

# **KING COUNTRY ELECTRIC POWER TRUST**

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31 MARCH 2008

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**KING COUNTRY ELECTRIC POWER TRUST  
GOVERNANCE (TRUSTEES) AND MANAGEMENT  
FOR THE YEAR ENDED  
31 MARCH 2008**

**TRUSTEES**

<i>Name</i>		<i>Residence</i>
Brian Gurney	Chairperson	Omori
Graeme Cosford		Taumarunui
Michael Turner		Owhango
Uwe Kroll		Ohakune
Ian Dougherty		Taumarunui
Neville Sanders (Deceased)		Taumarunui
Douglas Sanders (Deceased)		Ohakune

**SECRETARY**

Tessa Stewart  
Phone 07 8959471  
Fax 07 8959041  
Email [kcept@xtra.co.nz](mailto:kcept@xtra.co.nz)

**OFFICE of the TRUST**

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**BANKERS**

Bank of New Zealand  
TAUMARUNUI  
National Bank of New Zealand  
TE KUITI

**SOLICITORS**

Menefy Jaichand  
Miriam Street  
TAUMARUNUI

**AUDITOR**

Sewell & Wilson  
Ohakune & Wanganui



**KING COUNTRY ELECTRIC POWER TRUST**  
**STATEMENT OF RESPONSIBILITY**  
FOR THE YEAR ENDED  
31 MARCH 2008


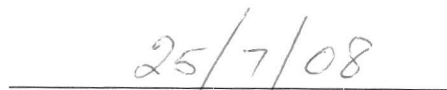
The Trustees have pleasure in presenting the annual report of King Country Electric Power Trust (the Trust), incorporating the financial statements and the auditor's report, for the year ended 31 March 2008.

The Trustees of the Trust accept 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 financial reporting.

In the opinion of the Trustees, the annual financial statements for the financial year ended 31 March 2008 fairly reflect the financial position and operations of the Trust.

  
\_\_\_\_\_  
Chairperson  
  
  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Trustee  
  
  
\_\_\_\_\_  
Date

# KING COUNTRY ELECTRIC POWER TRUST

## INCOME STATEMENT

FOR THE YEAR ENDED  
31 MARCH 2008

	Notes	2008 Actual \$	2007 Actual \$
<b>Income</b>			
Dividends Received		2,600,943	720,758
Investment Income (Interest)		581,061	58,035
		<u>3,182,004</u>	<u>778,793</u>
<b>Less Expenditure</b>			
General Operating Expenditure	3	219,020	391,232
Depreciation		501	795
Loss on disposal of fixed assets		112	-
		<u>219,633</u>	<u>392,027</u>
<b>Profit from Continuing Operations before Income Tax</b>		2,962,371	386,766
Income Tax Expense	4	993,976	147,715
<b>Profit from Continuing Operations after Income Tax</b>		<u><u>1,968,395</u></u>	<u><u>239,051</u></u>

# KING COUNTRY ELECTRIC POWER TRUST

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED  
31 MARCH 2008

	2008 Actual \$	2007 Actual \$
Notes		
<b>Retained Earnings</b>		
Opening Balance	614,484	1,284,759
Net Surplus / (Deficit) for the Year	1,968,395	239,051
Capital Gain on Disposal of Available-For-Sale Financial Assets (The Lines Company Ltd)	13,520,000	-
Distribution to Beneficiaries	( 500)	( 909,326)
Movements for the Year	<u>15,487,895</u>	<u>( 670,275)</u>
<b>Balance at 31 March</b>	<u>16,102,379</u>	<u>614,484</u>
<b>Available for Sale Financial Assets Reserve</b>		
Opening Balance	7,143,750	5,062,500
Movement in Fair Value	7,349,258	2,081,250
<b>Balance at 31 March</b>	<u>14,493,008</u>	<u>7,143,750</u>
<b>Associated Company Reserve</b>		
Opening Balance	13,679,516	12,963,818
Movement in Associated Company Value	-	715,698
Reversal of Associated Company Reserve	( 13,679,516)	-
<b>Balance at 31 March</b>	<u>-</u>	<u>13,679,516</u>
<b>Trust Capital</b>		
Opening Balance	6,675,100	6,675,100
Movement	-	-
<b>Balance at 31 March</b>	<u>6,675,100</u>	<u>6,675,100</u>
<b>Summary - Trust Equity</b>		
Opening Balance	28,112,850	25,986,177
Movements	9,157,637	2,126,673
<b>Total Trust Equity at 31 March</b>	<u>37,270,487</u>	<u>28,112,850</u>

