



## ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2010



## 2010 Annual Report

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#### Board of Directors:

John Tavendale (Chairman)  
Ray Davy  
Murray Frost  
Gary Leech (Deputy Chairman)  
Phil McKendry

#### Shareholders Committee:

Stuart Leadley (Chairman)  
Ian Cullimore  
Jim Lischner  
Helen Lowe  
Bruce McPherson  
Chris Robertson  
David Ward

#### Management:

General Manager	Gordon Guthrie
Network Manager	Brendon Quinn
Contracting Manager	Wayne Watson
Administration Manager	Michael Crequer

#### Office:

Electricity Ashburton Limited  
Private Bag 802  
18 Kermode Street  
Ashburton

#### Contact Details:

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## DIRECTORS' REPORT

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### PRINCIPAL ACTIVITIES

Electricity Ashburton's principal activities are:

- Development, operation and maintenance of an electricity distribution network.
- Contracting electrical construction and maintenance services for distribution networks and end users.
- Investment in other infrastructural assets such as:
  - Telecommunications / Broadband initiatives,
  - Water / Energy utilisation enhancement projects.

### ANNUAL RESOLUTION (Section 10 of Co-operative Companies Act 1996)

The Directors of Electricity Ashburton Limited unanimously resolved on the 9 June 2010 that in the opinion of the Directors for the year ended 31 March 2010, Electricity Ashburton has been a co-operative company.

The terms of the resolution were:

1. All shareholders of the company were transacting shareholders during the financial year taking into account provisions of the Electricity Industry Reform Act 1998.
2. The Company has throughout the financial year been carrying on a co-operative activity as defined in the Co-operative Companies Act 1996.

### CORPORATE GOVERNANCE

#### *Role of the Shareholders Committee*

The Shareholders Committee has four members directly elected by rebate shareholders (Consumers) and three members appointed by the deferred shareholder, the District Council. The specific duties of the Shareholders Committee are to; appoint the Directors of the Company, receive the annual Statement of Corporate Intent and to report on a regular basis to shareholders on the performance of the Company.

#### *Role of the Board*

The Board of Directors is appointed by the Company's Shareholders Committee to provide the essential link between shareholders and management.

The Board directs the affairs of the company and supervises the management of the business and see their prime responsibility as setting the strategic direction of the company, establishing goals and monitoring performance with a view to enhancing the prosperity of the Company and its shareholders over time.

The Board discharges this responsibility through effective leadership, by enabling and encouraging an environment for innovation and being responsive to the need for "change".

The Board seeks to maintain a balance between conformance and performance, dynamic strategic leadership, and to ensure governance best practise systems, procedures, policies and guidelines being in place.



## DIRECTORS' REPORT (CONTINUED)

### *Role of the Board (Continued)*

#### **Board Committees**

##### **Audit Committee:**

The Audit Committee comprises the whole board and is chaired by Mr G.R. Leech B.Com, FCA. It meets periodically with the company's external auditors and reviews with management the financial statements and accounting policies, the effectiveness of management information and other systems of internal control.

##### **Remuneration Committee:**

The Remuneration Committee is Messrs J.B. Tavendale and P.J. McKendry. It seeks external advice as required to ensure that the senior executives are fairly rewarded for their individual contribution to the company's performance.

### **DIRECTORS**

At the 2009 Annual General Meeting directors Mr G.R. Leech and Mr J.B. Tavendale retired by rotation. It was the unanimous decision of the Shareholders Committee to reappoint Messrs Leech and Tavendale for a further three year term.

### **DIRECTORS' REMUNERATION**

Directors, who held office during the year, received the following remuneration for their services:

J B Tavendale (Chairman)	57,100
G R Leech (Deputy Chairman)	34,260
M W Frost	28,547
P J McKendry	28,547
R J Davy	28,547
<b>Total</b>	<b>\$177,001</b>

### **INTERESTS REGISTER**

#### **Directors' Interests**

The Company maintains an interest's register in which particulars of certain transactions and matters involving Directors must be recorded. Directors may also hold positions of Director, Trustee or are a member of other organisations who transact with the Company from time to time on normal trade/commercial terms.

#### **Interested Transactions**

No material transactions involving Directors' interests were entered into during the financial year.

#### **Directors' Indemnity and Insurance**

The Company has indemnified directors and employees against all liabilities to persons (other than the Company) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving a lack of good faith. Directors and officers liability insurance to a value of \$10 million has been effected to cover such risks.

