capacity. The lessons learned from this project will help us to better understand the demands on our network and how we can best respond to these opportunities.

Alongside this we have been actively involved in the Energise Otaki project which includes a number of energy-related initiatives, including residential insulation (Warmer Homes) and a solar array on Otaki College.

Electric vehicles also offer opportunities for network operators – both in terms of increased load and, more importantly, a significant portion of this load being off-peak (EVs are often charged overnight so they have full range in time for the commute the following day).

The Government has a stated aim of having 64,000 EVs on New Zealand's roads by 2021 – this target will mean the number of vehicles on the road will need to double every year until 2021. So far the uptake of EVs is well ahead of target, with over 7,000 EVs registered in New Zealand at the start of 2018.

As an organisation we are embracing this challenge with one pure EV and a hybrid vehicle already in our fleet. We are also a participant in the Wellington Region EV Working Group, comprising all the local Councils, EECA, Wellington Electricity, Electra and owners of EV fleets. The purpose of the Group is to build awareness and facilitate adoption of EVs, and coordinate the development of charging infrastructure throughout the Greater Wellington Region.

We are committed to helping with the identification and installation of EV charging stations across our network, and we have recently installed a charging station at our Head Office in Levin to demonstrate our support for EV technology. In addition, there are already public charging stations at New World Levin, New World Otaki and a Spark trial site at Waikanae Park & Ride, with new charging station locations identified in Foxton and Paraparaumu for installation over the coming year.

THE FUTURE DIRECTION OF PRICING

For more than a decade, 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 the last year with a particularly wet winter, Electra experienced higher than expected consumption and while we'll be watching how this unfolds, we expect the historical trend to continue.

The combination of network supply, alternative energy sources and energy storage is expected to gain interest amongst our consumers 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 and 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 prices 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. The higher Time of Use prices during peak periods reflect the costs of building infrastructure to meet peak demand.

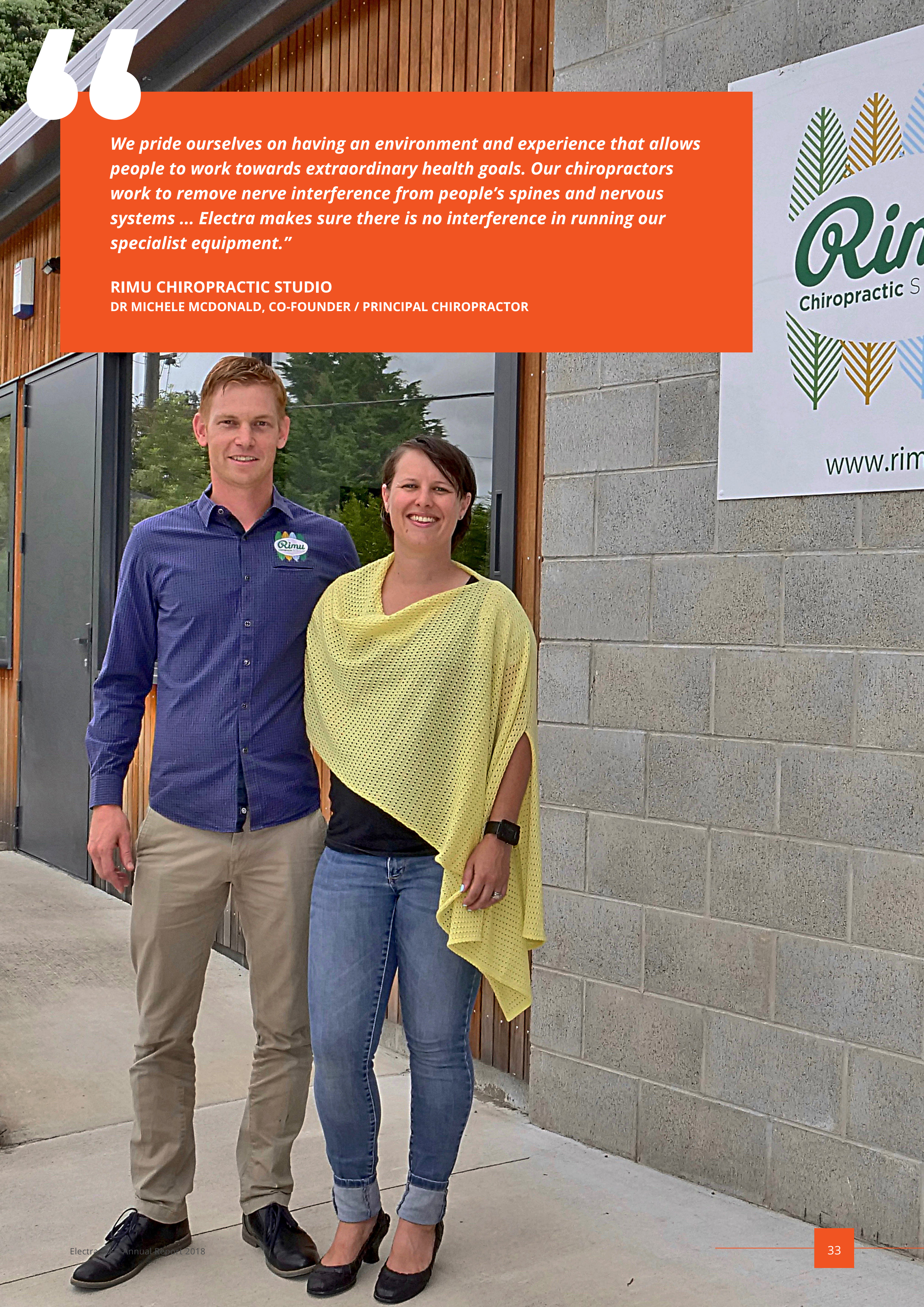
The introduction of updated pricing was deferred until 1 May this year, following consultation with Retailers. After consideration of this feedback we have slightly reduced the difference between peak and off-peak prices. The Low User Fixed Daily Charge rates have been retained for our small to medium residential consumers.

Overall, our prices have increased by an average 1.7%, which is lower than CPI of 2.1% as forecast in the October 2017 ANZ Economic Outlook.

We will continue to progressively introduce 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.

We pride ourselves on having an environment and experience that allows people to work towards extraordinary health goals. Our chiropractors work to remove nerve interference from people's spines and nervous systems ... Electra makes sure there is no interference in running our specialist equipment."

RIMU CHIROPRACTIC STUDIO
DR MICHELE MCDONALD, CO-FOUNDER / PRINCIPAL CHIROPRACTOR



IT'S OUR TELECOMMUNICATIONS EXPERTISE THAT'S
KEEPING KIWIS CONNECTED

Established in 1997 and purchased by the Electra Group in 2009, Sky Communications ('SkyComms') is a leading telecommunications contracting services company. Based in Auckland with a field office in Wellington, the company designs, builds, supplies and maintains wireless, fibre and copper networks and products for New Zealand's largest telecommunications companies including Spark, Vodafone and 2Degrees.

It has also become a leading expert in the design and installation of rural and 'in building' ('IBC') telecommunications and microwave linking solutions, providing customised coverage in specific buildings such as offices, hospitals and stadia to meet the growing demand for increased data speeds and volumes from data intensive mobile applications.

3.8 MILLON
MOBILE PHONES WITH ACTIVE INTERNET CONNECTIONS IN NZ

76%
OF ADULT POPULATION NOW USE SMARTPHONES

35%
OF ALL WEB TRAFFIC IS NOW VIA SMARTPHONE

104%
INCREASE IN MOBILE PHONE INTERNET USAGE IN THE YEAR TO 30 JUNE 2017

Roughly four decades after its introduction, the mobile phone has become a universally accepted and indispensable part of our lives, with consumers enthusiastically embracing its potential.

Mobile devices are now the preferred means of communication, with smartphones offering more features and possibilities for users. The reliance on smartphones will only increase as more features become available.