# KING COUNTRY ELECTRIC POWER TRUST

## BALANCE SHEET

### FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 Actual \$	2007 Actual \$
<b>Total Equity</b>		<u>37,270,487</u>	<u>28,112,850</u>
Represented By:			
<b>Current Assets</b>			
Cash and Cash Equivalents	6	2,835,284	173,881
Debtors	7	10,311	10,287
Inventories	8	8,321	-
Investments	9	6,675,650	511,084
		<u>9,529,566</u>	<u>695,252</u>
<b>Less Current Liabilities</b>			
Creditors	10	27,827	171,768
Provision for Income Tax Payable	5	45,531	-
		<u>73,358</u>	<u>171,768</u>
<b>Working Capital</b>		9,456,208	523,484
<b>Non Current Assets</b>			
Income Tax Benefit		-	90,135
Available-for-Sale Financial Assets	11	27,813,552	27,498,266
Property, Plant & Equipment	12	727	965
		<u>27,814,279</u>	<u>27,589,366</u>
<b>Net Assets</b>		<u>37,270,487</u>	<u>28,112,850</u>

# **KING COUNTRY ELECTRIC POWER TRUST NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

31 MARCH 2008

## **1. Statement of Significant Accounting Policies**

### **a) Reporting entity**

King Country Electric Power Trust is an Energy Power Trust as defined in the Energy Companies Act 1992.

The principal activity of the Trust is the holding of 10% of the shares in The Lines Company Ltd and 20% of the shares in King Country Energy Ltd 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.

### **b) Basis of Preparation**

#### **Financial Reporting Standards Applied**

The Electricity Amendment Act 2001 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.

#### **Differential Reporting**

The Trust qualifies for differential reporting exemptions because it is not publicly accountable as defined in the Framework for Differential Reporting (the Framework) and is not large. All available differential reporting have been taken advantage of.

#### **Measurement Base**

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

#### **Presentation Currency**

These financial statements are presented in New Zealand dollars.

#### **Specific accounting policies**

The accounting policies used in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented.

### **c) Revenue Recognition**

#### **Interest Income**

Interest income on cash and cash equivalents and investments are recognised as they are earned (e.g. a term deposit that has been invested for 30 days of a 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. This is a change in accounting policy from previous years.

# **KING COUNTRY ELECTRIC POWER TRUST**

## **NOTES TO THE FINANCIAL STATEMENTS (cont.)**

FOR THE YEAR ENDED

31 MARCH 2008

### **d) 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 maturities of three months or less and bank overdrafts.

### **e) Financial Assets and Liabilities**

The financial assets of the Trust comprise cash and cash equivalents, debtors and Investments. All of these financial assets are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

The financial liabilities of the Trust comprise creditors payable.

### **f) Investments**

Short term deposits have maturities between three months and one year. These are disclosed at their fair value (cost).

At balance sheet 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.

### **g) Available-for-Sale Financial Assets**

Shares in King Country Energy Ltd and The Lines Company Ltd are designated as available-for-sale financial assets. They are reflected at their fair value.

King Country Energy Ltd shares are valued based on the closing trading prices on the unlisted stock exchange as at balance date.

The Lines Company Ltd shares are held by two shareholders and there is no liquid market for the shares. A valuation exercise occurred during the year to determine the value to be used for selling part of the shareholding to the other shareholder. The Trustees do not believe there has been any significant change to the value of the shareholding since then and the price per share used for this sale has been used to value of the investment at balance date.

### **h) Income Tax**

The current income tax asset or liability recognised on the balance sheet represents the current income tax balance due from, or payable to, the Inland Revenue Department at balance date. Imputation credits attached to dividends received unutilised at balance date will be carried forward as an asset where it is believed that there is a reasonable expectation of their utilisation within the next two years.

### **i) Debtors**

'Debtors' represents items that the Trust has issued invoices for, but has not received payment for at year end. They are initially recorded at fair value and subsequently recorded at the amount the Trust realistically expects to receive. A provision for impairment of Debtors is established where there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the debt.

### **j) Inventories**

Inventory is Work in Progress on a book on the history of King Country Energy Ltd which will be available for sale to the public.



**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2008

**k) Property, Plant and Equipment**

Plant and equipment are recorded at cost, less accumulated depreciation and impairment losses. Cost includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Plant and equipment acquired with individual values under \$500 are not capitalised, they are recognised as an expense in the income statement.