## DIRECTORS' REPORT (CONTINUED)

### EMPLOYEE REMUNERATION

The number of employees whose total remuneration including non-cash benefits during the year ended 31 March 2010 was in the specified band are as follows:

\$100,000 - \$110,000	5
\$110,000 - \$120,000	3
\$120,000 - \$130,000	5
\$170,000 - \$180,000	1
\$240,000 - \$250,000	1

### USE OF COMPANY INFORMATION

During the year, the Board did not receive any notices from Directors requesting the use of company information, received in their capacity as Directors, which could not otherwise have been available to them.

### DONATIONS

There were no donations made during the financial year.

### AUDIT FEES

Details of audit fees paid during the year ended 31 March 2010 are shown in Note 2 of the Notes to the Financial Statements.

### LOANS OR GUARANTEES

There were no loans made or guarantees given by the Company to Directors or their associates.

For and on behalf of the Board



CHAIRMAN



DIRECTOR

DATE: 25<sup>th</sup> June 2010

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 \$000	2009 \$000
Operating Revenue	1	31,889	34,212
Operating Expenses	2	(18,559)	(18,734)
Finance Costs		(2,605)	(2,482)
Finance Income		113	43
Finance Costs - Net		(2,492)	(2,439)
<b>OPERATING SURPLUS before Customer Discount</b>		<b>10,838</b>	<b>13,039</b>
Customer Deferred Discount	2	(3,286)	(3,987)
<b>OPERATING SURPLUS before Taxation</b>		<b>7,552</b>	<b>9,052</b>
Taxation	4	(2,156)	(2,804)
<b>OPERATING SURPLUS AFTER TAXATION</b>		<b>5,396</b>	<b>6,248</b>
<b>Total Comprehensive Income</b>		<b>5,396</b>	<b>6,248</b>
Earnings per share			
Basic earnings per share			
Profit before tax attributed to shareholders of the Company		7,552	9,052
Basic and diluted earnings per share	15	\$6.01	\$7.28

## STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE YEAR ENDED 31 MARCH 2010

	Equity \$000	Members' Interests \$000	Total \$000
<b>BALANCE AS AT 1 APRIL 2008</b>	93,482	1,235	94,717
<b>Comprehensive Income:</b>			
Operating Surplus after Taxation	6,248	-	6,248
	6,248	-	6,248
<b>Transactions with Owners:</b>			
Shares Issued	-	36	36
Shares Repaid	-	(26)	(26)
	-	10	10
<b>BALANCE AS AT 31 MARCH 2009</b>	<b>99,730</b>	<b>1,245</b>	<b>100,975</b>
<b>BALANCE AS AT 1 APRIL 2009</b>	99,730	1,245	100,975
<b>Comprehensive Income:</b>			
Operating Surplus after Taxation	5,396	-	5,396
	5,396	-	5,396
<b>Transactions with Owners:</b>			
Shares Issued	-	68	68
Shares Repaid	-	(35)	(35)
	-	33	33
<b>BALANCE AS AT 31 MARCH 2010</b>	<b>105,126</b>	<b>1,278</b>	<b>106,404</b>



# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Notes	2010 \$000	2009 \$000
<b>EQUITY AND MEMBERS' INTERESTS:</b>			
Deferred Shares	16	31,484	31,484
Retained Earnings	19	73,642	68,246
<b>Total Equity</b>		<b>105,126</b>	<b>99,730</b>
Rebate Shares		1,278	1,245
<b>TOTAL EQUITY AND MEMBERS' INTERESTS</b>		<b>106,404</b>	<b>100,975</b>
<b>REPRESENTED BY:</b>			
<b>CURRENT ASSETS:</b>			
Cash and Cash Equivalents	5	168	14
Inventories	6	6,012	4,625
Prepayments	7	120	91
Trade Receivables	7	3,691	4,267
<b>Total Current Assets</b>		<b>9,991</b>	<b>8,997</b>
<b>NON CURRENT ASSETS:</b>			
Intangibles	8	204	352
Property Plant and Equipment	8	161,648	149,498
Derivative Financial Instruments		110	-
<b>Total Non Current Assets</b>		<b>161,962</b>	<b>149,850</b>
<b>TOTAL ASSETS</b>		<b>171,953</b>	<b>158,847</b>
<b>CURRENT LIABILITIES:</b>			
Borrowings	13	37,400	24,500
Current Income Tax Liabilities		342	231
Trade & Other Payables	12	4,089	4,286
<b>Total Current Liabilities</b>		<b>41,831</b>	<b>29,017</b>
<b>NON CURRENT LIABILITIES:</b>			
Deferred Income Tax Liabilities	4	19,718	19,155
Borrowings	13	4,000	9,700
<b>Total Non Current Liabilities</b>		<b>23,718</b>	<b>28,855</b>
<b>TOTAL LIABILITIES OTHER THAN REBATE SHARES</b>		<b>65,549</b>	<b>57,872</b>
<b>TOTAL NET ASSETS</b>		<b>106,404</b>	<b>100,975</b>

