



**2014 Financial Statements**

**King Country Electric Power Trust**

# King Country Electric Power Trust

## Contents of Financial Statements

---

For the Year Ended 31 March 2014

Contents of Financial Statements	1
Directory	2
Statement of Responsibility	3
Audit Report	4
Statement of Comprehensive Income	5
Schedule of Expenses	6
Statement of Changes in Equity	7
Balance Sheet	8
Notes to and forming part of the Financial Statements	9 - 16

## King Country Electric Power Trust

### Directory

---

As at 31 March 2014

<b>Nature of Business</b>	Energy Consumer Trust
<b>Trustees</b>	Brian Gurney (Chairperson), Omori Graeme Cosford, Taumarunui Robert Carter, Kirikau Uwe Kroll, Ohakune Norman Annand, Taumarunui
<b>Beneficiary</b>	Trust Beneficiaries
<b>Secretary</b>	Tessa Stewart Phone: 07 895 9471 Fax: 07 895 9041 Email: <a href="mailto:kcept@xtra.co.nz">kcept@xtra.co.nz</a>
<b>Office of the Trust</b>	Enquiries to Tessa Stewart, Secretary  Postal Address: 218 Golf Road P O Box 421 TAUMARUNUI 3946  Website: <a href="http://www.kcpowertrust.co.nz">www.kcpowertrust.co.nz</a>
<b>Accountants</b>	Balance Chartered Accountants Limited Chartered Accountants TAUMARUNUI
<b>Auditor</b>	Sewell & Wilson Chartered Accountants PO Box 97 Wanganui 4540
<b>Bankers</b>	Bank of New Zealand TAUMARUNUI  ANZ Bank TE KUITI
<b>Solicitors</b>	Menefy Jaichand Miriam Street TAUMARUNUI

King Country Electric Power Trust

Statement of Responsibility

---

For the Year Ended 31 March 2014

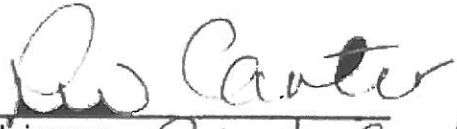
The Board of Trustees has pleasure in presenting the annual report of King Country Electric Power Trust incorporating the financial statements and the auditor's report, for the year ended 31 March 2014.


The Board accepts responsibility for the preparation of the annual financial statements and the judgements used in these statements.

The Trustees accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the Trust's financial reporting.

In the opinion of the Board, the annual financial statements for the financial year fairly reflect the financial position and operations of the Trust.

The Trust's 2014 financial statements are authorised for issue by the Board Chairperson.

  
Chairperson Robert Carter

  
Trustee Norman Annand

11 | 8 | 2014  
Date

11/8/14  
Date

## Independent Auditor's Report

To: The Trustees and Consumer Beneficiaries Of The King Country  
Electric Power Trust

### Report on the Financial Statements

We have audited the financial statements of King Country Electric Power Trust on pages 5 to 16, which comprise the Balance Sheet as at 31 March 2014, the Statement of Comprehensive Income, and Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Trustees' responsibilities for the Financial Statements*

Under the Electricity Industry Act 2010 the Trustees are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibilities*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

Other than in our capacity as auditor, we have no relationship with, or interests in, King Country Electric Power Trust

*Opinion*

In our opinion, the financial statements on pages 5 to 16:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of King Country Electric Power Trust as at 31 March 2014 and its financial performance for the year ended on that date.

*Restriction on Distribution or Use*

This report is made solely to the Trustees and Consumer beneficiaries of the Trust. Our audit work has been undertaken so that we might state to the Trustees and beneficiaries those matters which we are required to state to them in an auditors' 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 Trust, the Trustees and the Consumer beneficiaries for our audit work, for this report or for the opinions we have formed.



