MEPT
MARLBOROUGH ELECTRIC POWER TRUST

Consolidated Financial Statements for the year ended 30 June 2017

Table of Contents

Table of Contents

Marlborough Electric Power Trust

DIRECTORY

Date of Incorporation:	1 May 1993
Nature of Trust:	Electricity Consumer Investment Trust
TRUSTEES:	Malcolm Aitken Clive Ballett John Cuddon Walter Ross Inder (Deputy Chair) Ian Martella (Chairman) Nicki Stretch
SECRETARY:	Brenda Munro
BENEFICIAIRES:	Power Consumers of Marlborough
ADDRESS:	PO Box 1025, Blenheim 7240
AUDITORS:	Deloitte PO Box 248 Christchurch 8013
BANKERS:	Westpac Queen St, Blenheim

NOTICE OF ANNUAL PUBLIC MEETING

Notice is hereby given that the Annual Public Meeting of the Beneficiaries of the Marlborough Electric Power Trust will be held at the St John's rooms Seymour Street, Blenheim on Thursday 21st December 2017 at 10.00am.

Ordinary Business

1. To receive and consider the annual reports of the Chairman and Trustees, the Statement of Accounts and Auditors report for the year ended 30 June 2017.

2. To appoint the auditor and to fix their remuneration

3. General Business:
   - request Marlborough Lines to give a report on the year
   - take questions from the public

Chairman's Report

Earlier this year Ross Inder stepped down as Chair of the Trust to allow for a successor. I would like to thank Ross for his past leadership and continuing support, and also my fellow Trustees for their support and confidence in voting me as Chair.

During the year the Trustees established a Strategic Plan focusing on 4 outcomes:

- Our beneficiaries (ICP holders) are actively engaged with the Trust
- The value of our investment in Marlborough Lines is protected and continually enhanced
- We operate in a transparent, legal and effective manner
- Tangible benefits are returned to beneficiaries whilst maintaining a focus on the Trusts future

These outcomes will be achieved by focusing in several areas, including communication and engagement with beneficiaries.

With this in mind, the Trust has a refreshed website (www.mept.co.nz) designed with a more user-friendly approach in mind. Regular news items and relevant information will be added to the website to keep beneficiaries informed. We have also developed a Q&A page to answer those questions we hear most often. This is an evolving website and we welcome feedback from our beneficiaries on what else they would like to see on it.

Marlborough Lines Limited continues to perform well and I would like to congratulate the Company Directors and Executive for their vision and leadership. Not only is the quality of the network impressive, the investments and financial management have ensured the Company continues to provide discounts to many consumers and strong dividends to the Shareholders (Trustees). Given the network traverses some of the most beautiful yet difficult terrain that EDBs reticulate in NZ this is no small feat.

Part of ensuring trustees operate in a legal and effective manner is ensuring we keep abreast of industry developments. The Trustees have attended two Conferences over the past year held by Energy Trusts of New Zealand. Significant topics at both conferences included the new, emerging and disruptive technologies as well as the danger of stranded assets as a result of technology. Whilst it can be difficult to achieve a balance between maintaining current assets and allowing for future technologies, I continue to be impressed by the company's (Marlborough Lines Limited) attitude and performance in maintaining a solid and reliable network that achieves its main aim of supplying electricity to Marlborough.

Education for the trustees regarding their duties, powers and obligations as they relate to trust law and the terms of the deed under which we operate is an important aspect, as trustee duties cannot be taken lightly. This year the trustees were fortunate to secure a session with respected Barrister Peter Castle. Peter specialises in trust law and has significant knowledge of energy trust deeds having been party to them on conception. The particular session discussed the fundamentals of trust law and how it relates to a trustees core duties.

It is gratifying to see that investment and operational decisions made by Marlborough Lines Limited have resulted in healthy dividends being received by the Trust. This has in turn allowed trustees to grow the distributions made to Consumers (up from $50 to $150 in 2017). It is the current trustees hope that the benefits payable to Consumers will continue to grow over time. In time, it would be wonderful to see the level of distributions together with the company discount reach the equivalent of 2 months free electricity for the average household consumer.

At our last annual public meeting it was quite correctly pointed out that the meeting did not take place within four months of the end of the financial year as required by clause 12.8 of the Trust Deed.

The main purpose of a reporting meeting is to present the financial accounts and elect an Auditor. As it was not possible to have the financial accounts audited within the 4 month timeframe, the Trustees chose to hold the meeting once the audited financial accounts were available. This decision was made to avoid the additional cost and effort of holding two meetings. To correct this and a few other procedural matters the Trustees are undertaking a review of the Trust Deed and involving the beneficiaries through the "public consultative procedure."

Finally, I would like to thank my fellow Trustees for their continued support. Their approach to decision making in the best interests of the beneficiaries has been both collaborative and professional. I also need to thank the Trust's brilliant long serving Trust Secretary Brenda Munro, for her steady approach to all things trust related.

Kindest Regards

Ian Martella

MARLBOROUGH ELECTRIC POWER TRUST

Trustee sign off

The Trustees are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which materially reflect the financial position of the Marlborough Electric Power Trust and Group and the results of its operations and cash flows for the year ended 30 June 2017.

The Trustees consider that the financial statements of the trust and Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied, and supported by reasonable and prudent judgements and estimates and that all applicable New Zealand Equivalents to International Financial Reporting Standards have been followed.

The Trustees have responsibility for ensuring that proper accounting records have been kept, which enable with reasonable accuracy, the determination of the financial position of the trust and Group and enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Trustees have responsibility for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Trustees consider that adequate steps have been taken to safeguard the assets of the trust and Group and to prevent and detect fraud and other irregularities.

The Trustees are pleased to present the financial statements of the Marlborough Electric Power Trust and Group for the year ended 30 June 2017.

This report is dated 4th December 2017 and is signed in accordance with a resolution of the Trustees made pursuant to section 99 of the Electricity Industry Act 2010.

For and on behalf of the Board of Marlborough Electric Power Trust.

I Martella
Chairman

Trustee

MARLBOROUGH ELECTRIC POWER TRUST

Consolidated Statement of Comprehensive Income

For the 12 month period ended 30 June 2017

	Notes	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Continuing Operations			
Revenue	3	161,528	158,874
Operating Expenses	4	(138,404)	(124,739)
Customer Discounts		(8,186)	(11,545)
Operating surplus before non-recurring expenses		**14,938**	**22,590**
Non-recurring expenses - earthquake related asset impairment	5	(3,428)	-
Non-recurring expenses - earthquake related stock loss and costs	5	(6,384)	-
Operating surplus		**5,126**	**22,590**
Share of Equity Accounted Investments Net Surplus (Loss)	9	251	118
Net Fair Value Gain on Investment Property	10	-	461
Gain recognised on disposal of Available-For-Sale Financial Asset		-	838
EBITDA		**5,377**	**24,007**
Depreciation and Amortisation	6, 7	(9,947)	(12,375)
Financial Income	16	1,114	2,721
Financial Expenses	16	(2,207)	(8,355)
Realised/unrealised foreign exchange gains	16	942	2,347
Discount arising on acquisition of subsidiary	8	-	30,445
Profit Before Tax Expense		**(4,721)**	**38,790**
Tax Benefit/(Expense)	23	2,991	(2,523)
Net Profit for the Period		**(1,730)**	**36,267**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Net Fair Value Gain on Available-For-Sale Financial Assets		-	(838)
Net change in foreign currency translation reserve		(28)	(68)
Asset revaluation	6	70,142	-
Tax effect of asset revaluation	23	(9,740)	-
Other		32	-
Other Comprehensive Income Net of Tax		**60,406**	**(906)**
Total Comprehensive Income for the Period		**58,676**	**35,360**
Net profit for the period attributable to:			
Owners of the Company		(836)	30,200
Non-Controlling Interests	19	(894)	6,067
		(1,730)	36,267
Total comprehensive income for the period attributable to:			
Owners of the Company		50,836	29,293
Non-Controlling Interests	19	7,840	6,067
		58,676	35,360

The accompanying notes form an integral part of these financial statements.

MARLBOROUGH ELECTRIC POWER TRUST

Consolidated Statement of Changes in Equity

For the 12 month period ended 30 June 2017

	Group Share Capital	Group Revaluation Reserves	Group Retained Earnings	Non Controlling Interests	Group Total Equity
	$000	$000	$000	$000	$000
Balance at 1 April 2015	28,000	43,627	263,442	-	335,069
Total Comprehensive Income for the 15 month period					
Net Profit for the 15 month period	-	-	30,200	6,067	36,267
Other Comprehensive Income Net of Tax					
Disposal of Held for Sale Investments	-	(838)	-	-	(838)
Net change in Foreign Currency Translation Reserve	-	(68)	-	-	(68)
Total Comprehensive Income for the 15 month period	-	(906)	30,200	6,067	35,361
Transactions with Owners Recorded Directly in Equity					
Dividends/Distributions Paid to Equity Holders and Beneficiaries	-	-	(1,438)	(1,100)	(2,538)
Non-controlling Interest Arising on Acquisition (Note 19)	-	-	-	22,300	22,300
Balance at 30 June 2016 (15 Month Period)	**28,000**	**42,721**	**292,203**	**27,267**	**390,191**
Balance at 1 July 2016	28,000	42,721	292,203	27,267	390,191
Total Comprehensive Income for the 12 month period					
Net Profit for the 12 month period	-	-	(836)	(894)	(1,730)
Other Comprehensive Income Net of Tax					
Net change in Foreign Currency Translation Reserve	-	(10)	-	(18)	(28)
Net Change in Asset Revaluation Reserve	-	51,682	-	8,720	60,402
Other	-	-	-	32	32
Total Comprehensive Income for the 12 month period	-	51,672	(836)	7,840	58,676
Transactions with Owners Recorded Directly in Equity					
Dividends/Distributions Paid to Equity Holders and Beneficiaries	-	-	(3,830)	(794)	(4,624)
Movement in Non-controlling Interest	-	-	1,377	(6,952)	(5,575)
Balance at 30 June 2017 (12 Month Period)	**28,000**	**94,393**	**288,915**	**27,361**	**438,669**

The accompanying notes form an integral part of these financial statements.