For and on behalf of the Board



CHAIRMAN

25<sup>th</sup> June 2010



DIRECTOR

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 \$000	2009 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>			
<b>Cash was Provided from:</b>			
Receipts from Customers		32,382	33,844
Receipts from Interest		3	43
		<u>32,385</u>	<u>33,887</u>
<b>Cash was Applied to:</b>			
Payments to Suppliers & Employees		(14,252)	(13,388)
Customer Deferred Discount		(3,286)	(3,987)
Interest Paid		(2,546)	(2,436)
Net GST Movement		26	6
Taxation Paid		(1,481)	(2,044)
		<u>(21,539)</u>	<u>(21,849)</u>
<b>Net Cash Flows from Operating Activities</b>	<b>18</b>	<b>10,846</b>	<b>12,038</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
<b>Cash was Provided from:</b>			
Sale of Property Plant and Equipment		62	38
		<u>62</u>	<u>38</u>
<b>Cash was Applied to:</b>			
Distribution System Improvements		(14,222)	(14,448)
Purchases of Other Property Plant and Equipment		(3,765)	(1,065)
		<u>(17,987)</u>	<u>(15,513)</u>
<b>Net Cash Flows From Investing Activities</b>		<b>(17,925)</b>	<b>(15,475)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
<b>Cash was Provided from:</b>			
Contributions from Owners - Income		68	36
Bank Loans - Borrowings		8,700	3,500
		<u>8,768</u>	<u>3,536</u>
<b>Cash was Applied to:</b>			
Bank Loans - Repaid		(1,500)	(1,000)
Contributions from Owners Repaid		(35)	(26)
		<u>(1,535)</u>	<u>(1,026)</u>
<b>Net Cash Flows From Financing Activities</b>		<b>7,233</b>	<b>2,510</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>154</b>	<b>(927)</b>
<b>Cash and Cash Equivalents at start of year</b>		<b>14</b>	<b>941</b>
<b>Cash and Cash Equivalents at end of year</b>		<b>168</b>	<b>14</b>



# NOTES TO THE FINANCIAL STATEMENTS

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## SUMMARY OF ACCOUNTING POLICIES

### PROFIT-ORIENTED

Electricity Ashburton is a profit-oriented co-operative company registered under the Co-operative Companies Act 1996 and domiciled and incorporated in New Zealand.

### STATEMENT OF COMPLIANCE

The financial statements of Electricity Ashburton Limited have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and IFRS, and other applicable reporting standards as appropriate for a Co-operative Company and a profit-oriented Company.

The financial statements are for Electricity Ashburton Limited as a separate legal entity.

### PRINCIPAL ACTIVITIES

Electricity Ashburton's principal activities are;

- Development, operation and maintenance of an electricity distribution network.
- Contracting, electrical construction and maintenance services for distribution networks and end users.

All operations are conducted in New Zealand.

### ADDRESS OF REGISTERED OFFICE

18 Kermode Street  
Ashburton

### FUNCTIONAL AND PRESENTATION CURRENCY

The Company's financial statements are presented in New Zealand dollars, which is the company's functional and presentation currency.

### MEASUREMENT BASE

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

### USE OF ESTIMATES AND JUDGEMENTS

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

Information about significant areas of estimated uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

#### Property, Plant and Equipment – Note 8

Network reticulation assets depreciation rates reflect the depreciation rates in the ODV handbook issued by the Commerce Commission in 2004.

Easements are recorded at cost and expensed in the period they are paid.

#### Financial Instruments – Note 13

Borrowings are initially measured at fair value plus transaction costs.

## SPECIFIC ACCOUNTING POLICIES

### PROPERTY, PLANT AND EQUIPMENT

Electricity Ashburton has the following classes of property, plant and equipment:

- Network Reticulation Assets
- Buildings
- Land
- Motor Vehicles
- Plant
- Office Furniture & Equipment
- Broadband

**Network Reticulation Assets** comprises mainly 22kV and 66kV conductor, associated transformers and substations. Reticulation assets are shown at deemed cost less subsequent depreciation and impairment write down.