**Sewell & Wilson**

Chartered Accountants

11 August 2014

Wanganui

# King Country Electric Power Trust

## Statement of Comprehensive Income

For the Year Ended 31 March 2014

	Note	2014 \$	2013 \$
<b>Operating Revenue</b>			
Sales of Books		-	150
<b>Less Cost of Sales</b>			
Opening Stock		6,920	7,020
Closing Stock		(6,920)	(6,920)
<b>Total Cost of Sales</b>		-	100
<b>Gross Surplus</b>		-	50
<b>Other Income</b>			
Interest Received		261,428	334,008
Dividends Received		2,372,306	1,690,351
PIE Non Assessable Income		6,232	-
Profit (Loss) on Disposal of Investments		11,580,000	-
<b>Total Other Income</b>		14,219,966	2,024,359
<b>Gross Surplus after Other Income</b>	2	14,219,966	2,024,409
<b>Less Expenses</b>			
Total Expenses as per Schedule		304,018	232,512
<b>Surplus before Income Tax</b>		13,915,948	1,791,897
Income Tax Expense	4	768,806	591,326
<b>Net Surplus</b>		13,147,142	1,200,571
<b>Other Comprehensive Income</b>			
<b>AFS Financial Asset Revaluation</b>	8		
King Country Energy		(1,978,192)	2,505,663
The Lines Company		1,100,000	-
Mighty River Power		(38,870)	-
Meridian Energy Ltd		9,800	-
Reclassify to Net Surplus		(11,580,000)	-
<b>Other Comprehensive Income, Net of Tax</b>		(12,487,262)	2,505,663
<b>Total Comprehensive Income for the Year, Net of Tax</b>		659,880	3,706,234

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



# King Country Electric Power Trust

## Schedule of Expenses

For the Year Ended 31 March 2014

	2014	2013
	\$	\$
<b>Schedule of Expenses</b>		
Accountancy	4,784	3,694
ACC Levies	180	187
Advertising & General	-	2,477
AGM Expenses	1,081	1,170
Audit Fees	5,215	4,669
Bank Fees & Charges	423	245
Conference Costs	1,699	4,242
Computer Costs	870	220
Computer Allowances	750	750
Consultancy Fees	76,113	26,131
Depreciation	642	1,261
Election Expenses	21,979	-
ETNZ Levy	4,538	-
Insurance	4,616	4,674
Legal Expenses	40,924	2,787
Meeting Room Hire	315	595
Ownership Review Costs	-	54,306
Postages	6,384	1,104
Website Costs	505	614
Secretarial Expenses	29,126	22,490
Stationery & Photocopying	4,270	1,128
Subscriptions	395	5,919
Telephones & Tolls	2,307	1,757
Travelling Expenses	9,691	7,483
Trustee Fees	87,211	84,609
<b>Total Expenses</b>	<b>304,018</b>	<b>232,512</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.





# King Country Electric Power Trust

## Statement of Changes in Equity

For the Year Ended 31 March 2014

	2014	2013
	\$	\$
<b>Revenues and Expenses</b>		
Net Surplus	13,147,142	1,200,571
Movement in Reserves	(12,487,262)	2,505,663
<b>Total Recognised Revenues and Expenses</b>	<b>659,880</b>	<b>3,706,234</b>
<b>Distributions</b>		
Distribution from Retained Earnings	(960,000)	(931,196)
Trust Funds at the Beginning of the Year	38,167,672	35,392,634
<b>Trust Funds at the End of the Year</b>	<b>37,867,552</b>	<b>38,167,672</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



# King Country Electric Power Trust

## Balance Sheet

As at 31 March 2014

	Note	2014 \$	2013 \$
<b>Trust Funds</b>			
Trust Capital	6	6,675,100	6,675,100
Retained Earnings	7, 16	28,557,086	16,369,944
Reserves	8, 16	2,635,366	15,122,628
<b>Total Trust Funds</b>		<b>37,867,552</b>	<b>38,167,672</b>
<b>Represented by:</b>			
<b>Current Assets</b>			
Cash & Bank Balances	9	3,023,547	1,107,656
Other Receivables	10	85,446	133,447
Income Tax Receivable	5	104,545	25,926
Inventories	11	6,920	6,920
Current Investments	12	14,863,103	5,167,060
<b>Total Current Assets</b>		<b>18,083,561</b>	<b>6,441,009</b>
<b>Non Current Assets</b>			
Property, Plant & Equipment	13	735	1,377
Term Investments (Available for Sale)	14	19,786,072	31,729,175
<b>Total Non Current Assets</b>		<b>19,786,807</b>	<b>31,730,552</b>
<b>Total Assets</b>		<b>37,870,368</b>	<b>38,171,561</b>
<b>Current Liabilities</b>			
Payables & Accruals	15	2,816	3,889
<b>Total Liabilities</b>		<b>2,816</b>	<b>3,889</b>
<b>Net Assets</b>		<b>37,867,552</b>	<b>38,167,672</b>

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.