MARLBOROUGH ELECTRIC POWER TRUST

Consolidated Statement of Financial Position

As at 30 June 2017

	Notes	Group 30 June 2017 $000	Group 30 June 2016 $000
Non-Current Assets			
Plant, Property and Equipment	6	460,855	375,198
Intangible Assets	7	2,538	2,834
Investments in Associates Accounted for Using the Equity Method	9	15,283	15,032
Investment Property	10	-	3,111
Total Non-Current Assets		**478,676**	**396,175**
Current Assets			
Cash and Cash Equivalents		15,323	7,392
Short-Term Investments		22,375	32,000
Income Tax Receivable		1,755	1,278
Trade and Other Receivables	11	34,383	28,407
Inventories	12	78,232	86,838
Derivatives	21	1,099	2,144
Investment Property Held-For-Sale	10	3,111	-
Property, Plant and Equipment Held-For-Sale		2,228	61
Total Current Assets		**158,506**	**158,120**
Total Assets		**637,182**	**554,295**
Non-Current Liabilities			
Finance Lease Payable		-	26
Retirement Benefit Obligations		575	568
Deferred Tax Liability	23	53,470	48,608
Term Borrowings	15	75,000	75,000
Total Non-Current Liabilities		**129,045**	**124,202**
Current Liabilities			
Trade and Other Payables	13	37,126	23,279
Finance Lease Payable		192	454
Employee Entitlements	14	2,971	2,633
Derivatives	21	2,079	4,286
Term Borrowings	15	27,100	9,250
Total Current Liabilities		**69,468**	**39,902**
Equity			
Share Capital	17	28,000	28,000
Revaluation Reserves and FCTR	18	94,393	42,721
Retained Earnings		288,915	292,203
Equity Attributable to Owners of the Company		411,308	362,924
Non-Controlling Interests	19	27,361	27,267
Total Equity		**438,669**	**390,191**
Total Equity and Liabilities		**637,182**	**554,295**

The accompanying notes form an integral part of these financial statements.

MARLBOROUGH ELECTRIC POWER TRUST

Consolidated Statement of Cash Flows

For the 12 month period ended 30 June 2017

	Note	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Cash Flows from Operating Activities			
Receipts From Customers		159,890	164,980
Receipts From Associates		190	223
Interest Received		1,114	2,721
Dividends Received		900	1,118
Payments to Consumers, Suppliers and Employees		(125,023)	(133,253)
Interest Paid		(4,694)	(3,770)
Income Tax Paid		(2,362)	(5,713)
Net Cash generated from Operating Activities	26	**30,015**	**26,306**
Cash Flows from Investing Activities			
Proceeds from Sale of Plant, Property and Equipment		4,329	447
Acquisition of subsidiary		-	(115,987)
Cash acquired on acquisition		-	7,024
Sale of Investments		-	15,312
Purchase of Plant, Property and Equipment		(42,318)	(32,261)
Purchase of Intangible Assets		(271)	(558)
Net Cash used in Investing Activities		**(38,260)**	**(126,023)**
Cash Flows from Financing Activities			
Proceeds from Borrowings		151,250	109,622
Repayment of Borrowings		(133,400)	(100,372)
Cash (paid to)/received from Non-Controlling Interest		(5,575)	22,300
Dividends Paid		(1,894)	(3,000)
Distributions to Beneficiaries		(3,830)	(1,438)
Net Cash generated from Financing Activities		**6,551**	**27,112**
Net (Decrease) / Increase in Cash and Cash Equivalents		(1,694)	(72,605)
Cash and Cash Equivalents at the beginning of the period		39,392	111,997
Cash and Cash Equivalents at the End of the Period		**37,698**	**39,392**

The accompanying notes form an integral part of these financial statements.

Statement of Accounting Policies

For the 12 month period ended 30 June 2017

Reporting Entity

Marlborough Electric Power Trust is a for-profit Electricity Consumer Trust incorporated in New Zealand. The Trustees hold the shares in Marlborough Lines Ltd in trust for the consumers supplied by Marlborough Lines Ltd in accordance with Clause 6 of the Trust Deed and hold income arising from the Trust fund to be dealt with in accordance with Clause 5 of the Trust Deed. Marlborough Lines Limited operates primarily in the field of electricity distribution and also undertakes ancillary contracting services in relation to the Marlborough regional electricity network.

The 'Group' for financial reporting purposes comprises:

- Marlborough Electric Power Trust (parent trust)
- Marlborough Lines Limited (100% owned company)
- Yealands Wine Group Limited (86% owned subsidiary)
- Seaview Capital Limited (100% owned holding company)
- Southern Lines Limited (100% owned holding company)
- Nelson Electricity Limited (50% owned associate company)

The Group's primary activities relate to electricity distribution in the upper South Island of New Zealand and the production of wine which is sold both nationally and internationally.

Statement of Compliance

The Group reports in accordance with Tier 1 for-profit accounting standards under XRB A1: Accounting Standard Framework. These financial statements have been also prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992.

Basis of Preparation

The functional currency for the Group is the New Zealand Dollar rounded to the nearest thousand. This is also the 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.

The Statement of Comprehensive Income and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST except for receivables and payables which include GST.

The financial statements have been prepared on the basis of historical cost except for the revaluation of certain items of plant, property and equipment, investment properties and financial instruments. Separate accounting policies are outlined in the notes to the financial statements regarding the valuation of these types of assets. Cost is based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value and value in use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including structured entities) controlled by the Trust and its subsidiaries. Control is achieved when the Trust: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Comparative Figures

These 30 June 2017 financial statements are comparing a 12 month period to a 15 month period. The 15 month period for the 2016 financial period for the Group includes only 12 months of results from Yealands Wine Group Limited as it was acquired on 1 July 2015.

Changes in Accounting Policies

There are no changes to significant accounting policies.

Key Judgements and Estimates

This Key Judgements and Estimates section provides information on the subjective assessments made by management that affect the reported results.

1 Key Judgements and Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

The key assumptions concerning the future and other key sources of estimation uncertainty at 30 June 2017, that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities are disclosed below. In summary they are:

Fair Value of Electricity Reticulation Network	Note 6	Plant, Property and Equipment
Fair Value of Land, Buildings, Vineyard Improvements and Bearer Plants	Note 6	Plant, Property and Equipment

1.1 Critical Accounting Estimate - Fair Value of Electricity Reticulation Network

The valuation of plant, property and equipment particularly in relation to the electricity distribution network has a material impact on the financial statements due to the sensitivities of the valuation methodology.

Electricity Reticulation Network assets belonging to Marlborough Lines Ltd were revalued as at 30 June 2016 to fair value using discounted cash flow methodology as assessed by independent valuer PricewaterhouseCoopers. The valuation carried out is consistent with NZ IAS 16: Property, Plant and Equipment, and in the absence of specific market evidence of relevance to Marlborough Lines Limited's network assets, the valuation was undertaken by way of discounted cash flow in order to establish fair value.

In order to derive the valuation a forecasting model was developed which incorporates the regulatory input methodologies. The model forecasts cash flows for a ten year period, and derives a terminal value for the cash flows beyond the ten year forecast. The resulting valuation has been expressed as a range based on the discount rate, and sensitivity analysis was conducted on the key input assumptions to test their impact on value.

Model Input	Key assumption	Sensitivity modelled	Impact on value
Revenue growth	Real price growth 0% Consumer growth 0.3% Volume growth per ICP 0%	5% movement in revenue	6.8% movement
Operating expenditure	Consistent with AMP	5% movement in opex	1.8% movement
Discount rate	6.0% to 6.5%	0.5% movement in rate	4.1% movement
RAB multiple	1.0 to 1.05	0.05 increase	3.7% movement

The carrying value of reticulation system assets was found to be within the valuation range and no adjustment was made for 2016.

In the current year management reviewed the key assumptions used in the 30 June 2016 valuation and found no reason to change the assessment of fair value.

1.2 Critical Accounting Estimate - Fair Value of Land, Buildings, Vineyard Improvements and Bearer Plants

Land and Buildings (not including reticulation system assets), Vineyard Improvements and Bearer Plants are revalued to fair value periodically by independent property valuers. Subsequent additions are recorded at cost. The assessments of value are all based on market conditions and market evidence available at the date of valuation and are carried out in accordance with NZ IAS 16: Property Plant and Equipment.

In the current year the properties owned by Yealands Wine Group Limited were subject to a valuation as at 30 June 2017 by external, independent property valuer Colliers International, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation basis was a market based direct comparison.

Key assumptions include the assessed value of the Seaview vineyard land and improvements ($131,600 per hectare) and the Seaview Winery which was valued on a Depreciated Replacement Cost basis at $19.3 million.

The fair value of the land, buildings, vineyard improvements and bearer plants was assessed at $173.6 million, resulting in a $70.6 million uplift on the 30 June 2017 carrying values.

1.3 Critical Accounting Estimate - Impairment

The Trustees are of the view that there is no significant impairment in value existing in relation to the carrying values at balance date following the addition of new purchases at cost, annual depreciation charges and disposals in the usual course of business.

Performance

This Performance section provides information on how the Group earned its revenue and provides a breakdown of operating expenditure. Also, as the Trust has opted to simplify its financial statements and display only consolidated Group results, the Parent Trust information has been provided as a note below to inform readers of how it has performed as an individual entity.