**Network Reticulation Assets** were revalued at 31 March 2004, adjusted for additions, disposals and depreciation as its deemed cost of these assets at 1 April 2006.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT (Continued)

**Network Reticulation Assets** acquired subsequent to the adoption of "deemed cost" 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 and impairment write down.

**Broadband Assets** are stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

**Land** is stated at cost. Buildings, Plant and Equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation has been provided on all Property, Plant and Equipment other than freehold Land on the following basis and at the following rates, which amortise the cost of the asset over their economic lives.

• Distribution	1.43% to 6.67% straight line
• Buildings-concrete	1.0% straight line
-brick	2.0% straight line
-wooden	2.5% straight line
• Motor Vehicles	14.4% to 31.2% diminishing value
• Plant and Equipment	7.5% to 60% diminishing value
• Broadband	4.8% to 60% diminishing value
• Other	4.8% to 12% diminishing value

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

### IMPAIRMENT

#### Property Plant and Equipment

If the recoverable amount of an item of property, plant and equipment is less than the carrying amount, the item is written down to its recoverable amount. The write down of an item recorded at historical cost is recognised as an expense in the statement of comprehensive income. When a revalued item is written down to recoverable amount, the write down is recognised as a downward revaluation to the extent of the corresponding revaluation reserve, and any balance recognised in the statement of comprehensive income.

The carrying amount of an item of property, plant and equipment that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a change in the estimates used to determine the amount of the write down. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred.

Reversals of impairment write downs are recognised in the statement of comprehensive income.

### INTANGIBLES

Software is shown at cost less amortisation. Amortisation is charged on a diminishing value base at 60%. Assets are assessed annually for impairment.

#### Other Assets

Other assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the asset, that the future cash flows of the asset have been impacted. The carrying amount of the asset is reduced by the impairment loss and this loss is recognised as an expense in the Statement of comprehensive income.

### CAPITAL AND OPERATING EXPENDITURE

**Capital expenditure** relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

**Operating expenditure** is that expenditure incurred in maintaining and operating the property, plant and equipment of Electricity Ashburton.

**Capital Work In Progress** is stated at cost and is not depreciated. It includes an accrual for the proportion of work completed at the end of the year.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### DIVIDENDS

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date. Dividend distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

### INCOME TAX

The income tax charged to the statement of comprehensive income includes both the current year's provision on the taxable income based on the income tax rate and the deferred tax effect attributed to temporary differences between the tax loss of assets and liabilities and their carrying amounts in the financial statement and to unused tax losses.

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the probable profit or tax loss for the period. It is calculated using the rates and laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Temporary differences arising from transactions, other than business combinations, affecting neither accounting profit nor taxable profit are ignored.

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 deferred tax or current tax is also recognised directly in equity.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A deferred tax asset is only recognised to the extent that it is probable there will be future taxable profits to utilise the temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on the rates and tax laws that have been enacted or substantively enacted by reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax asset and liabilities on a net basis.

### GOODS AND SERVICES TAX (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

### EMPLOYEE BENEFITS

(a) Wages and salaries, annual leave, long service leave.

Liabilities for wages, salaries and annual leave expected to be settled in the next 12 months of reporting date are recognised in other payables at the amount expected to be paid when the liabilities are settled.

Liability for long service leave is the actual cost of the benefit for employees who have this leave due and is apportioned on the number of year's service to the first qualifying period at the employee's ordinary rate of pay.

(b) Gratuity

Gratuities are payable when a qualifying employee elects to retire. The company recognises the liability when an employee reaches the minimum length of service and apportions the entitlement in the reporting year based on length of service, age and the current age eligibility for Guaranteed Retired Income (GRI) which is 65 years, in these accounts.

### FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the company becomes party to a financial contract. They include cash and cash equivalents, bank overdrafts, receivables, payables and term borrowings.

#### Cash and Cash Equivalents

Reflects the balance of cash and liquid assets used in the day to day cash management of the company.

#### Bank Overdraft

The company has a \$500,000 overdraft facility with Westpac Banking Corporation.

#### Trade Receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less provision for doubtful debts. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Except for a few customers with extended credit terms, the resulting carrying amount for receivables is not materially different from realisable value.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### Trade Payables

This amount represents liability for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

### Other Financial Assets or Liabilities

The company is also party to financial instruments to meet financing needs and to reduce exposure to fluctuations in foreign currency exchange rates. These financial instruments include bank overdraft facilities, swaps, contractors bonds and foreign currency forward exchange contracts.