## 1 Statement of Accounting Policies

### Reporting Entity

King Country Electric Power Trust is an Energy Consumer Trust.

The principal activity of the Trust is holding shares in New Zealand energy companies on behalf of the beneficiaries and to exercise the rights attached to the ownership of the shares in those companies for the benefit of the beneficiaries, in accordance with the terms of the Trust Deed.

### Statement of Compliance and Basis of Preparation

The Electricity Industry Act 2010 requires the Trust to prepare financial statements in accordance with generally accepted accounting practice. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting exemptions.

The trust qualifies for differential reporting as it is not publicly accountable and is not large as defined in the Framework for Differential Reporting. The trust has taken advantage of all available differential reporting exemptions.

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

These financial statements are presented in New Zealand dollars.

### Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Statement of Comprehensive Income and Balance Sheet have been applied:

#### (a) Revenue

Interest and Dividend Income

Interest income on cash and cash equivalents and investments is recognised as it is earned (e.g. a term deposit that has been invested for 30 days of 100 at balance date will have 30 days of interest recognised). When a receivable is impaired, the Trust reduces the carrying amount to its estimated recoverable amount.

Dividend income is recognised when the right to receive payment is established. The income is reflected on a gross income basis; with the imputation credits attached becoming part of the tax calculation.

#### (b) Expenses

Expenses have been classified on their business function.

#### (c) Inventories

Inventories are recognised at lower of cost and net realisable value, determined on a first-in first out-basis.

#### (d) Property, Plant & Equipment

Property, Plant & Equipment are recognised at Cost less aggregate depreciation. Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007. Gains and losses on disposal of fixed assets are taken into account in determining the operating result for the year.

## King Country Electric Power Trust

### Notes to and forming part of the Financial Statements (continued)

#### For the Year Ended 31 March 2014

Plant & Equipment 14.4% - 60% DV

(e) Income Tax

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior years.

(f) Financial Instruments

Financial instruments are recognised in the Balance Sheet when the Trust becomes party to a financial contract. They include cash balances, deposits, bank overdrafts, payables, receivables and intercompany balances.

All the financial instruments of the Trust are initially recorded at cost. Due allowance is made for impaired receivables. Further information is shown under accounting policies for current investments and term investments (available-for-sale).

(g) Goods and Services Taxation (GST)

The financial statements have been prepared inclusive of GST as the Trust is not registered for GST.

(h) Impairment

The carrying amounts of the Trust's assets other than inventories are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturity of three months or less and bank overdrafts.

(j) Current Investments

Short term deposits have maturities between three months and one year, and longer term deposits that mature within one year of balance date. These are disclosed at their fair value (cost).

(k) Term Investments (Available for Sale)

Shares held in listed and unlisted companies are designated as available-for-sale (AFS) financial assets. They are reflected at fair value through the Statement of Comprehensive Income.

Shares on either the listed (NZX) or unlisted exchange are valued based on the closing trading prices on the unlisted stock exchange as at balance date.

The Lines Company Limited shares (sold in 2014) are held by two shareholders and there is no liquid market for the shares. A valuation exercise occurred during the 2011/2012 financial year to determine the value to be used for selling part of the shareholding to the other shareholder. This valuation was used as the basis for the value in the 2013 financial statements.

Gains and losses are recognised in other comprehensive income and reported within the "available-for-sale reserve" within equity (except for impairment losses which are recognised in the reported surplus or deficit). When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to the surplus or deficit.

At balance date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment loss is recorded as an expense in the income statement.

(l) Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year with the exception of the matter referred to in Note 16.

(m)

Critical Judgements in Applying Accounting Policies

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires Trustees to exercise their judgement in the process of applying the Trust's accounting policies. In making these judgements, estimates and assumptions concerning the future are made. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of Assets

NZ IFRS requires that assets are carried at no more than their recoverable amount. This requires Trustees to make judgements regarding amounts recoverable and provisions for impairment. Trustees must apply judgement in assessing likely outcomes.