2 Parent Trust Information

Statement of Comprehensive Income
For the 12 month period ended 30 June 2017

	Parent Year to 30 June 2017 $000	Parent 15 Months to 30 June 2016 $000
Revenue		
Dividends Received	4,285	4,285
Interest	70	45
Other Income	4	1
	4,359	4,331
Expenditure		
Advertising	2	3
Auditor Remuneration	16	18
Consultancy and Director Appointment	7	21
Election Expenses	-	57
ETNZ Subscriptions and Conference Fees	25	23
Legal Expenses	-	5
Miscellaneous Expenses	13	2
Secretarial Expenses	53	63
Trustee Fees	146	179
Trustee Liability Insurance	12	14
	274	385
Profit/(Loss) Before Taxation	**4,085**	**3,946**
Distributions		
Customer Distribution	3,741	1,238
Omaka Aviation Heritage Centre	88	200
	3,829	**1,438**

Parent Trust Balance Sheet Information

	Parent 30 June 2017 $000	Parent 30 June 2016 $000
Total Assets	438,721	390,245
Total Liabilities	52	54
Net Assets	**438,669**	**390,191**

3 Revenue

	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Electricity Network Revenue	43,518	53,864
Wine Sales	107,459	95,245
External Contracting Revenue	4,515	4,531
Vested Assets	1,409	1,035
Dividends from Subsidiaries	-	
Dividends from Equity Accounted Associates	900	840
Dividends from other investments	-	278
Other Income	3,727	3,081
Operating Revenue	**161,528**	**158,874**

Accounting Policy - Revenue Recognition

Revenue comprises the fair value of consideration received for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

- Electricity Network Revenue is recognised when an entity in the Group has delivered the service to the buyer.
- Wine Sales are recognised when an entity in the Group has delivered to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer or at the Free on Board (FOB) port / delivery point or as otherwise contractually determined. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.
- External Contracting Revenue is recognised by reference to the stage of completion at balance date measured by progress invoices calculated on the basis of the percentage of the contract completed compared to the total estimated cost.
- Certain network extensions are gifted to companies in the Group in return for the company concerned assuming maintenance responsibility, and are classified as Vested Assets. In such cases the Company will capitalise the value of the asset at its fair value, being its current replacement cost and treat the difference between the actual cost to the Company and the fair value as income.
- Dividend revenue is recognised when the shareholder's right to receive payment is established.
- Revenue from the provision of contract wine processing services, included in Other Income, is recognised in the Statement of Comprehensive Income on a percentage of completion basis.

4 Expenditure

	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Profit before taxation has been arrived at after charging:		
Remuneration of Auditors - Audit of the Financial Statements	164	157
Remuneration of Auditors - 2016 financial period overruns	26	-
Remuneration of Auditors - Other Assurance Services	21	39
Remuneration of Auditors - Other Services	32	-
Directors' and Trustees' Fees	751	760
Bad Debts Written Off (Recovered)	37	61
Employee Benefits - Retirement Gratuities	39	115
Employee Benefits - Employer Superannuation Contributions	664	767
Educational Grants	31	28
Loss on Disposal of Plant, Property and Equipment	129	299
Rental and Operating Lease Expenses	875	887
Wine Cost of Sales	77,772	66,961
Wine Distribution and Selling Expenses	23,994	16,586
Other Operating and Administrative Expenses	33,869	38,079
	138,404	**124,739**

Explanatory Note - Impact of Acquisition Accounting on Wine Cost of Sales

Wine Cost of Sales in 2016 and to a lesser extent in 2017 have been affected by acquisition accounting requirements, with Inventory written up to fair value at the time of acquisition.

5 Non-recurring expenses

	Note	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Asset impairment - damaged tanks	6	3,428	-
Expenses incurred and stock loss		6,384	-
Earthquake related expenses		**9,812**	-

Explanatory Note - Impact of earthquake

As a result of the November 2016 Kaikoura Earthquake, Yealands Wine Group incurred costs in maintaining services and reinstating damaged facilities. As at 30 June 2017 the insurance claim was yet to be lodged and costs are on-going.

Long Term Assets

This Long Term Assets section provides information on the assets that create Group revenue and also the amounts spent on those assets.

6 Plant, Property and Equipment

Consolidated Group Cost or Valuation	Electricity Reticulation Network at Fair Value $000	Land at Fair Value $000	Buildings at Fair Value $000	Vineyard Improvements at Fair Value $000	Bearer Plants at Fair Value $000	Vehicles Plant and Equipment at Cost $000	Capital Work in Progress at Cost $000	Total $000
Balance as at 1 April 2015	369,716	8,639	20,332	-	-	17,507	2,294	418,488
Acquisition through business combination	-	35,475	13,686	34,141	5,401	37,519	-	126,222
Additions	11,589	6,194	1,631	1,182	-	9,473	5,225	35,294
Disposals	(2,354)	(231)	(234)	-	-	(1,285)	(2,294)	(6,398)
Balance as at 30 June 2016	378,951	50,076	35,415	35,324	5,401	63,214	5,225	573,606
Additions	6,743	4,352	2,720	5,893	633	13,790	11,958	46,088
Revaluation	-	35,790	4,319	19,642	6,827	-	164	66,742
Disposals/adjustments	(4,646)	(4,002)	(953)	1,328	1,386	(4,680)	(5,225)	(16,791)
Balance as at 30 June 2017	381,048	86,216	41,501	62,187	14,247	72,324	12,122	669,645
Accumulated Depreciation and Impairment								
Balance as at 1 April 2015	166,128	-	7,815	-	-	11,570	-	185,513
Disposals/Adjustments	(1,990)	-	(31)	-	-	(1,017)	-	(3,038)
Depreciation Expense	8,694	-	589	1,063	162	5,425	-	15,933
Balance as at 30 June 2016	172,832	-	8,373	1,063	162	15,978	-	198,408
Disposals/Adjustments	(3,997)	-	(121)	392	(2)	(2,224)	-	(5,952)
Depreciation Expense	7,084	-	536	1,377	168	5,726	-	14,891
Impairment	-	-	-	-	-	3,428	-	3,428
Impairment released	-	-	-	-	-	(813)	-	(813)
Revaluation - write back	-	-	(252)	(2,828)	(319)	-	-	(3,400)
Balance as at 30 June 2017	175,919	-	8,536	4	9	22,095	-	206,562
Net Book Value								
Balance as at 30 June 2016	206,119	50,076	27,042	34,261	5,239	47,236	5,225	375,198
Balance per above	205,129	86,216	32,965	62,183	14,238	50,229	12,122	463,083
Less Assets Held-For-Sale	-	(1,782)	(153)	(109)	(158)	(26)	-	(2,228)
Balance as at 30 June 2017	205,129	84,434	32,812	62,074	14,080	50,203	12,122	460,855

Depreciation relating to Yealands Wine Group Limited of $5.569 million (2016: $4.289 million) has been allocated to the cost of producing the following year's vintage and is included in the cost of inventory.

As at 30 June 2017 some assets of the Consolidated Group were subject to a registered general security agreement to secure bank loans (see Note 15).

Accounting Policy - Basis of Measurment

The electricity reticulation network is measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers based on the discounted cash flow methodology.

Land, buildings, vineyard developments and bearer plants are measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, and based on the comparable sales method.

The fair values are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings and electricity distribution network are not materially different from their fair values.

The Group's plant and equipment assets (including vehicles) are recorded at cost less depreciation.

Accounting Policy - Changes to Valuation

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the asset revaluation reserve (through Other Comprehensive Income), except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit and loss, in which case the increase is credited to the Statement of Comprehensive Income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged as an expense in profit or loss balance, if any, to the extent that it exceeds the held in the asset revaluation reserve relating to a previous revaluation of that asset.

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.

Accounting Policy - Depreciation
Depreciation is provided on plant, property and equipment, including freehold buildings but excluding land.

Depreciation is calculated on a straight line basis for buildings and electricity distribution assets so as to write off the cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Plant and equipment items are depreciated on a diminishing value basis so as to expense the cost of the assets over their useful lives.

The following estimated useful lives are used in the calculation of depreciation rates:

Category	Method	Useful Life
Buildings	Straight line over	40 to 70 years
Electricity Reticulation Network	Straight line over	15 to 70 years
Plant, Equipment and Motor Vehicles	Diminishing value basis	2 to 20 years
Vineyard Improvements	Straight line over	30 to 35 years
Bearer Plants	Straight line over	30 to 35 years

The cost of assets constructed by the Group includes all materials used in construction, direct labour, any capitalised interest and an allowance for overheads.

Accounting Policy - Impairment
The Group reviews the carrying value of its tangible assets at balance date to determine whether there is any indication that the assets (if any) 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. 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 to which the asset belongs.

Assets acquired subsequent to the adoption of the above valuations are recorded at the value of the consideration given to acquire the asset and the value of other directly attributed costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation.

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 profit and loss 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 profit and loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

The Group considers that the electricity network represents a single cash generating unit for the purposes of impairment assessment.

Explanatory Note - Impact of Fair Value Measurement on Asset Values

Carrying amounts of plant, property and equipment that are measured at fair value, are shown below as if they had been recognised under the cost model. Bearer plants were moved to fair value measurement in the current year after previously being valued at cost. This compares to their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses.

	Fair value category	**Fair value as at 30 June 2017 $000**	Fair value as at 30 June 2016 $000	**Historic cost value as at 30 June 2017 $000**	Historic cost value as at 30 June 2016 $000
Electricity Reticulation Network	Level 3	205,129	206,119	61,442	62,381
Land	Level 3	86,216	50,076	45,352	45,617
Buildings	Level 3	32,965	27,042	25,259	23,010
Vineyard Improvements	Level 2	62,183	34,261	42,545	35,324
Bearer Plants	Level 2	14,238	5,239	7,252	5,239
Total		400,731	322,737	181,850	171,571

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement. Level 3 inputs are unobservable inputs for the assets or liabilities.