The rapid growth in mobile phone technology has seen a major shift in phone usage patterns, including:

- Calls are now made to a person, not a location
- Mobile traffic has switched from outside to inside (more than 70% of mobile traffic is estimated to occur inside buildings), and
- A shift from voice to data usage (including email, images, video clips, specialised apps, txt messaging, pxt messaging, SMS, multimedia messaging, multimedia browsing, etc).

At the same time, the "Internet of Things" provides additional opportunities from smart wearables (such as a fit band or a smart watch) to internet-connected household security and appliances, to smart cars.

And it is networks such as 4G/LTE as well as Wi-Fi that is enabling mobile and other smart devices to connect to the Internet.

However, the growing demand for smartphones and increasing data usage by consumers poses challenges for mobile network providers. Smartphone users want to communicate wirelessly without any drops in connectivity, but large buildings have a big impact on the overall performance of mobile networks with signal strength impacted by obstructions such as concrete and steel construction.

SkyComms were one of the first companies to recognise the demand for high quality voice and data networks indoors, and the first to tackle the intricacies of developing strong, robust and functional In-Building Coverage ('IBC') designs.

IBC's are commonly implemented using a distributed antenna system ('DAS') to extend and distribute the cellular signal of a given mobile network provider within a building. Distributed antenna systems keep people connected wherever they might be including in areas where there are blind spots or where communication signals are weak.

Using a network of coaxial and fibre optic cables, amplifiers and small antennas that are strategically placed inside the building, a DAS solution brings mobile radio frequency signals indoors to ensure smartphone users can receive good mobile signal strengths.

Over the last ten years we've built a reputation for designing and installing solutions to help mobile and installing solutions to help mobile and wireless operators, systems integrators and equipment manufacturers achieve strong, reliable voice and wireless data communications indoors – from inner city office buildings to manufacturing plants, indoor entertainment centres, large commuter terminals and holiday locations.

Specific examples of the in-building networks we've designed and installed include:

- Auckland's America's Cup Village (Syndicate Bases, The Telecom Shed, Media Centre, Entire Viaduct Basin)
- Shopping Centres (St Lukes, Glenfield Mall, Downtown Centre, 277 Newmarket), and
- Eden Park.

It is expected that IBC's will become readily available in airports, stations and other public places over the coming years. We're also working with the three key mobile network operators to improve coverage in traditional 'dead spots', extending coverage into tunnels, buildings, and other areas where coverage has been weak, and to ensure strong mobile coverage for new infrastructure projects.

Projects like the new Waterview Tunnel in Auckland.

Ensuring Reliable Mobile Coverage Inside the Waterview Tunnel

In April 2016 SkyComms was selected by the three mobile network operators to deliver a custom coverage solution for the $1.4 billion Waterview Tunnel, connecting Auckland's Northwestern and Southeastern Motorways and the airport precinct.

SkyComms brief was to deliver a solution that ensured mobile devices continued to seamlessly operate along the entire length of the tunnel.

At 2.4km long, the six lane road tunnel is New Zealand's longest, with around 400kms of cabling and wiring and 4,000 lights. Opened to the public on 2 July 2017, there are already 60,000 vehicles using the tunnel each day, and this is expected to grow to 83,000 by 2026.

Given the length of the tunnel and the expected volume of mobile users travelling along it, an innovatively designed mobile coverage solution was needed to ensure contiguous coverage throughout its length.

SkyComms chose a Commscope Andrew Prism distributed antenna system as the best solution for this shared infrastructure mobile coverage solution and jointly designed the system with Commscope specialist engineers.

All current cellular technologies were catered for (2G, 3G and 4G) across all three cellular network providers in New Zealand and the DAS solution also had to handover and into the three network providers' macro network layers.

The whole solution was installed and tested within five weeks, well in time for the tunnel's commissioning period.

Photo credit: NZ Transport Agency

Electra SERVICES

24/7 WE'RE WORKING HARD TO KEEP THE
LIGHTS ON & PEOPLE SAFE

Electra Services Limited is a unique business that brings together a modern contact centre capability with security monitoring, automation services and independent living support services. With 31 staff based in its Levin centre, the business services clients and their customers throughout New Zealand.

Having been created in 2017 with the amalgamation of the Electra Energy call centre function and Electra Monitoring Limited, Electra Services Limited has experienced spectacular growth over the last 12 months.

Much of the growth in the security operation has been due to mergers and acquisitions, while new business acquisition has driven the contact centre side of the business.

MERGERS AND ACQUISITIONS DRIVE MONITORING GROWTH

In December we reached an agreement to purchase the Safegard business and add it to the rapidly expanding Electra Services business. The acquisition added nearly 2,900 monitored alarms to the Electra Services security monitoring operation, immediately creating scale for the business.

Safegard had been a family owned business serving a large and loyal customer base throughout Wellington and the Hutt Valley for more than 20 years, but the time had come to exit the business. For the owners, the most important consideration was finding a purchaser with the same values who had the energy and resources to continue to meet (and exceed) the needs of their customers. In Electra Services they found a purchaser they felt would create a robust, responsive and future proofed solution for all their customers.

In addition to the Safegard purchase, the Electra Services team also added another 4,250 bureau monitoring customers across the Kapiti and Horowhenua regions during the year, signing an exclusive contract to provide call centre and security monitoring services to Main Security, including the provision of services (such as noise control monitoring) to the Kapiti Coast District Council and Horowhenua District Council.

With a growth strategy in place for the business, it is expected that further acquisition opportunities will be identified over the coming year.

CONTACT CENTRE SECURES SIGNIFICANT NEW BUSINESS

Having secured the outsourced call centre function for Pulse Energy in early 2017, we added the monitoring and outage call management for the Electra electricity network in the middle of the year – a function that had previously been outsourced to a Blenheim-based bureau for over a decade. Now all fault calls on the Electra network are answered locally with the affected customer talking to someone in Levin.

These two contracts combined with the call centre service provided under the Main Security contract has seen Electra Services enjoy exponential growth in call volumes over the last year, with just under 25,000 calls received in the first six months.

IDENTIFYING ADDITIONAL GROWTH OPPORTUNITIES

The emergence of the Internet of Things ('IoT') has driven significant technological change in every aspect of our lives, including the home security market. IoT can deliver smarter technology that connects homeowners with more areas of the home on a real-time basis using mobile technology, including home security solutions that detect changes in heat, sound, and motion and send an alert to the customer.

Recognising this emerging trend, we are excited to be launching the Essence platform in New Zealand through an exclusive agreement with this global award-winning solution in wireless home automation, security and aged care monitoring.

Essence (an Israeli-based technology business) has installed solutions across five continents and has more than 25 million devices installed worldwide. The company was recently named by PC Magazine as the technology behind two of the leading Medical Alert System providers of 2017. Its Artificial Intelligence allows families and caregivers to track and monitor daily movements and predict if a person is likely to become sick or experience a fall, all from a smartphone, enabling the person to continue to live independently in their own home for longer.

WE ARE FOCUSED ON DELIVERING
EXCEPTIONAL SERVICE

The rapid growth in technology and the way we use it to manage our lives and make decisions places pressure on businesses to deliver more real time, interactive information and services. As consumers we want 24/7 access to information and instant answers, and digital channels and social media are the channels we are increasingly turning to for this information.

But this desire for greater access to information brings with it risks – both in terms of keeping personal information safe and maintaining system security.

As a business we are committed to using technology to better predict and manage network outages, and delivering timely and accurate customer communications.

We are also focused on ensuring our systems and technology are robust and resilient to cyber security threats.