Gains and losses on disposals (*i.e.* sold or given away) are determined by comparing the proceeds received with the carrying amounts (*i.e.* the book value).

**l) Depreciation**

Depreciation is charged for all plant and equipment and is charged to the income statement so as to spread the cost of an asset over the useful life of the asset on a diminishing value basis. Rates as prescribed by the Income Tax Act 2007 are used as a basis.

The estimated useful lives of the assets are:

Furniture & Equipment (non-technology)	10 years (14.4% DV)
Computers	3 years (48% DV)

**m) Creditors**

'Creditors' represents liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. Creditors are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

**n) Employee Entitlements - Salary Accruals**

Salary payments and entitlements have been paid up to 31 March so there have been no accruals.

**o) Goods and Services Tax (GST)**

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

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2008

## **2. Statement of Changes in Accounting Policy**

Dividend income has previously been recognised on a net basis, not recognising the imputation credits attached. With the change in financial assets held by the Trust, the Trustees have a reasonable expectation of utilising the imputation tax credits. The income is now reflected on a gross income basis with the imputation credits attached becoming part of the tax calculation.

If there is no reasonable expectation of imputation credits attached to dividends being utilised within two years an adjustment will be made through tax expense in the year this assessment is made.

This is a change in accounting policy from previous years where it was not anticipated that the bought forward losses arising from the imputation credits would be utilised.

The imputation credits attached to dividend income not recognised in 2007 were \$237,850. The net impact on equity at 31 March 2008 was \$90,315 after reflecting income tax expense of \$147,715. This is reflected in the current year tax calculation. Retrospective application of this change in accounting policy has been made in accordance with NZ IAS 8.

There are no other changes in accounting policy.

## **3. Explanation of transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)**

These financial statements, for the year ended 31 March 2008 are the first annual financial statements that comply with NZ IFRS. The transition date is 1 April 2006 and the NZ IFRS balance sheet has been prepared at that date. The NZ IFRS adoption date is 1 April 2007.

The financial statements have been prepared in accordance with NZ IFRS 1.

### **Reconciliation**

The transition from previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to NZ IFRS has resulted in no changes in Trust equity as at 1 April 2006 and 31 March 2007.

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2008

The table below summarises the impact of the implementation of IFRS on the balance sheet of the Trust.

	1 April 2006			31 March 2007		
	Previous NZ GAAP	Transition effect	NZ IFRS	Previous NZ GAAP	Transition effect	NZ IFRS
<b>Current Assets</b>						
Cash and cash equivalents	1,264,327	(1,054,053)	210,274	684,965	(511,084)	173,881
Investments	-	1,054,053	1,054,053	-	511,084	511,084
Other current assets	27,786	-	27,786	10,287	-	10,287
	1,292,113	-	1,292,113	695,252	-	695,252
<b>Non Current Assets</b>						
Available for Sale Financial Assets	24,701,319	-	24,701,319	27,498,266	-	27,498,266
Plant and Equipment	1,760	-	1,760	965	-	965
<b>Total Assets</b>	25,995,192	-	25,995,192	28,194,483	-	28,194,483
<b>Total Liabilities</b>	(9,014)	-	(9,014)	(171,768)	-	(171,768)
<b>Equity</b>	<b>25,986,178</b>	-	<b>25,986,178</b>	<b>28,022,715</b>	-	<b>28,022,715</b>

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2008

**4. Expenses**

**General Operating Expenses**

	<b>2008</b>	<b>2007</b>
Advertising & General	1,126	1,500
ACC Levies	64	87
Audit Fees	3,156	2,531
AGM Expense	1,367	1,218
Bank Charges	235	211
Computer Costs	577	787
Computer Allowances	750	767
Conference Costs	5,621	5,480
Meeting Room Hire	348	-
General Expense	1,349	2,341
Insurance	5,006	5,006
KCE Adjudication Costs	-	676
Legal Expenses	12,396	1,142
Postage	914	300
Secretarial Expenses	17,443	22,701
Ownership Review Costs	40,992	97,788
Share Offer Costs	49,679	189,182
Subscriptions	2,109	1,519
Stationery & Photocopying	626	667
Telephone & Tolls	2,802	5,401
Trustee Fees	41,000	44,512
Travelling Expenses	10,299	5,954
Website Costs	1,211	1,461
Election Fees	19,283	-
Consultancy Fees	668	-
<b>Total General Operating Expenditure</b>	<b>219,020</b>	<b>391,232</b>