The carrying value of the assets recognised in the financial statements approximate their fair values. The fair values included in Level 3 categories above have been determined in accordance with generally accepted pricing models and there has been no change in the valuation technique used. There have not been any transfers into or out of Level 3 of the fair value hierarchy.

There have been adjustments to the Fair Value as at 30 June 2017, further discussed in the Critical Accounting Estimate Note 1.2.

7 Intangible Assets

7.1 Intangible Assets - Consolidated Group

Cost	Easements $000	Software $000	Trademarks $000	Total $000
Balance as at 1 April 2015	1,340	3,380	-	4,720
Acquisition through business combination	-	31	421	452
Additions	75	1,137	94	1,306
Disposals	-	-	-	-
Balance as at 30 June 2016	1,415	4,548	515	6,478
Additions	165	126	65	356
Disposals/Transfers	-	(1,139)	-	(1,139)
Balance as at 30 June 2017	1,580	3,535	580	5,695
Accumulated Amortisation and Impairment				
Balance as at 1 April 2015	-	2,914	-	2,914
Amortisation Expense	-	662	68	730
Disposals	-	-	-	-
Balance as at 30 June 2016	-	3,576	68	3,644
Amortisation Expense	-	549	76	625
Disposals/Transfers	-	(1,112)	-	(1,112)
Balance as at 30 June 2017	-	3,013	144	3,157
Net Book Value				
Balance as at 30 June 2016	1,415	972	447	2,834
Balance as at 30 June 2017	1,580	522	436	2,538

As at 30 June 2017 some assets of the Consolidated Group were subject to a registered general security agreement to secure bank loans (see Note 15).

Accounting Policy - Recognition and Amortisation

Easements obtained in relation to access, construction and maintenance of electricity distribution system assets are capitalised as intangible 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 capitalised represent a right in perpetuity, are considered to have an indefinite life and are not depreciated.

Computer software is capitalised as an intangible asset 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. Costs associated with developing and maintaining computer software programmes are recognised as expenses as incurred. Software has a finite life and is amortised over the period of its life (5-8 years).

Trademarks are amortised on a straight-line basis in the Statement of Comprehensive Income over their estimated useful lives, from the date that they are available for use. They have an estimated useful life of 10 years.

Accounting Policy - Impairment

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 profit and loss 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 profit and loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments

This Investments section provides information on the various entities that make up the Group, including any acquisition or disposal undertaken. It also includes information on the value of property held for investment, rather than operational purposes.

8 Business Combinations

8.1 Subsidiaries Acquired

No subsidiaries have been acquired in the current year. In the previous year the following subsidiary was acquired.

Name of Entity	Principal activity	Date of acquisition	Proportion of voting equity acquired	Consideration transferred $000
Yealands Wine Group Limited	Vineyard and Winery	1 July 2015	80%	89,200

Yealands Wine Group Limited was acquired to diversify the Group's business interest and provide unregulated returns. Cash consideration of $89.2 million was paid.

Accounting Policy - Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition, with the exception of deferred tax assets or liabilities which are recognised and measured in accordance with NZ IAS 12 Income Taxes. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, is recognised as goodwill. If the cost of the acquisition is lower than fair value a discount on acquisition is recognised. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the discount is credited to profit or loss in the period of acquisition.

8.2 Purchase Price Apportionment

Acquisition related costs of $1.8 million have been excluded from the consideration transferred and have been recognised as an expense in the Statement of Comprehensive Income in the 2016 year, within the 'operating expenses' line item.

Assets and liabilities recognised at the date of acquisition	**2017**	2016
Assets acquired:	**$000**	$000
Current assets	-	120,031
Non-current assets	-	126,705
Liabilities acquired:		
Current liabilities	-	(19,125)
Non-current liabilities	-	(81,179)
Net assets acquired	-	146,432
Consideration transferred by Marlborough Lines Limited	-	89,200
Consideration transferred by non-controlling interest (20% in Yealands Wine Group Limited)	-	22,300
Consideration paid from cash acquired in Yealands Wine Group Limited	-	4,487
Total consideration paid	-	115,987
Discount on acquisition	-	30,445

Explanatory Note - Discount on Acquisition

At the time of acquisition the Group was required to apportion the consideration paid across the fair value of assets and liabilities acquired. The fair value of assets and liabilities acquired amounted to $146.4 million, resulting in a gain upon acquisition of $30.4 million which is included in non operating items in the Statement of Comprehensive Income.

The majority of this gain is due to the requirement under NZ IFRS 3: Business Combination, to fair value inventory, which has created an uplift of $35.9 million from the previous carrying value which was held at the lower of cost or net realisable value. The inventory fair value uplift is partly offset by a resultant deferred tax liability not previously recognised.

The consideration paid to acquire the shares was made up of $111.5 million from the new shareholders and $4.5 million from cash that had been acquired. The fair value of the acquired receivables is the same as the gross contractual amount receivable and the best estimate of the amount expected to be collected.

8.3 Non-Controlling Interests

The non-controlling interest recognised at acquisition date was measured by reference to the fair value of its share of the assets and liabilities acquired.

Accounting Policy - Recognition
Non-controlling interests that are present ownership interests and entitle their owners to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another NZ IFRS.

9 Investments in Subsidiaries and Associates

9.1 Group Entities

Investments in subsidiaries, associates and other entities within the Marlborough Electric Power Trust Group as at balance date were as follows:

	Note	Year End	**Effective Ownership 30 June 2017**	Effective Ownership 30 June 2016
Investment held by Marlborough Electric Power Trust				
Marlborough Lines Limited		30 June	100%	100%
Nelson Electricity Limited (Associate)		31 March	50%	50%
Seaview Capital Limited		30 June	100%	100%
Southern Lines Limited		30 June	100%	100%
Valhalla Properties Limited	De-registered September 2016	31 March	-	100%
Verne 35 Limited	De-registered September 2016	31 March	-	100%
Investment held by subsidiary of Marlborough Lines Limited				
Seaview Water Group Limited		30 June	44%	-
Yealands Wine Group Limited		30 June	86%	80%
Yealands Estate Limited		30 June	86%	80%
Yealands Estate Wines Limited		30 June	86%	80%
Yealands Estate Wines (Australia) Limited		30 June	86%	80%
Yealands Estate Wines (USA) Limited		30 June	86%	80%
Yealands Estate Wines (USA) LLC		30 June	86%	80%
Yealands Estate Wines (UK) Limited		30 June	86%	80%

All shares in Marlborough Lines Limited are held by the Trustees of the Marlborough Electric Power Trust.

Yealands Wine Group Limited is the parent entity of the six companies listed below it.

9.2 Marlborough Lines Investments in Subsidiaries

	Parent 2017 $000	Parent 2016 $000
Investment in Seaview Capital Limited	99,125	89,200
Investment in Southern Lines Limited	5,000	5,000
Total Investments in Subsidiaries	104,125	94,200

Accounting Policy - Investments in Subsidiaries
Subsidiaries are all those entities over which the Group has control.
The Group financial statements incorporate the financial statements of the entities that comprise the consolidated Group, being the Parent Trust, Marlborough Lines Limited and its subsidiaries, Yealands Wine Group Limited and Southern Lines Limited.
Consistent accounting policies are used in the preparation and presentation of the consolidated financial statements.
In preparing the consolidated financial statements all inter-company balances and transactions and unrealised gains arising within the Group are eliminated.

9.3 Marlborough Lines Investments in Associates

Marlborough Lines Limited acquired a 50% interest in Nelson Electricity Limited, an electricity network operator based in Nelson, on 19 June 1996.

	Group 2017 $000	Group 2016 $000
Investment in Nelson Electricity Limited Shares	12,950	12,950
Less Share Repurchase (2001)	(2,500)	(2,500)
Plus Share of Associate Revaluation	3,674	3,674
Less Share of Post Acquisition Results	(61)	(312)
Interest in Associate Entity (Excluding Goodwill)	14,063	13,812
Current Balance Associate Goodwill	1,220	1,220
Total Interest in Associate Entities (Including Goodwill)	15,283	15,032

Accounting Policy - Investments in Associates

Associate entities are those entities in which the Group has significant influence but not control. This is generally indicated through the holding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method in the Group financial statements. The Group's share of the associates' post acquisition profits or losses is recognised in the Statement of Comprehensive Income and its share of post acquisition movements in reserves is recognised in reserves.

Dividends received from associates are initially recognised in the Parent Company financial statements. Such dividends received typically reduce the equity adjustment for the share of associates' post acquisition profits.

9.4 Results of the Group's Associate Entities

A summary of Nelson Electricity Limited's results is as follows:	**31 March 2017 $000**	31 March 2016 $000
Assets as at 31 March	43,472	44,278
Liabilities as at 31 March	15,362	16,670
Revenue for Year Ended 31 March	10,791	10,360
Net Profit After Tax	2,302	1,915

The Group share of the results of its associate entities is as follows:

Share of Surpluses Before Tax	1,590	1,360
Less Taxation	(439)	(402)
Less Dividends / Distributions Received	(900)	(840)
(Loss)/Gain Attributable to Associate Entities	251	118

10 Investment Property

	Group 2017 $000	Group 2016 $000
Opening Balance	3,111	2,210
Additions	-	440
Revaluation Gains	-	461
Closing Balance	3,111	3,111
Less Investment Property classified as Held-For-Sale	(3,111)	-
Closing Balance	-	3,111

Accounting Policy - Basis of Measurement

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subject to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the profit and loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Explanatory Note - Investment Property

Marlborough Lines Ltd has two investment properties which are carried at fair value as at 30 June 2017.