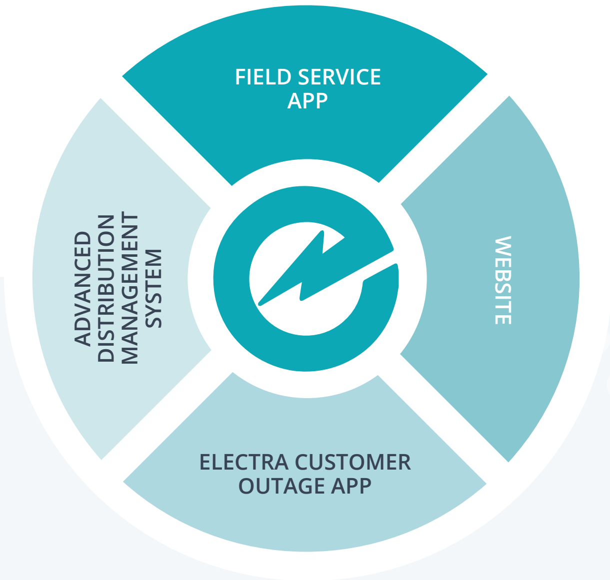
In 2015 we commenced a project to deliver world class customer service through the implementation of leading edge communication systems and processes across our business. Rather than a specific piece of work, this will be a process of continuous improvement as technology, information and consumer needs evolves over time.

Over the last three years we have implemented a number of core systems to support this strategy, including our own mobile application ('Field Service App'), a greatly improved website, a customer mobile application ('Customer Outage App') and an Advanced Distribution Management System ('ADMS').

We have also continued to refine and improve our information systems, partly driven by the decision to bring our call centre function back in-house after more than a decade of outsourced support. This has required improved information across the organisation and has enhanced our information gathering as every call is now recorded for customer service and business improvement purposes.

At the same we have been building our capabilities through the ADMS, reducing duplication and creating a single environment for collecting asset information. This single view of the business is then fed into the Asset Management Plan, enabling us to improve our decision making both in terms of the quality and speed of the responses.

It is also allowing us to expand our capabilities, especially in the area of outage management, where information collected can help us to predict exactly where the fault is, the number of customers who are affected, and the expected time it will take to resolve the issue. This in turn informs other customer facing areas of our business,



The **Field Service App**, which has been updated and improved a number of times since its initial release, allows 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. This means we can make better dispatching decisions and provide faster response and greater real time visibility of our faults crews.

The **website** has also been significantly improved a number of times to allow customers to report faults and provide them with access to detailed outage information, including a detailed faults map with easy to understand icons and a legend providing summarised fault information.

The **Electra Customer Outage App**, an industry first that other network companies have since copied, delivers the website outage application to mobile devices ensuring our consumers have real time access to outage and fault resolution information. We are now operating version 3.0 of this hugely popular App.

In 2016 we implemented a world class **Advanced Distribution Management System** ('ADMS') to control and communicate information flows across the business, allowing us to make better business decisions with more accurate and timely information – the same information that will further enhance the performance of our website and Apps.

such as the automated message our customers receive through our Interactive Voice Response ('IVR') whenever they call our 0800 LOST POWER faults number. If the caller is believed to be part of a current outage, the system will play them a message of the known faults in the area and the expected restoration time (customers can still talk with the call answering team at Electra Services at any stage).

Meanwhile, data provided from the ADMS ensures that customers visiting our website or using our Customer Outage App are able to access the most accurate available information at any time.

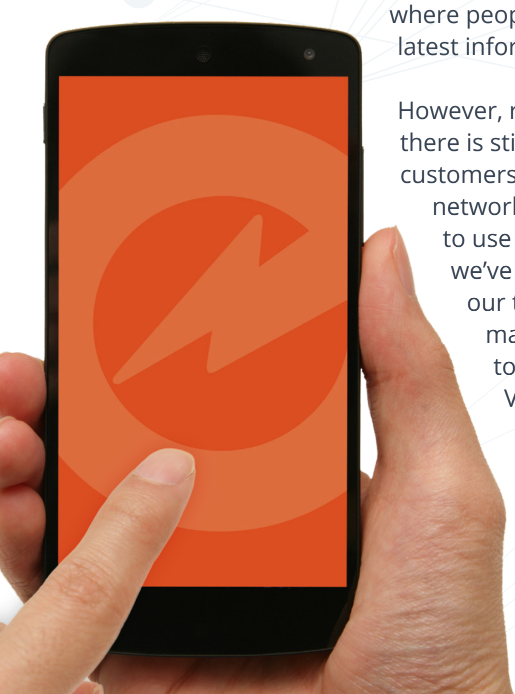
Of course, there will always be extreme events that test the reliability and accuracy of any system, and the major outage experienced on our network on 15 July 2017 was such an event. At the peak of the outage we experienced more than 1,000 hits per hour on our website and Customer Outage App, overloading both channels. While this was disappointing, the lessons we learned have enabled us to make a number of changes to improve the reliability and quality of the service and ensure we are better prepared for future events.

Looking ahead, we will continue to review our Asset Management System and invest in field computing, as well as making further improvements in areas such as our Customer Relationship Management system ('CRM') and Field Service Management system ('FSM'). Underpinning this will be the need to continue to maintain the greatest vigilance and protection against cyber security threats.

KEEPING PEOPLE INFORMED

These real-time customer information tools are proving extremely popular with over 3,000 visitors 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.

Our interactions with customers peak during storms and weather events that cause outages. We have found that our digital platforms are increasingly where people turn to for the latest information.



However, realising that there is still a large group of customers connected to the network who choose not to use digital channels, we've also invested in our telephone service, making improvements to our Interactive Voice Response ('IVR') system to enable callers to receive more targeted messaging.

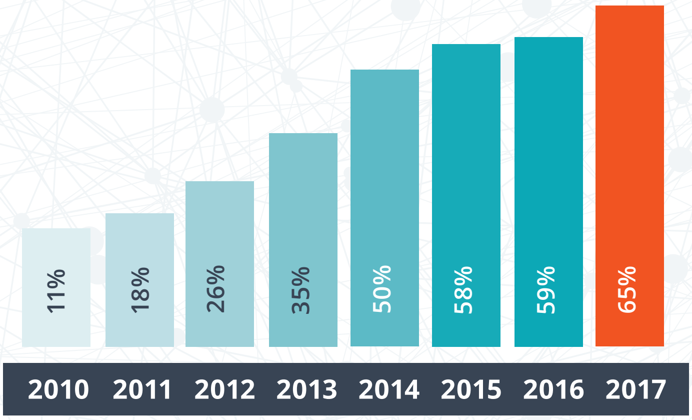
While the number of phone calls we receive has fallen slightly since the launch of the outage website, mobile app and Facebook, increasing the number of communication channels has enabled us to connect with a much larger audience quicker than ever before. These digital natives prefer to 'self-service' the readily available real-time information about our network.

SATISFYING OUR CUSTOMERS

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

The improvements we have made to the way we communicate with the consumers on our network has seen Electra's brand recognition steadily improve.

CONSUMER RECOGNITION OF ELECTRA BRAND



More importantly, customer satisfaction with the way we manage and respond to faults continues to be extremely high, with most respondents in our annual customer satisfaction survey rating our Contact Centre and Faults staff "very good" or "excellent".

