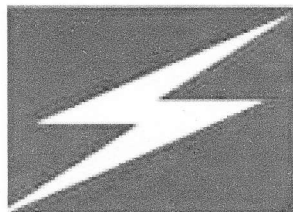


# **KING COUNTRY ELECTRIC POWER TRUST**

ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 MARCH 2012



# **KING COUNTRY ELECTRIC POWER TRUST**

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31 MARCH 2012

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**KING COUNTRY ELECTRIC POWER TRUST  
GOVERNANCE (TRUSTEES) AND MANAGEMENT  
FOR THE YEAR ENDED  
31 MARCH 2012**

**TRUSTEES**

<i>Name</i>		<i>Residence</i>
Brian Gurney	Chairperson	Omori
Graeme Cosford		Taumarunui
Robert Carter		Kirikau
Uwe Kroll		Ohakune
Norman Annand		Taumarunui

**SECRETARY**

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

**OFFICE of the TRUST**

Inquiries to Tessa Stewart  
218 Golf Road  
PO Box 421  
TAUMARUNUI 3946  
Phone 07 8959471  
Fax 07 8959041  
Website [www.kcpowertrust.co.nz](http://www.kcpowertrust.co.nz)

**BANKERS**

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

**SOLICITORS**

Menefy Jaichand  
Miriam Street  
TAUMARUNUI

**AUDITOR**

Sewell & Wilson  
Whanganui

**KING COUNTRY ELECTRIC POWER TRUST  
STATEMENT OF RESPONSIBILITY**


FOR THE YEAR ENDED  
31 MARCH 2012

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 2012.

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 2012 fairly reflect the financial position and operations of the Trust.

  
Chairperson

26-7-12.

Date

  
Trustee

26-7-12.

Date

# KING COUNTRY ELECTRIC POWER TRUST

## INCOME STATEMENT

FOR THE YEAR ENDED  
31 MARCH 2012

	Notes	2012 Actual \$	2011 Actual \$
<b>Income</b>			
Revenue from Books		1,160	54,011
Dividends Received		1,408,569	1,749,997
Investment Income (Interest)		433,372	435,261
		<u>1,843,101</u>	<u>2,239,269</u>
<b>Less Expenditure</b>			
Purchase & Production Costs of Books		1,160	138,169
General Operating Expenditure	3	224,912	178,871
Depreciation		2,515	3,057
		<u>228,587</u>	<u>320,097</u>
<b>Surplus from Continuing Operations before Income Tax</b>		1,614,514	1,919,172
Income Tax Expense	4	532,790	633,327
<b>Surplus from Continuing Operations after Income Tax</b>		<u><u>1,081,724</u></u>	<u><u>1,285,845</u></u>



# KING COUNTRY ELECTRIC POWER TRUST

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED  
31 MARCH 2012

	Notes	2012 Actual \$	2011 Actual \$
<b>Retained Earnings</b>			
Opening Balance		16,138,183	16,047,338
Net Surplus / (Deficit) for the Year		1,081,724	1,285,845
<b>Total Recognised Revenues and Expenses</b>		<u>1,081,724</u>	<u>1,285,845</u>
Distribution to Beneficiaries		( 1,119,338)	( 1,195,000)
Movements for the Year		<u>( 37,614)</u>	<u>90,845</u>
<b>Balance at 31 March</b>		<u>16,100,569</u>	<u>16,138,183</u>
<b>Available for Sale Financial Assets Reserve</b>			
Opening Balance		8,174,368	10,668,296
Movement in Fair Value		4,442,597	( 2,493,928)
<b>Balance at 31 March</b>		<u>12,616,965</u>	<u>8,174,368</u>
<b>Trust Capital</b>			
Opening Balance		6,675,100	6,675,100
<b>Balance at 31 March</b>		<u>6,675,100</u>	<u>6,675,100</u>
<b>Summary - Trust Equity</b>			
Opening Balance		30,987,651	33,390,734
Movements		4,404,983	( 2,403,083)
<b>Total Trust Equity at 31 March</b>		<u>35,392,634</u>	<u>30,987,651</u>

**KING COUNTRY ELECTRIC POWER TRUST**  
**BALANCE SHEET**  
AS AT PERIOD ENDING  
31 MARCH 2012

	Notes	2012 Actual \$	2011 Actual \$
<b>Total Equity</b>		<u>35,392,634</u>	<u>30,987,651</u>
Represented By:			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	96,650	133,901
Accrued Interest	6	2,476	-
Provision for Income Tax Refund	4	57,720	79,691
Inventories	7	7,020	8,180
Investments	8	9,323,239	9,276,111
		<u>9,487,105</u>	<u>9,497,883</u>
<b>Less Current Liabilities</b>			
Creditors	9	33,092	4,164
Provision for Unclaimed Distributions		1,480	6,122
Provision for Income Tax Payable	4	-	-
		<u>34,572</u>	<u>10,286</u>
<b>Working Capital</b>		9,452,533	9,487,597
<b>Non Current Assets</b>			
Available-for-Sale Financial Assets	10	25,937,464	21,494,868
Property, Plant & Equipment	11	2,637	5,186
		<u>25,940,101</u>	<u>21,500,054</u>
<b>Net Assets</b>		<u>35,392,634</u>	<u>30,987,651</u>



**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED  
31 MARCH 2012

**1. Statement of Significant Accounting Policies**

**a) Reporting entity**

King Country Electric Power Trust is an Energy Power Trust as defined in the Electricity Act 2010.

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 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.

**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 exemptions 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.