The properties were valued by Alexander Hayward Limited, registered property valuers, in accordance with NZ IAS 40. These valuations have been undertaken applying a market sales model. No changes to the carrying values have been made during 2017. This is considered to be Level 2 in the fair value hierarchy.

One of these properties is subject to a five year lease at balance date and has generated $52,800 in lease revenue in the 2017 financial year. A decision had been made to sell both properties by 30 June 2017 and therefore Investment Property is classified as current assets Held-For-Sale at balance date.

Working Capital

This Working Capital section provides information on the assets that are going to provide cash in the short-term and the liabilities that are due to be settled with that cash. There is not a separate note on the Group's cash position, but this is shown on the face of the statement of financial position.

11 Trade and Other Receivables

The balance of Accounts Receivable comprises:	**Group 30 June 2017 $000**	Group 30 June 2016 $000
Trade Debtors	30,644	24,176
GST Receivable	1,423	549
Dividend Receivable	-	-
Retailer Prudential Security held in Trust	399	392
Accrued Income	1,136	633
Prepayments	874	2,733
Related party advances	18	12
Provision for Impairment of Accounts Receivable	(110)	(87)
Total	34,383	28,407

Accounting Policy - Recognition and Impairment

Accounts receivable, including intergroup receivables are valued at amortised cost less impairment. All known bad debts have been written off during the period under review.

A provision for impairment is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the asset.

Explanatory Note - Carrying value of Debtors

Included in the Groups trade receivables balance are debtors with a carrying value of $167,665 (2016: $145,031) which are past due at reporting date. The Group has provided for $110,183 (2016: $86,942) of this balance through the allowance for impairment in the table above. The remaining amount has not been provided for as there has been no significant change in the credit quality and the amounts are considered recoverable.

12 Inventories and Work In Progress

	Group 30 June 2017 $000	Group 30 June 2016 $000
Electricity Reticulation Stock	5,049	3,909
Bulk Wine	62,383	69,247
Bottled Wine	5,677	10,330
Packaging and Labels	606	485
Work in Progress (Next vintage)	4,517	2,867
Total	78,232	86,838

As at 30 June 2017 some assets of the Consolidated Group were subject to a registered general security agreement to secure bank loans (see Note 15).

Accounting Policy - Valuation

Wine inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Included in the cost of Wine inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested. Inventory costs also include a systematic allocation of appropriate overheads, including winery and vineyard costs and depreciation, that relate to bringing inventories to their present location and condition. The allocation of production overheads is based on the normal capacity of the production facilities.

The deemed cost for the Groups agricultural produce (grapes) is fair value at harvest date less estimated point-of-sale costs (if any) in accordance with NZ IAS 41 'Agriculture'. Fair value of grapes is determined by reference to the market prices of grapes in the local the region in which the grapes are grown, at time of harvest.

Vineyard costs that are incurred subsequent to harvest up to balance date do not qualify as agricultural produce or biological assets under NZ IAS 41 and are accounted for under NZ IAS 2: Inventories, as inventories - Work in Progress (Next vintage).

Reticulation Stock comprises of network system spares and materials and 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.

Inventory acquired as part of the business acquisition on 1 July 2015 is recorded at fair value.

13 Trade and Other Payables

In current liabilities the balance of Trade and Other Payables comprises:	**Group 30 June 2017 $000**	Group 30 June 2016 $000
Trade Creditors	27,636	17,772
Dividend Payable	-	1,100
Provision for Discount	3,356	3,335
GST Payable	236	410
Retailer Prudential Security Held in Trust	399	392
Deferred Revenue	5,499	271
Total	37,126	23,280

Accounting Policy - Recognition
Trade payables and other accounts payable are recognised at fair value when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services, and subsequently at amortised cost.

Explanatory Note - Deferred Revenue
As at 30 June 2017 Yealands Wine Group had received an advance from their insurers of $5.5 million pending the finalisation and lodgement of their claim for damage incurred as a result of the November 2016 earthquake. These funds will be recognised as revenue upon acceptance of a claim of greater than this amount by the insurers.

14 Employee Entitlements

	Group 30 June 2017 $000	Group 30 June 2016 $000
Employee Entitlements	2,971	2,633
Total	2,971	2,633

The provision for employee entitlements represents annual leave and vested long service leave accrued and a provision for bonuses.

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

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

Contributions to defined contribution superannuation schemes are expensed when incurred.

Debt and Equity

This Debt and Equity section provides information on how the Group's operations are financed and the cost of that financing through interest and dividend payments. It also includes information on the value of the Group that is not held by the Marlborough Electric Power Trust, through the Non-Controlling Interest in Yealands Wine Group Limited.

15 Term Borrowings

	Group 30 June 2017 $000	Group 30 June 2016 $000
Current	27,100	9,250
Non-current	75,000	75,000
Total	102,100	84,250

Terms and repayments schedule

The terms and conditions of outstanding non-current facilities were as follows:

Lender	Nominal Interest Rate	Year of Maturity	Currency	Face Value $000	Carrying Amount $000
ASB Bank Limited	3.14%	2018	NZD	10,000	10,000
ASB Bank Limited	3.34%	2020	NZD	20,000	20,000
ASB Bank Limited	3.49%	2022	NZD	45,000	45,000
Total interest-bearing liabilities				75,000	75,000

Accounting Policy - Recognition and Classification

Borrowings are recorded initially at fair value plus 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 profit and loss over the period of the borrowing using the effective interest rate 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 period at least 12 months after the balance date.

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

Explanatory Note

Yealands Wine Group Limited is the borrower for the term borrowing of the Group.

Of the $27.1 million current amount, $17.1 million relates to a Working Capital Facility. The remaining ASB Bank Limited term facilities range in remaining terms from 1 year through to 5 years, with a final expiry date on 15 July 2022.

ASB Bank Limited holds a security over leasehold improvements and freehold property titles of Yealands Wine Group Limited. Yealands Wine Group Limited and its subsidiaries provide an unconditional and irrevocable guarantee to ASB Bank Limited.

There is no guarantee or security provided by Marlborough Lines Limited in relation to these term facilities.

16 Net Financing Income

	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Financial Income		
Interest Income on Bank Deposits	1,114	2,721
Total Finance Income	1,114	2,721
Financial expenses		
Interest Cost - Term Borrowings	(4,347)	(3,965)
Interest Cost - Other	(68)	(104)
Unrealised interest rate swap gain/(loss)	2,208	(4,286)
Total Finance Expenses	(2,207)	(8,355)
Realised/unrealised foreign exchange gains/(losses)		
Realised foreign exchange gain	2,243	675
Unrealised foreign exchange (loss)/gain	(1,301)	1,672
Total gains/(losses) on financial instruments	942	2,347

Accounting Policy - Revenue Recognition

Interest income is recognised in the Statement of Comprehensive Income as it accrues at the effective interest rate.

17 Share Capital

	Group 30 June 2017 $000	Group 30 June 2016 $000
28 million Ordinary Shares	28,000	28,000
Total	28,000	28,000

Explanatory Note - Share Capital

Marlborough Lines Limited's shares are held by the Trustees to the Marlborough Electric Power Trust.

The Company issued 28 million $1 shares at incorporation in 1993. A small residual value in a share premium reserve was previously absorbed into the share capital value to arrive at the present value. The authorised capital is 28 million shares and all shares are fully paid up.

All shares carry equal rights to distributions.

18 Revaluation Reserves and Foreign Currency Translation Reserve

18.1 Revaluation Reserves

Revaluation reserves for the Group include the Property Revaluation Reserve and the Investments Revaluation Reserve

Properties Revaluation Reserve	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Balance at the Beginning of the Period	42,789	42,789
Increase in fair value of land, buildings, vineyard improvements and bearer plants, net of tax	60,402	-
Balance at End of Period	103,191	42,789
Attributable to Non-Controlling Interest	8,720	-
Attributable to owners of the Parent	94,471	42,789
Balance at End of Period	103,191	42,789

Explanatory Note - Property Revaluation Reserve

The properties revaluation reserve arises on revaluation of Land, Buildings, Vineyard Improvements, Bearer Plants and Reticulation System Assets to fair value. When these assets are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

The Group Properties Revaluation Reserve comprises revaluations in the following categories:	Group 30 June 2017 $000	Group 30 June 2016 $000
Land, Buildings, Vineyard Improvements and Bearer Plants	64,098	3,696
Reticulation System Assets	35,858	35,858
Associate Entities	3,235	3,235
Total	103,191	42,789

Investments Revaluation Reserve	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Balance at the Beginning of the Period	-	838
Net Gain Arising on Revaluation of Available-For-Sale Financial Assets	-	-
Net Gain Arising using Equity Accounting Method of valuation of Investment	-	-
Reclassified to profit and loss on disposal	-	(838)
Balance at end of Period	-	-

Explanatory Note - Investment Revaluation Reserve

In the 2015 financial year Marlborough Lines held 13.89% of the shares in Horizon Energy Distribution Limited which were classified as a current asset held for sale. On 4 May 2015 Marlborough Lines accepted an offer from the Eastern Bay of Plenty Trust at a price per share of $4.41, and recognised a revaluation gain in other comprehensive income in the 2015 financial year. This transaction was settled on 3 July 2015 and the disposal recognised in the period ended 30 June 2016.