91% were very satisfied with the service provided by our Contact Centre

96% were very satisfied with the service provided by our Faults staff

96% felt we provided friendly and helpful service

100% felt our Faults staff were concerned about their enquiry

92% were very satisfied with the resolution of their fault

OUR VALUES

ELECTRA IS COMMITTED TO ITS VALUES WHICH ARE:

SAFE

SAFETY GUIDES EVERYTHING WE DO

- Safety is never compromised
- We all demonstrate leadership and commitment to safety every day

INTEGRITY

WE ALWAYS DO THE RIGHT THING IN ALL CIRCUMSTANCES, NO MATTER WHAT THE CONSEQUENCES WILL BE

- We are honest and straight-forward with each other
- We develop and maintain effective relationships with colleagues, customers and stakeholders
- We work together as a team

RESPECT

WE ALL TREAT OUR CUSTOMERS AND COLLEAGUES AS THEY WOULD WANT TO BE TREATED

- We behave respectfully towards our colleagues, customers and stakeholders regardless of role and level of responsibility
- We act in a way that respects the different experiences and perspectives of others
- We act in ways that encourage others to respect us

ACCOUNTABLE

WE ACCOUNT FOR AND ACCEPT RESPONSIBILITY FOR OUR ACTIVITIES

- We are each accountable for our work, our conduct and our decisions
- Every team member contributes to our success
- We are efficient and safe with our use of time and resources

PROFESSIONAL

OUR PEOPLE HAVE THE KNOWLEDGE, SKILLS AND ETHICS TO PERFORM THEIR ROLE AT A CONSISTENTLY HIGH STANDARD

- We plan our work and work to our plan
- We know our jobs and we are good at what we do
- We represent Electra in a positive, professional manner
- We keep our customers and stakeholders informed
- We are actively engaged in personal and professional development

OUR SUCCESS IS ACHIEVED THROUGH THE
POWER OF OUR PEOPLE

The success of our business is directly linked to the performance of our people. We need the best people in our business to enable us to deliver our commitments to our customers, stakeholders and the communities in which we operate.

We are proud of the high level of skill and capability of our people. We remain committed to developing and equipping them with the skills and technology they need to perform their roles to the highest standards in quality, safety and customer service.

Reflecting our community ownership and company values, our first priority is to recruit and train local people whenever possible, and to embrace diversity in our workforce. This means hiring the right people for the job regardless of their background.

We also look to support our longer term resourcing needs by recruiting trainees across our whole field workforce on an annual basis.

Having an engaged workforce who understand what is happening in our business and their role in our success is really important to us.

We ensure we do this through regular team meetings and staff updates as well as through a number of internal communication channels, including our Field Service App that provides greater real time visibility of our field crews and allows faster response and better decision making.

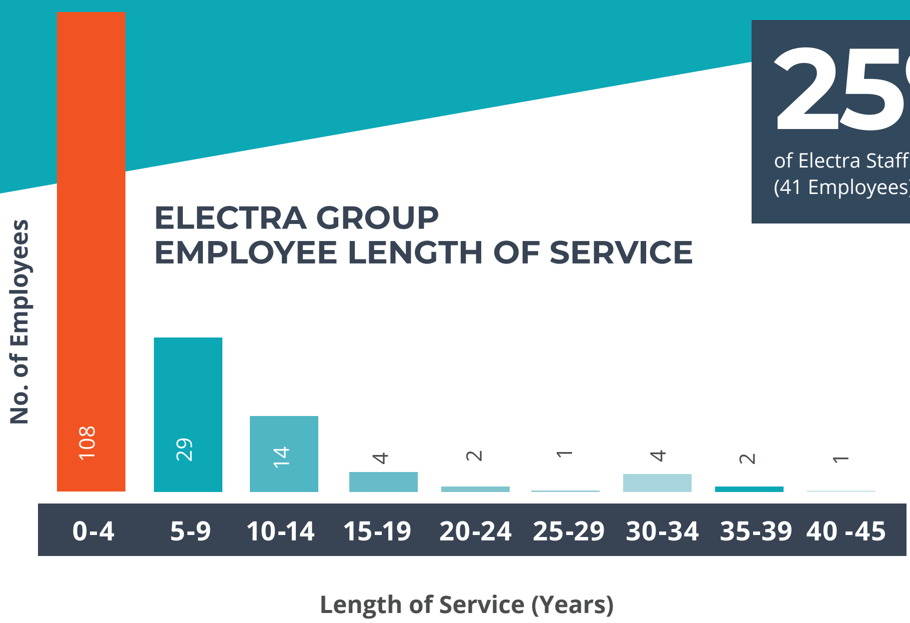
25%

of Electra Staff are Female.
(41 Employees)

75%

of Electra Staff are Male.
(124 Employees)

ELECTRA GROUP EMPLOYEE LENGTH OF SERVICE



CELEBRATING SUCCESS

At Electra we love to celebrate the success of our people and teams. We are proud to acknowledge two significant achievements in 2017.

SkyComms
Australasian Recognition

At the Huawei NZ and Australian Partner Convention and Awards in Sydney in August 2017, SkyComms were presented with the Best Quality Award for the work they have undertaken on the 2degrees mobile network. This was a significant achievement given the level of competition and the leading edge work being carried out across Australia and New Zealand.

OUR PEOPLE BY THE NUMBERS

165

ELECTRA GROUP EMPLOYEES

As at 31 March 2018 we employed 165 people across the Electra Group, comprising Electra Limited (103), Electra Services Limited (31) and Sky Communications Limited (31).

7,713

TRAINING HOURS COMPLETED

In the year to 31 March 2018 our Electra staff (excluding SkyComms staff) completed 7,713 hours of training. That's an average of 55 hours of training per staff member.

100%

FIELD CREW COMPETENCY

In 2017 we celebrated 100% competency with our field crew on their EWRB assessments – our best ever result.

40

YEARS OF SERVICE

In 2017 Tony Mazur, our Paraparaumu-based Contract Supervisor, celebrated 40 years of work with Electra. We were excited to celebrate this significant achievement with Tony and walk down memory lane with him as we reflected on the roles and key work programmes he has provided a valuable contribution to over his time with Electra.

4

NEW TRAINEES WELCOMED

At Electra we look to develop our own talent through our apprenticeship programme. In 2017 we were pleased to welcome four new Trainee Line Mechanics to our company.

9

NATIONAL CERTIFICATES ACHIEVED

During the year five Line Mechanic Trainees completed their National Certificate Electricity Supply (Line Mechanic) Level 4, while four of our Arborists completed their National Certificate in Electricity Supply (Utility Arborist) Level 2 and Level 3 (enabling our Arborists to work in the close vicinity of power lines).

Bronnie Taylor
Security Consultant of the Year

The New Zealand Security Industry Awards recognise excellence and outstanding service delivery and performance by those who work within the security industry. In August 2017 our very own Bronnie Taylor, Central North Island Territory Sales Manager for Securely since 2015, was named Security Consultant of the Year. In presenting Bronnie with the Award, the judges noted that Bronnie "is a relentless advocate for all customers and drives the business to find adaptive solutions to meet individual needs."

OUR FIRST PRIORITY IS TO

KEEP OUR PEOPLE SAFE

At Electra, health and safety is a shared responsibility, a core business function, our number one rated risk and a company value. It is a key focus at our Board and senior leadership level, and is actively promoted through our management teams to individual staff members.

Being safe at work not only positively affects our people, it also ensures the wellbeing of our contractors, our consumers and the general public.

As a major strategic priority, we are committed to improving our health and safety performance through a process of continuous improvement with the ultimate aim being to achieve zero harm.

Health and Safety and Wellness Committees ensure that further improvements are identified and implemented throughout our business.

Over the last two years we have made significant progress in developing systems and processes to better ensure the health and wellbeing of everyone we interact with; from better planning and reporting systems and processes, to access to relevant information and training to improve awareness and competence.

While we experienced some lost time injuries over the last year, we have continued to focus on this key aspect of our business, implementing initiatives to continuously improve our safety culture and performance. These operational changes and staff participation programmes saw improved performance resulting in an 11% improvement outcome, versus a 10% continuous improvement target.

Despite our best efforts and zero harm goals, sometimes things go wrong and people are hurt. When this happens, we have systems in place to make sure our people are well cared for and do not return to work until they are completely fit to do so, including maintaining 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.

CARING FOR OUR PEOPLE

Creating a safe working environment is fundamental to any organisation. World class organisations look to go above and beyond their regulatory and legal requirements and provide support and assistance to staff that keeps them healthy as well as safe.

Ensuring the health and wellbeing of our people is a core focus at Electra. The importance we place on staff wellbeing is reflected in the dedicated Wellness Committee that we have created with representatives selected from across our organisation.