Income Taxes and Deferred Taxation

Judgement is required in determining the provision for income taxes and the ultimate determination is uncertain until assessments are finalised. Judgement is also required in relation to the level of imputation credits likely to be attached to future dividends.

## King Country Electric Power Trust

### Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2014

2 Revenue	2014	2013
	\$	\$
<b>Operating Revenue</b>		
Sales of Books	-	150
<b>Other Income</b>		
Interest Received	261,428	334,008
Dividends Received	2,372,306	1,690,351
PIE Non Assessable Income	6,232	-
Profit (Loss) on Disposal of Investments	11,580,000	-
<b>Total Other Income</b>	<b>14,219,966</b>	<b>2,024,359</b>
<b>Total Revenue</b>	<b>14,219,966</b>	<b>2,024,509</b>
3 Auditor's Remuneration	2014	2013
	\$	\$
The auditor of King Country Electric Power Trust is Sewell & Wilson		
Audit Fees	5,215	4,669
	<b>5,215</b>	<b>4,669</b>
4 Tax Reconciliation	2014	2013
	\$	\$
Surplus before Income Tax	13,915,948	1,791,897
<b>Permanent Differences</b>		
PIE Non Assessable Income	(6,231)	-
Profit (Loss) on Disposal of Investments	(11,580,000)	-
<b>Total Permanent Differences</b>	<b>(11,586,231)</b>	<b>-</b>
<b>Taxable Income</b>	<b>2,329,717</b>	<b>1,791,897</b>
Tax Expense at 33%	768,806	591,326
<b>Tax Expense</b>	<b>768,806</b>	<b>591,326</b>
5 Income Tax	2014	2013
	\$	\$
<b>Opening Balance</b>	(25,926)	(57,721)
<b>Plus:</b>		
Current Year Tax Expense	768,806	591,325
Tax Refund	25,927	57,720
	<b>794,733</b>	<b>649,045</b>
<b>Less:</b>		
RWT Paid	291,409	414,715
Imputation Tax Credits	581,943	202,538
	<b>873,352</b>	<b>617,253</b>
<b>Total Tax Refund</b>	<b>(104,545)</b>	<b>(25,929)</b>
<b>Income Tax (Receivable)</b>	<b>(104,545)</b>	<b>(25,929)</b>

King Country Electric Power Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2014

6 Trust Capital	2014	2013
	\$	\$
Opening Balance	6,675,100	6,675,100
<b>Total Trust Capital</b>	<b>6,675,100</b>	<b>6,675,100</b>
7 Retained Earnings	2014	2013
	\$	\$
Opening Balance	16,369,944	16,100,569
<b>Plus:</b>		
Surplus for the Year	13,147,142	1,200,571
<b>Less:</b>		
Distributions from Retained Surplus	960,000	931,196
<b>Total Retained Earnings</b>	<b>28,557,086</b>	<b>16,369,944</b>
8 Reserves	2014	2013
	\$	\$
<b>AFS Financial Asset Revaluation</b>		
Opening Balance	15,122,628	12,616,965
<b>Plus:</b>		
King Country Energy	-	2,505,663
The Lines Company	1,100,000	-
Meridian Energy Ltd	9,800	-
	<b>1,109,800</b>	<b>2,505,663</b>
<b>Less:</b>		
King Country Energy	1,978,192	-
Mighty River Power	38,870	-
Reclassify to Net Surplus	11,580,000	-
	<b>13,597,062</b>	<b>-</b>
<b>Closing Balance</b>	<b>2,635,366</b>	<b>15,122,628</b>
<p>The Available-for-sale reserve records the movements in fair value of available-for-sale financial assets. Upon sale of available-for-sale financial instruments the accumulated balance of fair value gains/losses related to that asset is reclassified to surplus or deficit.</p>		
<b>Total Reserves</b>	<b>2,635,366</b>	<b>15,122,628</b>



## King Country Electric Power Trust

### Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2014

9 Cash & Bank Balances	2014	2013
	\$	\$
<b>Bank Account Balances</b>		
BNZ - Current Account	22,942	18,406
Rabobank - All In One Account	155	-
ANZ - Serious Saver	2,709,484	-
BNZ - Achiever Savings	280,753	1,079,040
ANZ - Current Account	6,356	6,389
ANZ - Call Account	2,072	2,033
ASB - Business Saver	1,785	1,788
	<b>3,023,547</b>	<b>1,107,656</b>
<b>Total Cash &amp; Bank Balances</b>	<b>3,023,547</b>	<b>1,107,656</b>