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
 FOR THE YEAR ENDED  
 31 MARCH 2008

## 5. Income Tax Expense

The major components of income tax expense are:

	<b>2008</b>	<b>2007</b>
Income Statement Profit from continuing operations	2,962,371	386,767
Plus Non Deductible Expenditure	49,678	189,182
Taxable Income	3,012,049	575,949
Imputation Credits not recognised in prior years (as tax losses bought forward)	-	(128,328)
<b>Net Taxable Income</b>	<b>3,012,049</b>	<b>447,621</b>
<b>Tax at 33%</b>	<b>993,976</b>	<b>147,715</b>
Imputation Credits Utilised	90,135	-
Less Imputation Credits (current year)	858,310	237,850
<b>Income Tax Payable</b>	<b>45,531</b>	<b>-</b>
Available Imputation Tax Credits unutilised	-	<b>90,135</b>
Carried Forward Loss	-	(273,136)

The change in the financial investments of the Trust means that the imputation credits (carried forward as losses) are now realisable. This note reflects the retrospective application of the change in accounting policy. In 2006 there was no reasonable expectation that the imputation credits (converted to taxable loss) would have been able to be utilised and no asset would have been reflected on the balance sheet.

## 6. Cash and Cash Equivalents

	<b>2008</b>	<b>2007</b>
Bank Balances (current & savings accounts)	26,380	105,592
Short term deposits (original maturity less than 3 months)	2,808,904	68,289
<b>Total Cash and Cash Equivalents</b>	<b>2,835,284</b>	<b>173,881</b>

# KING COUNTRY ELECTRIC POWER TRUST

## NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED

31 MARCH 2008

### 7. Receivables

	2008	2007
Accrued Interest on investments	10,311	10,287

### 8. Inventories

	2008	2007
Work in progress at cost	8,321	-

The Trust is at present compiling a history of King Country Energy Limited since its inception as King Country Electric Power Board in 1940. The cost of this will be off-set by sales of the book once it is published.

### 9. Investments

	2008	2007
Term deposits (original maturity between 3 months and one year)	6,675,650	511,084

### 10. Creditors

	2008	2007
Carrying amount of monthly payables	8,544	171,768
Election expenses accrual	19,283	-
<b>Total Accounts Payable</b>	<b>27,827</b>	<b>171,768</b>

### 11. Available-for-Sale Financial Assets

	2008	2007
Shares in King Country Energy Ltd	16,875,000	9,018,750
Shares in The Lines Company Ltd	10,938,552	18,479,516
<b>Total Available-for-Sale Financial Assets</b>	<b>27,813,552</b>	<b>27,498,266</b>

During the year, there was a reorganisation of the ownership of the shares in King Country Energy Limited and The Lines Company Limited.

# KING COUNTRY ELECTRIC POWER TRUST

## NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED

31 MARCH 2008

### King Country Energy Ltd

The King Country Electric Power Trust sold 1,974,468 shares in The Lines Company Ltd to Waitomo Energy Services Consumer Trust for \$16,400,000 and purchased the Waitomo Energy Services Consumer Trust shareholding in King Country Energy Limited plus further shares on the open market to take their holding to 3,750,000 shares or 20% at a cost of \$9,525,544.

With the holding in King Country Energy Limited increased to approximately 20%, the Trust was enabled to appoint two directors to the Board of the Company.

The policy of the Trustees is to keep its investment in King Country Energy Ltd at less than 20%. However, at 31 March the investment in King Country Energy Ltd was exactly 20%. A small reduction to the shareholding in King Country Energy Ltd has been made since balance date bringing the shareholding under 20%.

Under NZ IAS 28 the investment should be treated as an "associated entity" and subject to consolidation, unless justified otherwise. A decision has been made to treat the investment as "available-for-sale" as the investment level was a temporary situation.

### The Lines Company Ltd

King Country Electric Power Trust now holds a 10% interest in The Lines Company Limited and Waitomo Energy Services Consumer Trust owns 90%.

The investment in the Lines Company is valued at the same price as used for the share sell-down. This is used as a reasonable estimate of the value of the entity in the absence of a liquid market.

## 12. Property, Plant & Equipment

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

	2008	2007
Cost	3,640	3,694
Accumulated Depreciation	2,912	2,729
Carrying Value	728	965
Depreciation	501	1,510