We have worked with the Wellness Committee to develop a comprehensive staff wellness programme that includes:

- Undertaking free medical examinations with field staff
- Offering all staff free voluntary mole checks with an occupational nurse
- Free annual influenza vaccinations
- Implementing a formal drug and alcohol programme including random testing and support mechanisms for staff who produce positive test results
- Access to subsidised medical insurance through Southern Cross
- Access to discounted death and disability insurance
- Access to EAP (Employee Assistance Programme) for all Electra staff and their families
- Providing regular first aid training, including the use of defibrillator equipment, and
- Access to defibrillators at Electra premises and in field vehicles.

ARE YOU OK?

Each year we focus on a specific aspect of staff wellbeing. In 2017 we chose to highlight mental health to increase staff awareness and understanding, and remove the stigma often associated with mental illness. Presentations by EAP were delivered at our half-year safety/training days and were very well received by staff.

9

LOST TIME INJURIES
Through the improvements we have made in our health and safety practices we were able to achieve our annual target of <10 lost time injuries.

20%

GP REFERRALS
In 2017 voluntary mole checks were carried out with staff. Of those team members who participated, 20% needed urgent and semi-urgent referral recommendations to their own GPs for follow up consultation and/or treatment.

> *Just like our customers know they can count on our businesses being open 7 days a week, 364 days of the year for hot food and drinks, cold beer, and a welcoming environment; we know we can count on Electra to deliver a reliable electricity supply that helps make this possible."*

SALT AND WOOD COLLECTIVE
TODD CAMERON, CO-OWNER

FUTURE OUTLOOK

The Kapiti Horowhenua region has begun to reap the benefits of the significant infrastructure projects along the north western corridor from Wellington, and this stimulus is expected to continue for the next two decades.

As well as the direct economic benefits from these projects in terms of employment and local investment, greater accessibility to our districts is driving additional investment in economic growth and urban development as the improved connectivity between our districts and the greater Wellington region encourages more people and businesses to locate to the Kapiti and Horowhenua region. The large number of new connections to our network over the last year is a clear indicator that the expected economic boost from these projects is well underway.

Further economic impetus is expected to be delivered to the region when phase two of the Expressway project (Pekapeka to Otaki) and the Transmission Gully Motorway opens to the public in 2020, providing even better access from our region to Wellington.

Economic growth is strengthening with annual GDP growth across the district (4.5% in Horowhenua and 4.9% in Kapiti) significantly above the national average (2.8%).

With the region's population expected to exceed 100,000 by 2043, residential development will be a key driver of growth across both the Kapiti and Horowhenua districts. We are already seeing a lift in new residential building permits (450 new permits in 2017) and large residential subdivision developments will ensure a steady flow of new housing across our region for the next decade and beyond.

Alongside strong residential growth, the local economy is also experiencing significant upward movement. There was a 173% increase in the value of non-residential building consent work in Kapiti in 2017 as the benefits of phase one of the Kapiti Expressway project began to be realised. This financial stimulus not only positively impacts the construction sector, it also generates employment opportunities and leads to an increase in retail spending.

It is expected that the Horowhenua district will experience similar growth as the benefits delivered from the northern western corridor roading projects begin to spread to our northern districts.

At the same time the economic environment will be shaped by industry, government and technology trends which will disrupt traditional business models and encourage innovation and adaptation. Our own business is embracing smart technologies to enable better decision making, communication and management of assets. Meanwhile disruptive technologies such as electric vehicles and solar photovoltaics continue to challenge traditional network models and how they interact with, and deliver value to, the communities in which they operate.

As always, we continue to work closely with the councils and businesses throughout our region to support and attract business growth and development.

At an energy level, the recent period of price stability should continue for the next few years with surplus generation capacity and flat demand growth nationally, coupled with intense retail competition.

CORPORATE GOVERNANCE

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 2018.

Principal activities

The Group's principal activities during the year were:

- to be a successful electricity line owner and operator maximising value for owners through competitive prices, quality and efficient operations;
- to operate a successful electricity network construction and maintenance contracting business; and
- to invest in business activities and projects that add value to the Group.

Group results and distributions	2018 $000	2017 $000
Continuing operations		
Gross operating revenue	**60,737**	58,903
Discount to consumers	**(7,700)**	(7,500)
Other expenses	**(48,948)**	(49,636)
Profit before tax	**4,089**	1,767
Income tax (expense)	**(923)**	(757)
Net profit for the year from continuing operations*	**3,166**	1,010
Discontinued operations		
Profit / (loss) for the year from discontinued operations	**573**	(218)
Profit for the year	**3,739**	792
Dividend	**(300)**	(300)
Retained earnings brought forward	**70,298**	69,806
Retained earnings carried forward	**73,737**	70,298

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

Directors' interests

Directors have declared interests in transactions with the Company during the year as set out in note 21 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 meeting held on 28 July 2017 Mrs Shelly Mitchell-Jenkins and Mr Chris Dyhrberg resigned by rotation and were re-appointed as Directors to the Electra Limited Board.

Messrs Russell Longuet and Neil Mackay will retire from the Board at the annual meeting of the Company by rotation. Mr Russell Longuet will have completed 10 years' service and will not be seeking re-election. Mr Neil Mackay will have completed 11 years' service and offers himself for re-election for a one year term. An extension of Mr Neil Mackay to a 12 years term will require a special resolution by the Trust.

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.

Neil Mackay
Chair
7 June 2018

Shelly Mitchell-Jenkins
Director
7 June 2018

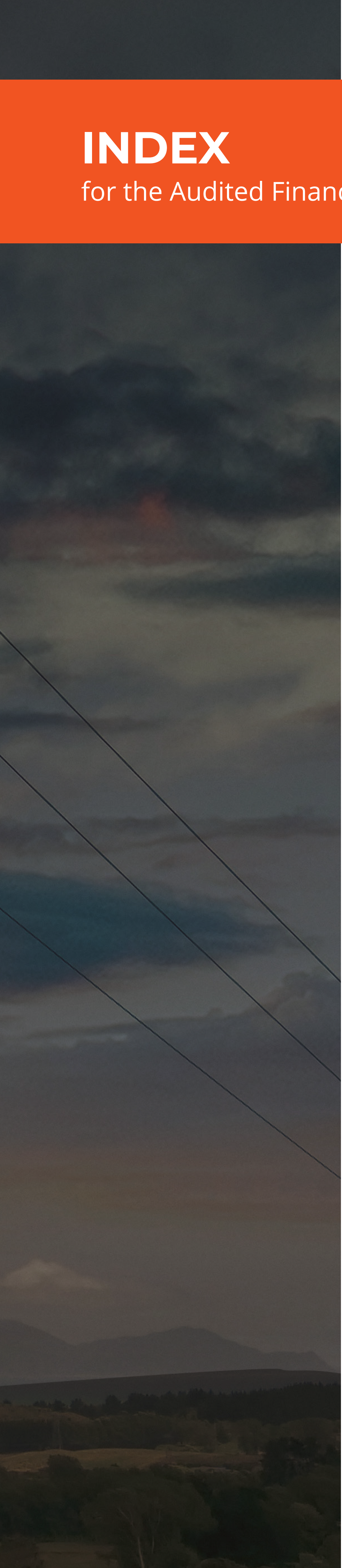
Performance highlights

The following performance measures are disclosed in accordance with the Ministry of Commerce Disclosure Regulations for Electricity Distribution Companies and the company's 2017/18 Statement of Corporate Intent.