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

18.2 Foreign Currency Translation Reserve (FCTR)

	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Balance at the Beginning of the Period	(68)	-
Movement for the Period	(28)	(68)
Balance at end of Period	(96)	(68)
Attributable to Non-Controlling Interest	(18)	-
Attributable to owners of the Parent	(78)	(68)
Balance at End of Period	(96)	(68)

Accounting Policy - Foreign Currency Transactions

For the purposes of presenting consolidated financial statements, the balance sheets of foreign subsidiaries are translated into New Zealand dollars using exchange rates prevailing at balance date. Income and expense items are translated at the exchange rates ruling at the date of the transaction. Exchange differences relating to the translation of assets and liabilities from their functional currencies to the Group's presentation currency (i.e. New Zealand dollars) are recognised directly in other comprehensive income and accumulated in the FCTR.

19 Non-Controlling Interests

	Group 2017 $000	Group 2016 $000
Balance at the beginning of the Period	27,267	-
Non-controlling interest arising on acquisition of Yealands Wine Group Limited	-	22,300
Reduction to Non-Controlling Interest following share transfer	(6,952)	-
Share of profit for the period	(894)	6,067
Share of other comprehensive income	8,734	-
Less share of dividends received	(794)	(1,100)
Balance at the end of the period	27,361	27,267

Accounting Policy - Non-Controlling Interest

Non-controlling interests that are present ownership interests and entitle their owners to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

The non-controlling interest recognised upon acquisition of Yealands Wine Group Limited was measured by reference to the fair value of its share of the assets and liabilities acquired (refer Note 8).

Explanatory Note - Non-Controlling Interest

Seaview Capital Limited acquired 80% of the shares in Yealands Wine Group Limited with an effective date of 1 July 2015.

The consideration paid was less than the fair value of the assets and liabilities acquired, resulting in a discount on acquisition (refer Note 8).

The non-controlling interest was attributed with 20% of the discount on acquisition.

In the current year 5% of the existing share capital was acquired by Seaview Capital Limited from the Non-Controlling Interest and a further $4.35 million of share capital was provided by Seaview Capital Limited to Yealands Wine Group Limited to acquire further land for vineyard development. These transactions have reduced the Non-Controlling Interest in the share capital of Yealands Wine Group Limited to 14.44%. These share transactions have reduced the value of the Non-Controlling Interest by its loss in share of the net assets of Yealands Wine Group Limited at the time of the transaction.

20 Dividends and Distributions

Amounts recognised as distributions to equity holders in the period:	Group 2017 $000	Group 2016 $000
Marlborough Lines Limited to Marlborough Electric Power Trust		
Total Dividends ($000)	4,285	4,285
Cents per Share	15.304	15.304
Marlborough Electric Power Trust to Consumers (Beneficiaries)		
Total Distributions ($000)	3,741	1,238
Distribution per ICP (Installation control point)	$150.00	$50.00

In addition Marlborough Electric Power Trust made targeted distributions for the period as follows:
Omaka Aviation Heritage Centre $88,136 (2016 Omaka Aviation Heritage Centre $200,000).

Financial Risk Management

This Financial Risk Management section provides information on the financial risks facing the Group, the sensitivity of the results to those risks and how those risks are managed. The Financial Instruments note provides information on how the assets and liabilities of the Group are measured.

21 Financial Risk Management

21.1 Financial Risk Management

The Group is exposed to financial risks relating to the operations of the Group. These risks include credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and agricultural risk.

The agricultural activity of the Group's subsidiary Yealands Wine Group Limited consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. Yealands strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level sufficient to fund Yealands working capital during the period between cash expenditure and cash inflow. At balance date, Yealands had unused credit facilities in the form of undrawn bank loan facilities of $15.84 million (2016: $25.75 million).

21.2 Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward foreign currency exchange contracts to hedge the exchange rate risk arising on the export of wine principally to the United States, United Kingdom, Europe and Australia; and
- Interest rate swaps to mitigate the risk of rising interest rates.

21.3 Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved parameters utilising forward foreign currency exchange contracts.

Foreign currency denominated assets and liabilities at balance date are:	**Group 2017 $000**	Group 2016 $000
Cash and cash equivalents	1,036	185
Trade and other receivables	9,181	5,244
Trade and other payables	(232)	(319)
	9,985	5,110

Sensitivity analysis

The Group is mainly exposed to US dollars (USD), Australian dollars (AUD) and Euros (EUR). The following sensitivity analysis shows the impact on the consolidated net surplus of a reasonably possible change of 10% in the New Zealand dollar against the respective major currencies, with all other variables remaining constant. Any change in the net surplus for the period would result in a corresponding movement in equity. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

Change in New Zealand dollar against foreign currency	**$000 AUD**	**$000 EUR**	**$000 USD**	**$000 Other**
Impact on Group 2017 net surplus:				
10% increase	(148)	(502)	(184)	(73)
10% decrease	181	614	225	90
Impact on Group 2016 net surplus:				
10% increase	(169)	(213)	(68)	(14)
10% decrease	206	261	83	17

Forward foreign currency exchange contracts

It is the policy of the Group to enter into forward foreign currency exchange contracts to cover specific foreign currency payments and receipts up to 100% of the 12 month exposure generated. The Group also enters into forward foreign currency exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 24 months within 85% of the exposure generated, subject to certain criteria being met. Forward foreign currency exchange contracts are measured at fair value through the Statement of Comprehensive Income. The fair value of forward foreign currency exchange contracts is based on market values of equivalent instruments at the reporting date.

Currency	**2017 $000**	2016 $000
EUR	23,218	14,947
USD	5,968	6,759
AUD	3,807	3,299
GBP	350	-
Notional principal of outstanding contracts:	33,343	25,005

21.4 Interest Rate Risk Management

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or investing.

The Group's short term deposits are at fixed interest rates and mature within one year.

The Parent Trust and Marlborough Lines Limited have no external borrowings. All term debt facilities were repaid and cancelled in September 2014.

Subsidiaries of the Group are exposed to interest rate risk as they borrow funds at both fixed and floating interest rates. The risk is managed by the Group through maintaining an appropriate mix between fixed and floating rate borrowings and the use of interest rate swap contracts. Hedging activities are evaluated regularly with the assistance of independent advice to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied or protecting interest expense through different interest rate cycles.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 200 basis point (2%) increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

The following sensitivity analysis shows the impact on the consolidated net surplus if interest rates had been 2% lower or higher, with all other variables remaining constant. Any change in the net surplus for the period would result in a corresponding movement in equity. This is mainly attributable to the Group's high level of funds held in term deposits during the year offset by the Group's exposure to interest rates on its variable rate borrowings.

Change in interest rate %	**2017**	2016
Impact on Group net surplus:	**$000**	$000
2.0% increase	117	534
2.0% decrease	(117)	(560)

The Group's sensitivity to interest rates has decreased during the year due to an increase in term borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held.

The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date as disclosed below.

	2017	2016
	$000	$000
Notional principal of outstanding contracts:	85,000	75,000

The interest rates applicable to the interest rate swap contracts during the year were 2.850% to 3.695% per annum.

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are used to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. These are measured at fair value through the Statement of Comprehensive Income. The interest rate swaps and the interest payments on the loan occur simultaneously on a quarterly basis. The floating rate on the interest rate swaps is the 3 month BKBM rate. The Group settles the difference between the fixed and floating interest rate on a net basis.

21.5 Credit Risk Management

Credit risk is the risk that an outside party will not be able to meet its obligations to the Group resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash deposits, short term deposits and trade receivables. The maximum credit risk is the book value of these financial instruments, however, the Group considers the risk of non-recovery of these amounts to be minimal. The Group places its cash deposits with high credit quality financial institutions.

Credit risk exists in respect of accounts receivable. In respect of its electricity business the Group is able to impose bond requirements on retailers trading across its network in accord with the Use of System Agreements held with the retailers. In respect to wine sales the Group has adopted a policy of only trading with customers for whom trade credit insurance has been granted by the Group's trade credit insurance provider or on cash terms.

Credit exposure is monitored on an ongoing basis and within counterparty limits that have been approved by the Group's trade credit insurance provider. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables estimated by the Company's management based on prior experience and their views in relation to the current trading environment. See also Note 11.

21.6 Liquidity Risk Management

Liquidity risk is the risk that the Group may not have the financial ability to meet payment commitments as they fall due.

The Group assesses its liquidity requirements on a regular basis and has funding arrangements in place to cover short term variations and shortfalls where capital expenditure requirements cannot be met from operating cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than 1 year $000	1-2 years $000	2-5 years $000	Over 5 years $000
2017 Contractual Maturity				
Trade and other payables	37,074	-	-	-
Interest cost on term debt	2,272	2,359	5,666	-
Term borrowings	27,100	10,000	20,000	45,000
2016 Contractual Maturity				
Trade and other payables	23,225	-	-	-
Interest cost on term debt	2,105	2,807	6,642	1,723
Term borrowings	9,250	-	30,000	45,000

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined independently by the counterparty to the instruments at the reporting date.

	Less than 6 months $000	6-12 months $000	1-2 years $000	Over 2 years $000
2017 Liquidity Analysis				
Interest rate swaps - net settled cash outflows	281	563	1,082	3,089
Forward exchange contracts - cash outflows	11,046	10,062	11,381	855
2016 Liquidity Analysis				
Interest rate swaps - net settled cash outflows	242	484	968	3,586
Forward exchange contracts - cash outflows	9,610	10,072	5,323	-

21.7 Fair Values

The carrying amount of cash and cash equivalents, trade receivables, trade payables and non-current borrowings and other financial assets and liabilities reflect their fair values.

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to the quoted market prices; and
- the fair value of derivative instruments are calculated based on discounted cash flows using market inputs.