**c) Revenue Recognition**

**Interest 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.



**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2012

**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 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 2012 financial statements.

For the 2011 year the net asset value shown in The Lines Company Ltd audited financial statements for 2010 has been used to calculate the value of the 10 percent shareholding in The Lines Company held by The Trust.

**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. If imputation credits attached to dividends received are unutilised at balance date they 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.

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
FOR THE YEAR ENDED  
31 MARCH 2012

**j) Inventories**

Inventory is the estimated realisable value on the holding stock of a book on the history of electricity in the King Country which is available for sale to the public.

**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.

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

There have been no changes in accounting policy.

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
 FOR THE YEAR ENDED  
 31 MARCH 2012

**3. Expenses**

**General Operating Expenses**

	<b>2012</b>	<b>2011</b>
ACC Levies	-	72
Accountancy	4,269	4,004
Advertising	2,214	-
AGM Expense	1,344	1,191
Audit Fees	4,669	4,567
Bank Charges	175	208
Computer Costs	291	728
Computer Allowances	750	750
Conference Costs	2,036	7,125
Consultancy Fees	69,072	31,743
Distribution Costs	2,292	(10,076)
General Expense	-	820
Insurance	4,478	4,134
Interviews Library	3,784	-
Legal Expenses	2,979	13,110
Meeting Room Hire	870	770
Postage	162	380
Secretarial Expenses	20,026	19,772
Stationery & Photocopying	352	749
Subscriptions	9,628	2,160
Telephone & Tolls	1,329	1,351
Tools & Hardware	205	-
Trust Deed Review Costs	782	-
Trustee Fees	84,124	86,346
Travelling Expenses	8,207	8,361
Website Costs	840	606
		-
<b>Total General Operating Expenditure</b>	<b>224,878</b>	<b>178,871</b>

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
 FOR THE YEAR ENDED  
 31 MARCH 2012

**4. Income Tax Expense**

The major components of income tax expense are:

	<b>2012</b>	<b>2011</b>
Income Statement Surplus from continuing operations	1,614,514	1,919,172
Taxable Income	1,614,514	1,919,172
<b>Net Taxable Income</b>	<b>1,614,514</b>	<b>1,919,172</b>
<b>Tax at 33%</b>	<b>532,790</b>	<b>633,326</b>
Less Resident Withholding Tax Paid	437,939	188,019
Less Imputation Credits (current year)	152,571	524,999
Less Provisional Tax Paid	-	-
<b>Income Tax Receivable/(Payable)</b>	<b>57,720</b>	<b>79,691</b>

**5. Cash and Cash Equivalents**

	<b>2012</b>	<b>2011</b>
Bank Balances (current & savings accounts)	96,650	133,901
Short term deposits (maturity less than 3 months)	-	-
<b>Total Cash and Cash Equivalents</b>	<b>96,650</b>	<b>133,901</b>

**6. Receivables**

	<b>2012</b>	<b>2011</b>
Accrued Interest on investments	2,476	-

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
 FOR THE YEAR ENDED  
 31 MARCH 2012

**7. Inventories**

	<b>2012</b>	<b>2011</b>
Stock of Books on Hand	7,020	8,180

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.

**8. Investments**

	<b>2012</b>	<b>2011</b>
Term deposits (original maturity between 3 months and one year)	9,323,239	9,276,111

**9. Creditors**

	<b>2012</b>	<b>2011</b>
Distribution Payments Unpaid	1,480	6,122
Carrying amount of monthly payables	33,092	4,164
<b>Total Accounts Payable</b>	<b>34,572</b>	<b>10,286</b>

**10. Available-for-Sale Financial Assets**

	<b>2012</b>	<b>2011</b>
Shares in King Country Energy Ltd	13,537,464	12,187,468
Shares in The Lines Company Ltd	12,400,000	9,307,400
<b>Total Available-for-Sale Financial Assets</b>	<b>25,937,464</b>	<b>21,494,868</b>

Shares in King Country Energy Limited are rated at market value as at 31 March 2012.

Shares in The Lines Company Limited are valued for 2012 based on an independent valuation based on the company's 2012 Financial Accounts. For the 2011 year the net asset value shown in The Lines Company Ltd audited financial statements for 2010 has been used to calculate the value of the 10 percent shareholding in The Lines Company held by The Trust.

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO THE FINANCIAL STATEMENTS (cont.)**  
 FOR THE YEAR ENDED  
 31 MARCH 2012

## **11. 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.

	<b>2012</b>	<b>2011</b>
Cost	12,030	12,406
Accumulated Depreciation	9,392	7,219
Carrying Value	2,638	5,187
Depreciation	2,515	3,057

## **12. Capital Commitments**

The King Country Electric Power Trust has made a commitment to provide a \$500 heat pump subsidy to its beneficiaries. The initiative is limited to 73 heat pumps with a total commitment of \$36,500 as at 31 March 2012.

## **13. Contingent Liabilities**

There were no Contingent Liabilities at 31 March 2012. (2011: Nil)

## **14. Post Balance Day Events**

On 1 June 2012 King Country Energy Limited purchased Todd Energy Limited's 50% stake in Mangahao Power Station taking its ownership to 100%. The acquisition was funded by \$33.76 million in cash and the issue of 7.629 million new shares to Todd Energy Limited at an issue price of \$4.75 per share. As a result Todd Energy now holds a majority ownership of 54.1% of King Country Energy. The King Country Electric Power Trust shareholding has been diluted from 20% to 14.2%.

## **15. Other Disclosures**

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