	2018	2017	2016
Financial			
Total gross operating revenue ($000)	**60,737**	58,903	57,000
Revenue from discontinued operations	**3,657**	7,537	7,626
Discount issued ($000) excl GST	**7,700**	7,500	7,711
Profit (after tax) ($000) *	**3,739**	792	259
Total assets ($000)	**216,877**	212,799	210,331
Total shareholders' funds ($000)	**141,085**	137,760	138,099
Shareholders' funds to total assets	**65%**	65%	66%
Net asset backing per share	**$5.77**	$5.63	$5.64
Network – Parent			
GWh sold (GWh)	**405.2**	403.8	409.2
Loss ratio	**8.16%**	6.87%	6.76%
Load factor	**48%**	48%	47%
Capacity utilization	**33%**	33%	33%
Maximum demand (MW)	**104**	104	107
Circuit kilometers (kms)	**2,276**	2,248	2,256
Transformer capacity (kVA)	**332,374**	331,074	328,939
Supply area (sq kms)	**1,628**	1,628	1,628
Operating costs per kilometre	**$5,398**	$4,963	$4,783
Capital expenditure cost per kilometre	**$5,486**	$5,554	$6,543
Consumer Information - Parent			
Number of consumers	**44,593**	44,159	43,671
Average kWh sales per consumer	**9,127**	9,144	9,370
Operating costs per consumer	**$277**	$253	$247
Capital expenditure cost per consumer	**$281**	$283	$338
Discount issued per consumer (incl. GST) (Average)	**$199**	$195	$202
Network Reliability - Parent			
System Average Interruption Duration Index (SAIDI)	**121.7**	89.3	100.1
System Average Interruption Frequency Index (SAIFI)	**2.08**	1.50	1.16
Consumer Average Interruption Duration Index (CAIDI)	**58.5**	59.5	86.6
Faults per 100km line (number)	**15.7**	15.1	8.8
Personnel - Group: No. of employees			
- Electra Limited	**103**	97	90
- Electra DNZ Limited	-	23	27
- Electra Energy Limited	**-**	-	9
- Electra Generation Limited	**-**	-	-
- Electra Services Limited	**31**	21	12
- Sky Communications Limited	**31**	29	28

* Includes goodwill impairment cost of ($0.2m) (2017: (3.0m) and 2016: ($2.7m))

FINANCIAL STATEMENTS



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for the Audited Financial Statements

The Group Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2018

Continuing operations*	Note	2018 $000	2017 $000
Revenue			
Sales - Distribution		**44,054**	41,564
Sales - Contracting		**12,804**	12,626
Interest revenue		**342**	312
Other income		**3,537**	4,401
Total gross revenue		**60,737**	58,903
Discount to customers		**(7,700)**	(7,500)
Total operating revenue	1	**53,037**	51,403
Expenses			
Interest expense		**(1,096)**	(962)
Other expenses	2	**(47,852)**	(48,674)
Total operating expenses		**(48,948)**	(49,636)
Profit before tax		**4,089**	1,767
Income tax (expense)	4	**(923)**	(757)
Profit for the year from continuing operations		**3,166**	1,010
Discontinued operations			
Profit / (loss) for the year from discontinued operations	**3**	**573**	(218)
Profit for the year		**3,739**	792
Other comprehensive income			
Foreign exchange reserve increment / (decrement)		**30**	(1)
(Decrement) on disposal of revalued assets		**(200)**	(1,153)
Income tax benefit relating to components of other comprehensive income	4	**56**	323
Other comprehensive (loss) for the year net of tax		**(114)**	(831)
Total comprehensive profit / (loss) for the year net of tax		**3,625**	(39)

* Discontinued operations have been separated out

The notes on pages 58 to 78 form part of these financial statements.

The Group Consolidated Statement of Changes in Equity for the Year Ended 31 March 2018

	Note	Issued Capital	Asset Re-valuation Reserve	Foreign Currency Translation Reserve	Retained Earnings	Attribut-able to owners	Total
		$000	$000	$000	$000	$000	$000
Balance at 1 April 2016		**18,000**	**50,322**	**(29)**	**69,806**	**138,099**	**138,099**
Profit for the year		-	-	-	792	792	792
Disposal of revalued assets		-	(1,153)	-	-	(1,153)	(1,153)
Other comprehensive profit for the year net of tax		-	323	(1)	-	322	322
Total comprehensive profit / (loss) for the year		**-**	**(830)**	**(1)**	**792**	**(39)**	**(39)**
Dividends paid	12	-	-	-	(300)	(300)	(300)
Balance at 31 March 2017		**18,000**	**49,492**	**(30)**	**70,298**	**137,760**	**137,760**
Balance at 1 April 2017		**18,000**	**49,492**	**(30)**	**70,298**	**137,760**	**137,760**
Profit for the year		**-**	**-**	**-**	**3,739**	**3,739**	**3,739**
Disposal of revalued assets		**-**	**(200)**	**-**	**-**	**(200)**	**(200)**
Other comprehensive profit for the year net of tax		**-**	**56**	**30**	**-**	**86**	**86**
Total comprehensive profit / (loss) for the year		**-**	**(144)**	**30**	**3,739**	**3,625**	**3,625**
Dividends paid	12	-	-	-	(300)	(300)	(300)
Balance at 31 March 2018		**18,000**	**49,348**	**-**	**73,737**	**141,085**	**141,085**

The notes on pages 58 to 78 form part of these financial statements.

The Group Consolidated Statement of Financial Position as at 31 March 2018

	Note	2018	2017
ASSETS		**$000**	$000
Non-current assets			
Property, plant and equipment	5	**198,903**	196,293
Goodwill and intangible assets	6	**4,806**	3,298
Investment	18	**1,500**	1,500
Total non-current assets		**205,209**	201,091
Current assets			
Cash and cash equivalents		**1,429**	714
Receivables and prepayments	7	**7,708**	8,472
Finance receivables	8	**1,500**	1,544
Inventories and work in progress	9	**1,031**	978
Total current assets		**11,668**	11,708
Total assets		**216,877**	212,799
LIABILITIES			
Non-current liabilities			
Debt finance	17	**-**	12,900
Deferred tax liability	4	**32,234**	31,917
Total non-current liabilities		**32,234**	44,817
Current liabilities			
Debt finance	17	**38,200**	22,700
Trade and other payables	10	**5,358**	7,522
Total current liabilities		**43,558**	30,222
Total liabilities		**75,792**	75,039
Net assets		**141,085**	137,760
EQUITY			
Share capital	11	**18,000**	18,000
Reserves		**49,348**	49,462
Retained earnings		**73,737**	70,298
Total equity		**141,085**	137,760

The Board of Electra Limited authorised these financial statements for issue on 7 June 2018.

Neil Mackay
Chair

Shelly Mitchell-Jenkins
Director

The notes on pages 58 to 78 form part of these financial statements.

The Group Consolidated Statement of Cash Flows for the Year Ended 31 March 2018

	Note	2018 $000	2017 $000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		**56,014**	55,101
Finance receivables		**394**	292
Other interest received		**13**	16
		56,421	55,409
Cash was applied to:			
Payments to suppliers and employees		**(41,284)**	(42,589)
Interest paid		**(1,191)**	(970)
Tax paid		**(1,899)**	(1,837)
		(44,374)	(45,396)
Net cash flows from operating activities	16	**12,047**	10,013
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		**42**	82
Proceeds from sale of business	20	**1,824**	-
		1,866	82
Cash was applied to:			
Purchase of property, plant and equipment and intangible assets		**(13,398)**	(13,484)
Capitalised interest on construction of property, plant and equipment	5	**(100)**	(222)
Purchase of business	19	**(2,000)**	(763)
		(15,498)	(14,469)
Net cash flows to investing activities		**(13,632)**	(14,387)
Cash flows from financing activities			
Cash was provided from:			
Loans raised		**2,600**	4,000
		2,600	4,000
Cash was applied to:			
Payment of dividends	12	**(300)**	(300)
		(300)	(300)
Net cash flows from financing activities		**2,300**	3,700
Net increase / (decrease) in cash and cash equivalents held		**715**	(674)
Add opening cash and cash equivalents brought forward		**714**	1,388
Ending cash and cash equivalents carried forward		**1,429**	714

The notes on pages 58 to 78 form part of these financial statements.