### Borrowings

Borrowings are initially recognised at fair value plus transaction costs incurred, and are subsequently recorded at amortised cost.

Borrowings are recognised as current liabilities unless the Company has an unconditional right to defer settlement of the liability at least 12 months after balance date.

The company has borrowings with Westpac Banking Corporation and the Bank of New Zealand, all of which are secured by a negative pledge over assets.

### INVENTORIES

Inventories are recognised at the lower of cost, determined on a weighted average cost basis, and net realisable value.

The cost of work in progress and finished goods includes the cost of direct materials.

### REVENUE RECOGNITION

#### Sale of Goods and Services

Revenue from the sale of goods and services is recognised in the Statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the customer. 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.

#### Customer Contributions

Contributions from customers in relation to the construction of new lines and connection charges for the network are accounted for as income in the year the Company completes the actual work.

#### Other Income

Interest is recognised using the effective interest method.

Rental income is recognised in accordance with the substance of the relevant agreements.

Revenues from lines, sales of services, contracting and network contributions are recognised in the accounting period in which the service is provided.

#### Foreign Currency Translation – Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except where deferred in equity as qualifying cash flow hedges.

#### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### **New Standards and Interpretations not yet adopted**

The Company only adopts new accounting standards once they have been issued and are effective. The Company has reviewed the standards which have been issued but not yet adopted and believes that there will be no impact on the financial statements.

### **Policies Adopted as a Result of Amendments to and New NZIRFS**

The following new standards and amendments to standards are mandatory for the first time in the financial year beginning 1 April 2009:

#### **NZIAS 1 (Amendment): Presentation of Financial Statements**

The revised standard requires all "non owner changes in equity" to be shown in the Statement of Comprehensive Income. The financial statements have been prepared under the revised disclosure requirements. The revised disclosure requirements have been incorporated for the prior year comparison also.

#### **NZIAS 23 (Amendment): Borrowing Costs**

The revised standard requires borrowing costs directly attributable to acquisition, custodian or production of a qualifying asset to be capitalised as part of that asset. There is no longer an option to immediately expense these borrowing costs.

### **Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in the prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note	2010 \$000	2009 \$000
<b>1 Operating Revenue</b>		
Line Services	28,096	27,666
Customer Contributions	430	1,015
Connection Fees	349	422
Rental Property	57	59
Sundry	2,942	5,044
Depreciation Recovered	15	6
	<b>31,889</b>	<b>34,212</b>
<b>2 Operating Expenses</b>		
Transmission Costs	4,818	3,768
Employee Benefit Costs	2,128	3,823
Distribution System Maintenance	2,827	3,220
Directors Fees	177	167
Shareholder Committee Fees	46	46
Bad debts written off	2	7
Rental & Operating Lease Payments	193	119
<b>Depreciation of Property, Plant and Equipment</b>		
Buildings	97	93
Motor Vehicles	341	258
Plant, furniture & equipment	424	444
Distribution network	4,830	4,490
Broadband	118	-
Amortisation	108	53
Audit Fees – Current Auditors	26	11
Audit Fees – Previous Auditors	-	28
Audit Fees – Regulatory Disclosures – Current Auditors	25	15
Audit- Other Services – Non Related Audit Firms	-	6
Loss on Sale of Assets	7	2
Other	2,392	2,184
	<b>18,559</b>	<b>18,734</b>
Customer Deferred Discount	3,286	3,987

### Note 3: Related Party Transactions

Ashburton District Council hold 28,750,000 deferred shares with conditions attached (see note 16) The amount of GST exclusive has been paid for rates and other services to the Ashburton District Council in the year being reported \$224,646 ( 2009: \$237,183 ) M W Frost is a Director of Electricity Ashburton and he is also a Director of Ashburton Contracting Ltd who supplied services amounting to \$142,393 GST exclusive in the year being reported (2009: \$157,257).

Mr G R Leech is an independent Director of a Company which owns the premises that are leased on an arms length basis to Electricity Ashburton Limited. The amount of \$133,016 (GST exclusive) for lease of premise was paid during the year being reported (2009 \$124,111).

At balance date there were no outstanding amounts owing.