Investments in subsidiaries and equity accounted investments have not been fair valued as there is no observable market price.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	Fair value category	**Group 2017 $000**	Group 2016 $000
Derivative financial assets – Current	Level 2	1,099	2,144
Total financial assets		1,099	2,144
Derivative financial liabilities – Current	Level 2	2,079	4,286
Total financial liabilities		2,079	4,286

The financial assets and liabilities of the Group that are measured at fair value subsequent to initial recognition are included in Level 2 as the fair value of these instruments are not quoted on an active market and are determined by using valuation techniques. These valuation techniques rely on observable market data and are provided by ASB Bank Limited.

There have not been any transfers into or out of the fair value hierarchy.

Any gain or loss resulting from fair value measurement are recognised in the Statement of Comprehensive Income.

Change in fair value of financial assets/liabilities

	Group 2017 $000	Group 2016 $000
Foreign currency forward contracts	1,099	2,144
Interest rate swaps	(2,079)	(4,286)
	(980)	(2,142)

21.8 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern. The capital structure comprises share capital (Note 17), reserves and retained earnings (Note 18). The Group reviews the capital structure as part of its annual budgeting process and at intervals throughout the year when budgets are subject to review and reset.

Yealands Wine Group Limited is subject to a number of banking covenants in relation to the term debt facility outlined in Note 15. There has been no breach of covenants during the year.

The Group's objective is to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to retain or modify the capital structure, the Group may adjust the amount of dividends paid to shareholders or sell assets to reduce debt.

The Group's policies in respect of capital management and allocation are reviewed regularly by management.

There were no changes in the Group's approach to capital management during the period.

22 Financial Instruments

22.1 Classification of Financial Instruments

Consolidated Group as at 30 June 2017

Financial Assets Current Assets	Available for Sale Financial Assets $000	Loans and Receivables $000	Held for Trading (FVTPL) $000	Other Amortised Cost $000	Total Carrying Amount $000
Cash and Cash Equivalents	-	15,323	-	-	15,323
Short-Term Deposits	-	22,375	-	-	22,375
Trade and Other Receivables	-	32,086	-	-	32,086
Derivatives	-	-	1,099	-	1,099
Total Financial Assets	-	69,784	1,099	-	70,883

Financial Liabilities Current Liabilities	Held for Trading (FVTPL) $000	Other Financial Liabilities $000	Total Carrying Amount $000
Trade and Other Payables	-	36,890	36,890
Derivatives	2,079	-	2,079
Term Borrowings	-	27,100	27,100
Non Current Liabilities			
Term Borrowings	-	75,000	75,000
Total Financial Liabilities	2,079	138,990	141,069

Consolidated Group as at 30 June 2016

Financial Assets Current Assets	Available for Sale Financial Assets $000	Loans and Receivables $000	Held for Trading (FVTPL) $000	Other Amortised Cost $000	Total Carrying Amount $000
Cash and Cash Equivalents	-	7,392	-	-	7,392
Short-Term Deposits	-	32,000	-	-	32,000
Trade and Other Receivables	-	25,125	-	-	25,125
Derivatives	-	-	2,144	-	2,144
Total Financial Assets	-	64,517	2,144	-	66,661

Financial Liabilities Current Liabilities	Held for Trading (FVTPL) $000	Other Financial Liabilities $000	Total Carrying Amount $000
Trade and Other Payables	-	22,869	22,869
Derivatives	4,286	-	4,286
Term Borrowings	-	9,250	9,250
Non Current Liabilities			
Term Borrowings	-	75,000	75,000
Total Financial Liabilities	4,286	107,119	111,405

GST Payable, GST Receivable and Prepayments do not meet the Financial Instrument definition and are not included above.

Accounting Policy - Financial Instruments

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

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

Financial instruments are not offset unless there is a legally enforceable right to offset.

Accounting Policy - Derivative Financial Instruments

From time to time the Group enters into interest rate swap agreements and forward foreign currency contracts to manage its exposure to interest rate and foreign exchange rate risk. Interest rate swaps and forward foreign exchange contracts are considered to be a 'Level 2' fair value measurement instrument. Such financial instruments are those derived from inputs that are observable for the instrument either directly or indirectly.

The Group has not designated any derivatives as hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately. This is known as Fair Value Through the Profit and Loss (FVTPL).

The fair values of these financial derivatives are determined by reference to the market rates for interest and currency and the resulting gain or loss that would accrue if the derivative was terminated at balance date.

Other

This section provides other information that is of interest to the readers including the Group's tax status, transactions with related parties, remuneration of directors and key management personnel and information on developments post balance date.

23 Taxation

23.1 Income Taxes Relating to Continuing Operations

	Group Year to 30 June 2017 $000	Group 15 Months to 30 June 2016 $000
Tax Expense comprises:		
Current Tax Expense/(Income)	1,887	3,548
Deferred Tax Expense Relating to the Origination and Reversal of Temporary Differences	(4,724)	(1,025)
Deferred Tax Expense Prior Period Adjustment	(154)	-
Tax (Benefit)/Expense	(2,991)	2,523

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit Before Tax from Continuing Operations	(4,721)	38,790
Prima Facie Income Tax Calculated at 28%	(1,322)	10,861
Plus/(Less) Taxation Adjustments:		
Exempt Dividends	-	-
Non Deductible Expenses and Deferred Revenue	1,072	(7,731)
Net Benefit of Imputation Credits	(2,517)	(340)
Prior Period Adjustment	(154)	-
Equity Accounted Earnings of Associates	(70)	(33)
Net Investment Realisation	0	(235)
Tax (Benefit)/Expense Recognised in the Statement of Comprehensive Income	(2,991)	2,523

Accounting Policy - Recognition and Measurement

Current tax is based on the net profit for the period adjusted for non deductible expenditure and non assessable income. 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 periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

23.2 Deferred Taxation

Consolidated Group for the 12 months ended 20 June 2017	Opening Balance $000	Charged to Income $000	Charged to Equity $000	Acquired on Acquistion $000	Closing Balance $000
Deferred Tax Liabilities					
Plant, Property and Equipment	41,400	(820)	9,740	-	50,320
Inventory	7,351	(3,122)	-	-	4,229
	48,751	(3,942)	9,740	-	54,549
Deferred Tax Assets					
Provisions for Employee Entitlements, Retirement Obligations and Doubtful Debts	(118)	(929)	-	-	(1,047)
Doubtful Debts and Impairment Losses	(25)	(7)	-	-	(32)
	(143)	(936)	-	-	(1,079)
Net Deferred Tax Liability	48,608	(4,878)	9,740	-	53,470
Consolidated Group for the 15 months ended 20 June 2016					
Deferred Tax Liabilities					
Plant, Property and Equipment	43,888	(231)	-	(2,257)	41,400
Inventory	-	(1,084)	-	8,435	7,351
	43,888	(1,315)	-	6,178	48,751
Deferred Tax Assets					
Provisions for Employee Entitlements, Retirement Obligations and Doubtful Debts	(421)	303	-	-	(118)
Doubtful Debts and Impairment Losses	(13)	(12)	-	-	(25)
	(434)	291	-	-	(143)
Net Deferred Tax Liability	43,454	(1,024)	-	6,178	48,608

Accounting Policy - Recognition and Measurement

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying values of the assets and liabilities in the consolidated financial statements and the corresponding tax bases of those items. In principle deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

A deferred tax liability is not recognised in relation to any taxable temporary differences arising from goodwill or in relation to temporary differences arising from the initial recognition of assets or liabilities which affect neither taxable income or accounting profit. Similarly deferred tax liabilities are not recognised where temporary differences arise on acquisition of subsidiaries, associates and joint ventures where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets or liabilities giving rise to them are realised or settled, based on tax rates that have been enacted or substantively enacted at reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that reflect how the Group expects to recover or settle the carrying amount of its assets and liabilities.

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. No other assets and liabilities have been offset unless specifically permitted by accounting standards.

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

23.3 Imputation Credit Memorandum Account

	Group Year to 30 June 2017 $000	Group 15 months to 30 June 2016 $000
Balance at Beginning of Period	57,682	53,931
Attached to Dividends Paid in the Period	(1,666)	(1,666)
Attached to Dividends Received	2,180	2,146
Tax Refund/Transfer	(1,000)	1
Income Tax Payments During the Period	1,600	3,270
Balance at End of Period	58,796	57,682

24 Related Parties

24.1 Marlborough Electric Power Trust

The Trust received dividends from Marlborough Lines Limited, as outlined in Note 20.

24.2 Parties Associated with Group Directors and Trustees

Related party	**Relationship**	**Product sold or services rendered $000**	**Product purchased or services received $000**	**Balance receivable $000**	**Balance payable $000**
Marlborough Electric Power Trust Trustees relationships - 2017					
Callahan & Martella Electrical Limited	Director	386	125	16	
Marlborough Lines Limited Director relationships - 2017					
Construction Coatings Limited	Director	-	2	-	-
Cuddon Limited	Director	5	40	-	1
Outer Limits Limited	Director	37	-	-	-
Precast Systems Limited	Director	-	34	-	10
Redwood Developments Limited	Director	9	-	-	-
Yealands Wine Group Limited Director relationships - 2017					
PJ Radich Family Trust		3	477	3	225
P.Y.G. Limited	Director	179	2,321	16	157
Radich Law	Partner	2	632	-	21
Marlborough Electric Power Trust Trustees relationships - 2016					
Callahan & Martella Electrical Limited	Director	6	6		4

Marlborough Lines Limited Director relationships - 2016					
Construction Coatings Limited	Director	-	26	-	-
Cuddon Limited	Director	59	63	-	1
Dog Point Vineyard Limited	Director	-	2	-	-
Outer Limits Limited	Director	133	-	11	-
Precast Systems Limited	Director	-	79	-	1
Redwood Developments Limited	Director	77	-	-	-
Robinson Construction Limited	Director	-	416	-	-
Scaffold Marlborough Limited	Director	-	1	-	-
Yealands Wine Group Limited Director relationships - 2016					
Medway Vineyard Limited	Director	-	4,000	-	-
PJ Radich Family Trust		-	585	-	293
P.Y.G. Limited	Director	81	1,342	12	173
Radich Law	Partner	2	592	-	46

Directors fees paid to Directors are disclosed in Note 25.