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 5	Property, plant and equipment
Impairment of goodwill	Note 6	Goodwill and intangible assets
Provision for doubtful debts	Note 8	Finance receivables

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

Significant Accounting Policies

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

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 2017.

Construction Contracts

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

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

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

Impairment of Assets

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

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

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

The recoverable amount is the higher of fair value (less the costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

New and Revised Standards and Interpretations

The following new or revised Standards or Interpretations issued are not required to be adopted by entities preparing financial statements for periods ending on 31 March 2018.

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

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

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

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
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

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

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

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

1 Revenue

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. This revenue is reduced by any proposed sales discount to customers. 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.

Contracting revenue

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

Interest revenue

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

Other income mainly comprises of:

Transfer of assets from customers

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

Insurance proceeds

Insurance proceeds comprises of compensation for insured items of property, plant and equipment, that were damaged.

This revenue is recognised when the compensation becomes receivable.

Electricity income

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

Other income*

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

** Discontinued operations have been separated out*

2 Other expenses*

	2018	2017
	$000	$000
Transmission charges	11,439	10,826
Remuneration of auditors	195	250
Bad debts	27	110
Change in provision for doubtful debts	(20)	139
Depreciation and amortisation expenses	10,397	10,008
Impairments	407	2,957
Employee benefits expense	10,030	8,820
Inventory expense	4,554	4,200
Contractors	1,453	1,886
Vehicle expenses	849	733
Other expenses	8,521	8,745
	47,852	48,674

Remuneration of auditors*

	2018	2017
	$000	$000
Audit of the financial statements	142	202
Audit related services [1]	53	48
	195	250

** Discontinued operations have been separated out*

3 Discontinued operations

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

Analysis of the profit for the year from discontinued operations

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

	2018	2017
Profit / (loss) for the year from discontinued operations	$000	$000
Revenue	3,657	7,537
Expenses*	(3,447)	7,786
Profit / (loss) before tax	210	(249)
Attributable income tax expense	(112)	31
	98	(218)
Gain on disposal of operations (see note 20)	475	-
Attributable income tax expense	-	-
Profit / (loss) for the year from discontinued operations	573	(218)
Cash flows from discontinued operations		
Net cash inflows from operating activities	644	130
Net cash inflows / (outflows) from investing activities	1,452	(394)
Net cash (outflows) / inflows from financing activities	(2,268)	50
Net cash (outflows)	(172)	(214)

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

4 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	**2018**	2017
	$000	$000
Profit before tax from continuing operations	**4,089**	1,767
Tax @ 28%	**1,145**	495
Tax effect of:		
Permanent differences	**(88)**	644
Prior year adjustment	**(134)**	(382)
Tax expense from continuing operations	**923**	757
Tax expense comprised of:		
Current tax expense	**1,173**	1,702
Deferred tax benefit*	**(250)**	(945)
Total tax expense from continuing operations	**923**	757

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

Deferred Tax

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

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

5 Property, plant and equipment

Ⓟ The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an income (present value) approach. The fair values are recognised in these 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

	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Other capital work in progress at cost	**Total**
Cost	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Balance as at 1 April 2016	193,202	3,919	8,279	5,828	5,435	216,663
Additions	1,591	44	950	1,271	11,058	14,914
Disposals	(2,245)	(19)	(427)	(439)	-	(3,130)
Transfer to / (from) capital work in progress	14,537	-	183	100	(14,820)	-
Balance as at 31 March 2017	**207,085**	**3,944**	**8,985**	**6,760**	**1,673**	**228,447**
Balance as at 1 April 2017	207,085	3,944	8,985	6,760	1,673	228,447
Additions	419	-	458	1,124	11,596	13,597
Disposals	(717)	(57)	(955)	(517)	-	(2,246)
Transfer to / (from) capital work in progress	10,730	-	800	-	(11,530)	-
Balance as at 31 March 2018	**217,517**	**3,887**	**9,288**	**7,367**	**1,739**	**239,798**

	Distribution plant & equipment (incl. land & buildings) at valuation	Other land & buildings at cost	Other plant & equipment at cost	Motor vehicles at cost	Other capital work in progress at cost	**Total**
Depreciation and impairment losses						
Balance as at 1 April 2016	(16,433)	(325)	(3,833)	(2,796)	-	(23,387)
Depreciation charge	(8,328)	(74)	(875)	(501)	-	(9,778)
Write back on disposals	517	-	166	328	-	1,011
Balance as at 31 March 2017	**(24,244)**	**(399)**	**(4,542)**	**(2,969)**	**-**	**(32,154)**
Balance as at 1 April 2017	(24,244)	(399)	(4,542)	(2,969)	-	(32,154)
Depreciation charge	(8,247)	(85)	(890)	(540)	-	(9,762)
Write back on disposals	168	39	666	405	-	1,278
Impairment	-	-	(257)	-	-	(257)
Balance as at 31 March 2018	**(32,323)**	**(455)**	**(5,023)**	**(3,104)**	**-**	**(40,895)**
Carrying amounts						
Balance as at 31 March 2017	182,841	3,545	4,443	3,791	1,673	196,293
Balance as at 31 March 2018	**185,194**	**3,442**	**4,265**	**4,263**	**1,739**	**198,903**

E

Revaluation and impairment review

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

The Group's distribution assets (excluding land and buildings) and the electricity distribution network underwent a fair value assessment in March 2017 by Richard Krogh, of independent valuers Energia Limited, using an income (present value) approach. This approach was considered to be the most appropriate valuation technique given the current electricity industry environment and the availability of input data. The Group adopted this valuation as the value of the assets is within the fair value range as calculated by Richard Krogh and no revaluation adjustments have been made.

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

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

P

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.

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

6 Goodwill and intangible assets

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

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

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

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

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

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.

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

E Determining whether there has been impairment in relation to goodwill requires an assessment of the value in use of the cash generating 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 value. The directors believe that any reasonably possible change in key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

Electra Generation Limited

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five year period terminal value, and a discount rate of 8.5% (2017: 8.5%) per annum. Electra performs annual impairment testing on this goodwill which resulted in an impairment of $150,000 in the current year (2017: nil).

Electra Services Limited

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

7 Receivables and prepayments

P *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.*

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

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

8 Finance receivables

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

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

Bad debts and doubtful debts provisioning

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

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

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

9 Inventories and work in progress

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.

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

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

10 Trade and other payables

Trade payables

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.

	2018 $000	2017 $000
Trade payables	**3,057**	3,994
Other payables	**759**	1,216
Accruals	**587**	970
Liabilities in respect of employee entitlements	**955**	1,342
	5,358	7,522

Judgement has been exercised in calculating estimates for retiring gratuities.

11 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.

	2018	2017
	000	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

12 Dividends

	2018	2017
	$000	$000
Dividends paid	**300**	300
Cents per share	**1.23**	1.23

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 4 May 2018.

13 Commitments

Capital commitments

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

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

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

14 Rental and leases

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	2018 $000	2017 $000
No later than one year	**456**	580
Later than one year and not later than five years	**973**	1,142
Later than five years	**520**	1,033
	1,949	2,755

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

15 Contingent liabilities

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

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

16 Statement of cash flows

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.

	2018 $000	2017 $000
Reported profit after tax	**3,739**	792
Add / (less) non-cash items:		
Goodwill impairment	**150**	2,957
Depreciation and amortisation	**10,534**	10,297
Doubtful debt provision movement	**(20)**	139
Deferred tax movement	**202**	1,293
Bad debts written off	**40**	110
Gain on sale of business operations	**(475)**	-
Gain on sale of customer base	**-**	(641)
Assets adjustment to income	**(1,038)**	(1,196)
Impairment of Property, Plant & Equipment	**257**	**-**
Loss on sale of Property, Plant & Equipment	**429**	645
Movements in working capital:		
(Decrease) in accounts payable and other provisions	**(2,121)**	(2,687)
Decrease / (Increase) in receivables	**763**	(1,470)
(Increase) in inventory	**(413)**	(226)
Net cash inflow from operating activities	**12,047**	10,013

17 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 and performing credit evaluations on customers requiring advances.