10 Current Receivables	2014	2013
	\$	\$
<b>Other Receivables</b>		
Accrued Interest	85,446	133,447
<b>Total Current Receivables</b>	<b>85,446</b>	<b>133,447</b>

11 Inventories	2014	2013
	\$	\$
<b>Stock on Hand</b>		
History Books	6,920	6,920
<b>Total Inventories</b>	<b>6,920</b>	<b>6,920</b>

The Trust has compiled a history of electricity in the King Country. The stock of books on hand has been taken to account at the estimated net realisable value.

12 Current Investments	2014	2013
	\$	\$
ASB - Term Deposits	4,317,679	2,585,461
BNZ - Term Deposits	4,316,889	-
ANZ - Term Deposit	812,170	2,581,599
Kiwibank - Term Deposit	2,710,226	-
Rabobank - Term Deposit	2,706,139	-
<b>Total Current Investments</b>	<b>14,863,103</b>	<b>5,167,060</b>

This includes term deposits with an original maturity between 3 months and one year.



King Country Electric Power Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 31 March 2014

13 Property, Plant & Equipment

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
Property, Plant & Equipment 2014	\$	\$	\$	\$
Plant & Equipment	12,030	642	11,295	735
<b>Total Property, Plant &amp; Equipment</b>	<b>12,030</b>	<b>642</b>	<b>11,295</b>	<b>735</b>

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
Property, Plant & Equipment 2013	\$	\$	\$	\$
Plant & Equipment	12,030	1,261	10,653	1,377
<b>Total Property, Plant &amp; Equipment</b>	<b>12,030</b>	<b>1,261</b>	<b>10,653</b>	<b>1,377</b>

The Trust owns office equipment. There is not believed to be any material impairment that should be reflected in the carrying value.

14 Term Investments (Available for Sale)

	Qty	2014	2013
<b>Shares in Listed Companies</b>		\$	\$
Shares in King Country Energy Ltd	4,954,057	19,320,822	19,329,175
Shares in Mighty River Power Ltd	180,000	394,200	-
Shares in Meridian Energy Ltd	61,250	71,050	-
<b>Total</b>		<b>19,786,072</b>	<b>19,329,175</b>
<b>Shares in Unlisted Companies</b>			
Shares in The Lines Company Ltd		-	12,400,000
<b>Total Term Investments (Available for Sale)</b>		<b>19,786,072</b>	<b>31,729,175</b>

Shares held are classified as financial assets available for sale. Movements in fair value are recognised through the Statement of Comprehensive Income. Gains or losses recognised on the sale of the asset are then reflected in net surplus.

Shares in listed companies (NZX or unlisted exchange) are shown at market value at balance date. Shares in The Lines Company Limited are valued for 2013 based on an independent valuation in 2012.

15 Payables & Accruals

	2014	2013
<b>Other Payables &amp; Accruals</b>	\$	\$
Accounts Payable	2,816	3,889
<b>Total Payables &amp; Accruals</b>	<b>2,816</b>	<b>3,889</b>

**16 Prior Period Adjustment**

In prior periods the gain made on the sale of shares was recorded through the Capital Gains Reserve rather than being reflected in the Statement of Comprehensive Income. The impact of the adjustment of this treatment is a movement of \$13,519,999 from the Capital Gains Reserve to Retained Earnings. The impact of this adjustment on the Financial Statements is shown below.

	Adjusted 2013	Prior to Adjustment 2013
<b>Trust Funds</b>	<b>\$</b>	<b>\$</b>
Trust Capital	6,675,100	6,675,100
Retained Earnings	16,369,944	2,849,945
Reserves	15,122,628	28,642,627
	<b>38,167,672</b>	<b>38,167,672</b>

**17 Events Occurring After Balance Date**

There have been no material Events After Balance Date.

**18 Other Disclosures**

Mr Brian Gurney is a Director and the Chairman of the King Country Energy Limited Board.

**19 Contingent Liabilities**

The Trust has no contingent liabilities as at 31 March 2014, (2013 Nil).

**20 Capital Commitments**

The Trust has no capital commitments as at 31 March 2014, (2013 Nil).