### Key Management Personnel Compensation

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

Short term employee benefits	811	755
Post-employment benefits	-	-
Long term benefits	1	(6)
Termination Benefits	6	23
Outstanding benefits at balance date		
Long term benefits outstanding	17	16
Termination benefits outstanding	103	97

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note	2010 \$000	2009 \$000	
4			
<b>Taxation</b>			
<b>Tax Reconciliation:</b>			
Operating surplus before taxation	7,552	9,052	
Prima Facie taxation at 30%	2,266	2,716	
Plus tax effect of:			
Permanent differences	(110)	88	
Taxation charge for year	2,156	2,804	
<b>Comprising</b>			
Current Taxation	1,593	2,067	
Deferred Taxation	563	737	
	2,156	2,804	
<b>Deferred Taxation Liability</b>			
Opening Balance	19,155	18,418	
Current Year Movement	563	737	
Closing Balance	19,718	19,155	
<b>Imputation Credit Account</b>			
Balance Brought Forward	9,140	7,713	
Taxation Paid	1,250	1450	
	10,390	9,163	
<b>Less</b>			
Taxation Refunds	-	23	
Closing Balance	10,390	9,140	
<b>Deferred Tax</b>			
	<b>Depreciation \$000</b>	<b>Other \$000</b>	<b>Total \$000</b>
Opening Balance as at 1 April 2008	18,785	(367)	18,418
Change in Year	802	(65)	737
Closing Balance at 31 March 2009	19,587	(432)	19,155
Opening Balance as at 1 April 2009	19,587	(432)	19,155
Change in Year	578	(15)	563
Closing balance at 31 March 2010	20,165	(447)	19,718
<b>Current and Non-Current Deferred Tax</b>			
<b>2009</b>			
Current Deferred Tax	802	(65)	737
Non Current Deferred Tax	18,785	(367)	18,418
Total Deferred Tax	19,587	(432)	19,155
<b>2010</b>			
Current Deferred Tax	578	(80)	498
Non-Current Deferred Tax	19,587	(367)	19,220
Total Deferred Tax	20,165	(447)	19,718

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note	2010 \$000	2009 \$000
<b>5 Cash and Cash Equivalents</b>		
Internal Floats	1	1
Cash at Bank	167	13
	<b>168</b>	<b>14</b>
The carrying amount for cash and equivalents equals the fair value.		
<b>6 Inventories</b>		
Distribution System	4,358	4,625
Broadband	1,654	-
	<b>6,012</b>	<b>4,625</b>
No inventories are subject to retention of title clauses or hedged as security for liability (2009: Nil)		
<b>7 Trade &amp; Other Receivables</b>		
Account Receivables	3,706	4,282
Prepayments	120	91
Provision for impairment	(15)	(15)
	<b>3,811</b>	<b>4,358</b>
Current	3,606	4,020
Non - Current	205	338
	<b>3,811</b>	<b>4,358</b>
<i>Ageing of receivables is as follows:</i>		
Current	3,606	4,020
Overdue 31-60 days	114	88
61-90 days	41	30
90 days and over	50	220
	<b>3,811</b>	<b>4,358</b>
Individually impaired accounts receivable relate to customers for whom there is objective evidence of ability to pay. Generally, no collateral is held for account receivables		
<b>Changes in the impaired allowance amount</b>		
Opening Balance	15	15
Additional allowance	-	-
Allowance relinquished	-	-
Closing Balance	<b>15</b>	<b>15</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE

#### 8 Property Plant and Equipment and Intangibles

##### 2009

	Distribution System \$000	Buildings \$000	Land \$000	Vehicles \$000	Plant \$000	Office Equipment \$000	Broadband \$000
<b>2009</b>							
Cost	142,188	3,065	4,117	3,843	2,861	1,511	-
Additions	12,164	54	5	343	141	227	-
Disposals	(15)	-	-	-	(265)	(161)	-
Accumulated Depreciation	(19,560)	(765)	-	(3,024)	(1,810)	(1,468)	-
Net Book Value	134,777	2,354	4,122	1,162	927	109	-
Work in Progress	6,047						

Net Book Value of Plant Property & Equipment and Work in Progress as at 31 March 2009 **\$149,498**

##### 2010

Cost	154,337	3,119	4,122	4,186	2,737	1,577	-
Additions	14,171	88	409	669	204	125	2,171
Disposals	(1,024)	(4)	-	(148)	(53)	(187)	-
Accumulated Depreciation	(24,390)	(858)	-	(3,253)	(2,084)	(1,246)	(118)
Net Book Value	143,094	2,345	4,531	1,454	804	269	2,053
Work in Progress	4,806						2,292

Net Book Value of Plant Property & Equipment and Work in Progress as at 31 March 2010 **\$161,648**

Wage and Salary Capitalised \$1,370,098 (2009: \$1,176,000)

The directors believe that the rating valuation is a fair representation of the value of the company's land and buildings. The rating valuation of land and buildings at 1 July 2009 is \$7,369,100.