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

The above maximum exposures are gross of any recognised provision for losses on these financial assets. No collateral is held on the above amounts. The trade receivables are within their contractual terms and are considered to be collectible. In accordance with the Group's Treasury policy Bank balances in short term deposits are made with registered banks. The registered banks currently have a credit rating of AA-.

Concentrations of credit risk

The 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 2018				
$000	Int Rate %	Total	0-12 mths	1-2 years
Financial assets				
Cash and cash equivalents	1.00	1,429	1,429	-
Trade and other receivables		7,519	7,519	-
Investment		1,500	1,500	-
Finance receivables		1,500	1,500	-
Total financial assets at amortised cost		**11,948**	**11,948**	**-**
Financial liabilities				
Trade and other payables		5,358	5,358	-
Debt finance	2.67 - 4.95	38,200	38,200	-
Total financial liabilities at amortised cost		**43,558**	**43,558**	**-**
As at 31 March 2017				
Financial assets				
Cash and cash equivalents	1.00	714	714	-
Trade and other receivables		8,508	8,508	-
Investment		1,500	1,500	-
Finance receivables		1,544	1,544	-
Total financial assets at amortised cost		**12,266**	**12,266**	**-**
Financial liabilities				
Trade and other payables		7,522	7,522	-
Debt finance	2.73 - 4.95	35,600	22,700	12,900
Total financial liabilities at amortised cost		**43,122**	**30,222**	**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 (2017: $49.85m) exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity. At balance date $38.2m had been drawn down (2017: $35.6m), maturing within one month after balance date. The Group uses the facility based on forecasted expectations in regards to it being able to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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

Contractual maturity analysis

Financial instrument maturity values by category

As at 31 March 2018

$000	Int Rate %	Total	On call	0-6 months	6-12 months	1-2 years	2+ years
Financial assets							
Cash and cash equivalents	1.00	1,429	1,429	-	-	-	-
Trade and other receivables		7,519	-	7,519	-	-	-
Investment		1,500	-	1,500	-	-	-
Finance receivables		1,500	-	1,500	-	-	-
Total financial assets		**11,948**	**1,429**	**10,519**			
Financial liabilities							
Trade and other payables		5,368	-	5,358	-	-	-
Debt finance	2.67 - 4.95	38,200	-	38,200	-	-	-
Total financial liabilities		**43,558**	**-**	**43,558**	**-**	**-**	**-**

As at 31 March 2017

Financial assets							
Cash and cash equivalents	1.00	714	627	87	-	-	-
Trade and other receivables		8,508	-	8,508	-	-	-
Investment		1,500	-	1,500	-	-	-
Finance receivables		1,544	-	1,544	-	-	-
Total financial assets		**12,266**	**627**	**11,639**	**-**	**-**	**-**
Financial liabilities							
Trade and other payables		7,522	-	7,522	-	-	-
Debt finance	2.73 - 4.95	35,600	-	22,700	-	12,900	-
Total financial liabilities		**43,122**	**-**	**30,222**	**-**	**12,900**	**-**

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 60% (2017:40%) of total assets.

(b) Bank Covenants

i. Ratio of EBIT (Group earnings before interest, taxation and customer discounts) to interest paid to be no less than 2.0 times.
ii. Annual Group consolidated statement of financial position and Group consolidated statement of comprehensive income to be provided within 120 days of balance date
iii. Interim accounts to be provided upon request
iv. Cash flow forecasts/budgets for the ensuing year to be provided to the bank upon request
v. Group equity to be maintained at no less than 35% of total tangible assets at all times

The Group has complied with all covenants during the year.

18 Interests held by Group

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Subsidiaries

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

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

Investments

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

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

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

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

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

19 Business combinations

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

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

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

Assets acquired and liabilities recognised at the date of acquisition	**2018 $000**
Current assets	
Trade and other receivables	34
Inventories	107
Non-current assets	
Customer List	1,845
Plant and equipment	14
Non-current liabilities	
Deferred tax liability	(517)
	1,483

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

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

20 Disposal of operations

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

	2018 $000
Consideration received	
Consideration received in cash and cash equivalents	1,824
Total consideration received	**1,824**

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

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

21 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's products and services at market prices.

22 Key management personnel

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

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

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

23 Subsequent events

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

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

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

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

24 Operational targets

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

1) Asset Targets

Service Standards

Electra has service performance targets for its electricity lines business, such as responding to service requests within a specified time. These targets assist in driving continuous improvement and the measurement here is the number of non-performance to service standards where the specified time is exceeded. This target was not met in 2018 due to multiple faults.

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

Capital Ratio

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

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

Network Reliability

Electra aims to uphold a level of electricity network reliability (as defined by the Electricity Distribution Information Disclosure Determination 2012). These include factors of SAIDI (average duration of supply interruptions per connected consumer) and SAIFI (average number of supply interruptions per connected consumer). Both the SAIDI and the SAIFI targets were not met in 2018, mainly due to a tree impacting 33kV lines which caused a protection setting fault at the Paraparaumu substation in July 2017.

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

2) Profit Targets

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

	Actual	Target
Group Net Profit after Tax	$3.7m	$3.2m
Subsidiaries Net (Loss) after Tax	($0.1m)	$nil

3) Revenue Targets

Strong revenues will allow Electra to maintain discounts payments and positive returns. A key driver of revenue is the number of consumers in Electra's network. These targets were met in 2018.

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

4) People Targets

The Electra group holds targets for Lost Time Injuries (LTIs) such as work related recordable injury or illness resulting in lost time from work. This target was met in 2018.

	Actual	Target
Lost Time Injuries (LTI)	9	<10

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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 2018.

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 54 to 77, that comprise the consolidated statement of financial position as at 31 Mach 2018, 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 78.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its financial position as at 31 March 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2018.

Our audit was completed on 7 June 2018. This is the date at which our opinion is expressed.

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

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Responsibilities of the Board of Directors for the financial statements and the performance information

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

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

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

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

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

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

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

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

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to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 51 and pages 82 to 84, 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.

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	$80,000	-
J F Boshier	$40,000	-
C C Dyhrberg	$40,000	-
R G Longuet	$40,000	-
A I McCauley	$40,000	-
D L Masters	-	$1,250
S A Mitchell-Jenkins	$40,000	-
I A Wilson	$7,692	-
	$287,692	**$1,250**

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 21 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-18**	Year ended 31-Mar-17
$100,000 - $110,000	**11**	11
$110,001 - $120,000	**9**	7
$120,001 - $130,000	**6**	2
$130,001 - $140,000	**2**	2
$140,001 - $150,000	**4**	1
$150,001 - $160,000	**-**	1
$160,001 - $170,000	**2**	1
$170,001 - $180,000	**-**	1
$180,001 - $190,000	**1**	2
$190,001 - $200,000	**2**	-
$210,001 - $220,000	**1**	2
$220,001 - $230,000	**1**	-
$230,001 - $240,000	**1**	-
$250,001 - $260,000	**-**	1
$280,001 - $290,000	**1**	-
$290,001 - $300,000	**-**	1
$300,001 - $310,000	**1**	1
$310,001 - $320,000	**1**	-
$410,001 - $420,000	**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 (2017: 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

Directors

Electra Limited

N F Mackay (Chair), BCA
C C Dyhrberg, BCom, LLB, MInstD
S A Mitchell-Jenkins, BBS, FCA, CMInstD
J F Boshier, FEngNZ, ME, MBA
R G Longuet, BE (Elec)
A I McCauley, BCA, MBA, PGDFA, CMInstD

SkyComms Australia PTY Limited

D L Masters, AICD

Executive

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

Electra Trust Trustees

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

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 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 27 July 2018 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

Company Secretary
7 June 2018

Any member of the Company entitled to attend and vote at the Annual 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