Explanatory Note - Related Party Transactions
The amounts included in the disclosure above are inclusive of GST paid (if any).

Radich Law (an entity associated with Peter and Miriam Radich) provides legal advice to Marlborough Lines Limited and Yealands Wine Group Limited.
Amounts paid to Radich Law include disbursements paid via Radich Law to third parties that total $165,509 in the current period.
PJ Radich Family Trust (an entity associated with Peter and Miriam Radich) supplies grapes to Yealands Wine Group Limited.
P.Y.G Limited (an entity associated with Peter Yealands) hires earth moving machinery to Yealands Wine Group Limited.
Robinson Construction Limited (an entity associated with Phil Robinson) provides construction services to Marlborough Lines Limited.
Medway Vineyard Limited (an entity associated with Peter Yealands) sold a vineyard to Yealands Wine Group Limited.
Callahan & Martella Electrical Limited (an entity associated with Ian Martella) provides electrical goods and services to Marlborough Lines Limited and Yealands Wine Group Limited.

All products and services rendered and received were completed on normal arms length commercial terms.

The Group did not undertake any other transactions with parties associated with Directors and Trustees of the Marlborough Electric Power Trust Group.

24.3 Subsidiary Companies - Yealands Wine Group Limited

	2017 12 months $000	2016 15 months $000
Director's Fees Paid to Marlborough Lines Limited for Mr K Forrest	50	48
Purchases from Yealands Wine Group Limited	32	11
Electricity assets paid for by Yealands Wine Group Limited	-	156
Amounts receivable from Yealands Wine Group Limited	5	5

24.4 Subsidiary Companies - Seaview Capital Limited

Dividend receivable from Seaview Capital Limited	-	4,400

24.5 Subsidiary Companies - Southern Lines Limited

Term Debt owed by Marlborough Lines Limited	5,000	5,000

24.6 Associate Entities - Nelson Electricity Limited

	2017 12 months $000	2016 15 months $000
Director's Fees Paid to Marlborough Lines Limited for Mr K Forrest	23	29
Management Fees charged to Nelson Electricity Limited by the Company	117	147
Amounts owed by Nelson Electricity Limited	59	63

Explanatory Note - Associate Entities
Nelson Electricity Limited is considered an associate company for accounting purposes by virtue of Marlborough Lines Limited owning 50% of that company's shares. Effective control is shared with one other shareholder.

During the period the Company provided management and accounting services to Nelson Electricity Limited and these services were charged for at commercial rates. Marlborough Lines Limited also received dividends from Nelson Electricity Limited.

25 Key Management Personnel

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

	Group Year to 30 June 2017 $000	Group 15 months to 30 June 2016 $000
Trustees Fees	146	179
Directors Fees	605	581
Salaries and Short Term Employee Benefits	3,835	3,552
Termination Benefits Paid	-	56
Compensation during the period	4,586	4,368

	Group 30 June 2017 $000	Group 30 June 2016 $000
Termination Benefits accrued as at balance date	185	185

26 Reconciliation of Profit to Net Cash Generated from Operating Activities

	Group Year to 30 June 2017 $000	Group 15 months to 30 June 2016 $000
Profit for the Year from Continuing Operations	**(1,730)**	**36,267**
Add/(Less) Non Cash Items		
Depreciation and Amortisation	15,258	16,876
Asset Impairment	3,026	
Fair value adjustment to Inventory	12,924	
Income From Vested Assets and Capital Contributions	(1,747)	(1,106)
Net Fair Value Gain on Investment Property	-	(461)
Gain on Disposal of Available-For-Sale Financial Asset	-	(838)
Discount arising on Acquisition of Subsidiary	-	(30,445)
Other non cash items	(1,221)	(1,141)
Non Cash Items in Relation to Investing/Financing Activities		
Share of Associate Net Profit	(251)	(118)
Loss on Sale of Fixed Assets	129	299
Current Charge to Deferred Taxation	(4,878)	(1,025)
Changes in Working Capital Items		
(Increase)/Decrease in Assets		
(Increase)/Decrease in Accounts Receivable	(1,284)	779
(Increase)/Decrease in Inventories	(4,318)	3,737
(Increase)/Decrease in Assets held for sale	-	(61)
Increase/(Decrease) in Liabilities		
Increase/(Decrease) in Accounts Payable and Other Payables	14,846	5,995
(Decrease)/Increase in Tax Payable Balance	(476)	(2,169)
Increase/(Decrease) in Employee Entitlements	24	(18)
(Decrease)/Increase in Finance Lease Payable liabilities	(287)	(265)
Net Cash Generated from Operating Activities	**30,015**	**26,306**

27 Commitments

27.1 Capital Commitments

	Group 30 June 2017 $000	Group 30 June 2016 $000
Capital expenditure committed to at Balance Date but not recognised in the financial statements	-	5,551

27.2 Operating Leases

Marlborough Lines Limited leases a small number of indoor substation sites and rural radio repeater sites and is subject generally to rental commitments for at least ten years going forward.

Marlborough Lines Limited also leases various plant and machinery under cancellable operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 4.

Yealands Wine Group Limited has operating lease commitments includes office leases and medium to long term vineyard and land leases, which allow the Group to access prime viticultural land in the Marlborough.

Land leases may provide Yealands Wine Group Limited the right of first refusal to renew the lease in the event that the land is still available for lease. Vineyard leases are on five year terms with rights of renewal and land leases are on twenty five year terms.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 30 June 2017 $000	Group 30 June 2016 $000
No Later than One Year	626	765
Later than One Year and no Later than Five Years	1,791	2,161
Later than Five Years	924	1,001
	3,341	3,927

Accounting Policy - Operating Leases
Operating lease rentals are recognised on a systematic basis that is representative of the time pattern of the benefit to the Group.

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term on a straight-line basis as an integral part of the total lease expense.

The Group has entered into long term vineyard leases which allow the Group to control the growing and harvesting of the grapes used in the production of finished product. After taking into consideration the terms and conditions within the leases, it is believed that the lessor retains the significant risks and rewards of ownership and the leases are accordingly classified as operating leases.

Accounting Policy - Finance Leases
Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The interest expense component of finance lease payments is recognised in the Statement of Comprehensive Income using the effective interest rate method.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term on an effective interest rate basis.

27.3 Grape Purchase Commitments

In the ordinary course of business Yealands Wine Group Limited has agreements with grape growers which requires it to purchase grapes. These agreements may be for terms of one to three years.

28 Contingent Assets and Liabilities

Yealands Wine Group intends to lodge an insurance claim for property damage and business interruption resulting from the November 2016 earthquake.
Insurance proceeds are likely to be received however the amount was not measurable as the claim was was yet to be lodged.

There were no other contingent assets or liabilities at balance date (2016: Nil).

Accounting Policy - Financial Guarantee Contracts
The Group has not adopted the amendments to NZ IAS 39 and NZ IFRS 4 in relation to financial guarantee contracts. Where the companies in the Group enter into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the companies consider these to be insurance arrangements, and account for them as such. In this respect, the Group treats these guarantee contracts as a contingent liability until such time as it is probable that the companies will be required to make payments under these guarantees.

29 New and Revised Accounting Standards and Interpretations

The following standards and interpretations which are considered relevant to the Group but not yet effective for the period ended 30 June 2017 have not been applied in preparing the financial statements:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
NZ IFRS 9, Financial Instruments: Classification and Measurement.	1 January 2018	30 June 2019
NZ IFRS 15, Revenue from Contracts with Customers.	1 January 2018	30 June 2019
NZ IFRS 16, Leases	1 January 2019	30 June 2020

The Company has not yet fully evaluated the impact that these standards will have on the Group's financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

There were no standards, amendments and interpretations to existing standards that were adopted by the Group from 1 April 2015.

30 Events Subsequent to Balance Date

Sale of Held-For-Sale assets
At balance date the Group held a number of different properties for sale with a combined carrying value of $5.3 million including a vineyard in the Hawkes Bay, a farm near Kekerengu and four residential properties in and around Blenheim. At reporting date a number of offers had been accepted on these properties and they are at different stages of completion. The expected net sales proceeds from the properties sold is expected to be approximately $0.8 million above the carrying values reported at balance date.

Yealands Wine Group Insurance Proceeds
Subsequent to balance Yealands received a further $2.73 million from their insurers in relation to the damage incurred as a result of the November 2016 earthquake, bringing the total funds received in advance of the lodgement of the claim to $8.23 million.
The Group expects that the insurance claim will be finalised in the year to 30 June 2018, with those insurance proceeds recognised as income in the Statement of Comprehensive Income

Beneficiary Distribution
On the 6th November 2017 the trustees resolved to undertake a beneficiary distribution for the amount of $180 per beneficiary, for active ICP connections as at 22nd January 2017, estimated to total $4,600,000.

Other
The Trustees are not aware of any other matter or circumstance since the end of the financial year not otherwise dealt with in these financial statements, that has or may significantly affect the operations of the Marlborough Electric Power Trust or Group operations.

Deloitte.

Independent Auditor's Report

To the Trustee's of Marlborough Electric Power Trust

Opinion

We have audited the consolidated financial statements of Marlborough Electric Power Trust and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 5 to 34, present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

Directors' responsibilities for the consolidated financial statements

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-5

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Company's trustees, as a body. Our audit has been undertaken so that we might state to the Company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Deloitte Limited
Christchurch, New Zealand
4 December 2017