	2010 \$000	2009 \$000
Cost	1,620	1,411
Additions	100	290
Disposals	-	-
Accumulated Depreciation	(1,516)	(1,349)
Net Book Value	204	352
<b>Total Intangibles</b>	<b>204</b>	<b>352</b>

#### 9 Commitments

Capital Expenditure 11,103 3,157

##### Capital Expenditure

In the year being reported orders were placed with suppliers for imported items for the Distribution System, Broadband and BCI Joint Venture. It is expected settlement of these items will be in the first six months of the 2011 reporting year

Capital commitment with	Item		
Eaton Corporation	Whisper Cabinets	317	-
Etel	Transformers	95	-
ABB	Transformers	660	-
Smallbones	Vehicle	31	-
BCI -E.A.	Joint Venture Capital	10,000	-
		<b>11,103</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE		2010 \$000	2009 \$000
10	<b>Operating Lease</b>		
	Not later than 1 year	160	127
	Later than 1 year and not later than 5 years	-	106
	Later than 5 years	-	-

The company entered into a two year lease agreement in February 2009 for rental premise to house the Network Line Store. The lease payment of \$124,111 is recognised in this reporting year (2009: \$124,111).

The company has commitments totalling \$338,244 per annum relating to new investment contracts with Transpower. The contracts have a term between 15 and 20 years and the existing contracts have expiry dates ranging from 2020 until 2023. Possible amendments to existing and the issue of new standards may cause the company to re-examine the treatment of future arrangements.

- 11 **Contingent Liabilities**  
There were no contingent liabilities in 2010 (2009: nil).

12	<b>Trade and other payables</b>		
	Trade Creditors	2,436	2,777
	Employee Benefits	1,463	1,377
	Interest Accrual	190	132
	Taxation Payable	342	231
		<b>4,431</b>	<b>4,517</b>

- 13 **Financial Instruments**  
The Company is exposed to a number of financial risks: foreign exchange risk, interest rate risk, credit risk and liquidity risk. The company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The major area of financial risks faced by the company and the information on the management of the related exposures are detailed below:

### Foreign Exchange Risk

There were no foreign currency contracts in place at balance date. The Company had two foreign exchange contracts in place at 31 March 2009 to cover the purchase of circuit breakers from China and communications stock for the broadband project, being \$US150,000 at \$US0.514 with a value date of 7 August 2009 for circuit breakers and GBP250,000 at GB0.37, with a value date of 14 May 2009 for the broadband project. The fair value of these contracts at 31 March 2009 was \$58,000 which was not recognised in the financial statements as the amount was immaterial.

### Interest Rate Risk

The Company has exposure to interest rate risk to the extent that it borrows for a fixed term at fixed rates. The Company's treasury policy to manage these risks is to have 50% of borrowings floating, 30% capped and 20% on fixed swaps.

Borrowings are initially recorded at fair value plus transaction costs incurred and subsequently at amortised cost using the effective interest method.

All borrowing costs are recognised as an expense in the period they are incurred.

### Credit Risk

The Company has exposure of credit risk by having five line customers who have in excess of 85% of the total trade receivables. Credit risk with each of these customers is managed by a use of system agreement.

The Company's historical record in the collection of trade receivables gives the Director's belief that no additional credit risk beyond amounts provided for doubtful debts is inherent in the Company's trade receivables.

The Company has a policy of holding cash in minimal quantities and spreading investments between registered trading banks and the CBS Canterbury, the possibility of these institutions failing is considered remote.

The maximum exposure to credit risk is the disclosed carrying values of cash, cash equivalents and accounts receivable. No collateral is held on any of these items. Further disclosures on accounts receivable are outlined in Note 7.

### Liquidity Risk

This represents the company's ability to meet its financial obligations on time. The company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls.

The company has a \$500,000 overdraft and a \$12.0m multi option credit line facility with Westpac Banking Corporation, a Committed Cash Advance of \$5m and \$22m Fixed Term Advance with the Bank of New Zealand, all loans are secured by a negative pledge over assets.

There are four contractors bonds in place with Westpac with a total value of \$82,215 (2009: \$82,215).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### NOTE

#### 13 Financial Instruments (Continued)

##### Liquidity Risk (Continued)

The following table identifies the periods in which financial instruments that are subject to interest rate risk, re-pricing and the effect rate at balance date.

	6 months and less	6-12 months	1-2 years	2-5 years
	\$000	\$000	\$000	\$000
<b>2009</b>				
Effective Total	18,000	6,500	5,700	4,000
Interest Rate	3.58% to 8.65%	5.45% to 7.44%	7.16% to 8.50%	7.15% to 7.15%
<b>2010</b>				
Effective Total	37,400	-	4,000	0
Interest Rate	4.32% to 8.50%	-	7.15% to 7.38%	4.55% to 5.05%

By managing interest rate risk the company aims to moderate the impact of short term fluctuations in interest rates. Over the longer term, changes in rates will have an impact on profit. It is estimated for the 2011 year there will be an increase in interest rates above the present fixed rates the company have with its bankers. It is estimated that a one per cent increase in average interest rates would reduce profit by \$ 25,800 (2009: Nil)

##### Liquidity Forecast

The Company policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	6 months and less	6-12 months	1-2 years	2-5 years
	\$000	\$000	\$000	\$000
<b>2009</b>				
Effective Total	18,000	6,500	5,700	4,000
Interest Rate	3.58% to 8.65%	5.45% to 7.44%	7.16% to 8.50%	7.15% to 7.38%
<b>2010</b>				
Effective Total	37,400	-	4,000	0
Interest Rate	4.32% to 8.50%	-	7.15% to 7.38%	4.55% to 5.05%

##### Capital Risk Management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern in order to provide returns to shareholders, consumers, and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as total equity including members' interests plus total borrowings as shown in the balance sheet. The Company is not subject to any externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of discount paid to consumers.

#### 14 Customer discounts and dividends

Calculations for customer deferred discounts paid to each customer were based on their individual customer line charges calculated for the 12 months ended 28 February 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE	2010 \$000	2009 \$000
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### 15 Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Net profit for the period	7,552	-
Weighted average no. of rebate shares	1,277	-

Earnings used in the calculation of basic and diluted shares reconciles to the net profit in the statement of comprehensive income as follows:

	\$	\$
Net profit for the period	7,551,382	9,052,000
Basic and diluted earnings per share	6.01	7.28

### 16 Share Capital

There are 30,026,400 shares in the company (2009 30,000,000) and they are as follows:

	Number of Shares	Shares Value
2009	\$	\$
Deferred Shares	28,750,000	31,484,000
Rebate Shares Issued fully paid	1,140,900	1,140,900
Rebate Shares Issued partly paid	103,700	103,700
	5,400	-
	<u>30,000,000</u>	<u>32,728,600</u>
2010		
Deferred Shares	28,750,000	31,484,000
Rebate Shares Issued fully paid	1,094,700	1,096,700
Rebate Shares Issued partly paid	181,700	181,700
	<u>30,026,400</u>	<u>32,762,400</u>

There are 28,750,000 of deferred shares held by the Ashburton District Council, which have the following conditions or rights attached to them:

- There is no right to distributions, dividends or rebates.
- There is a right to vote if the rights attached to the deferred share are to be altered, or there is a proposal that would change the control of the company, or the rights of the council are not carried forward on an amalgamation.
- The shares are not transferable, except to another local authority, or if 25 per cent of the voting shares are controlled by one person.
- The right to an equal distribution with the holders of the rebate shares on a winding up of the company.

### 17 Rebate Shares

The Company issues to those connected to the Network \$100 of non-tradable rebate shares with the following provisions:

- No user shall be required to hold any more rebate shares than any other user.
- The user must be connected to the Network.

When a user ceases to be connected to the Network the \$100 will be refunded less any monies owing on purchase of the rebate shares.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE	2010 \$000	2009 \$000
<b>18 Reconciliation of Net Cash Flows from Operating Activities to operating Surplus after Taxation</b>		
Operating Surplus After Taxation	5,396	6,248
Add / (Less) Non Cash Items:-		
Depreciation	5,919	5,338
Movement If Financial Derivatives	(110)	-
Movement in Deferred Taxation	563	737
	<u>6,372</u>	<u>6,075</u>
Movement in net Current Assets / Liabilities:-		
Decrease / (Increase) in Inventory	(1,389)	(307)
Decrease / (Increase) in Trade and Other Receivables	547	(445)
Increase / (Decrease) in Trade and Other Payables	(197)	442
Increase / (Decrease) in Taxation payable	111	23
	<u>(928)</u>	<u>(287)</u>
Other:-		
Loss on Sale of Assets	6	2
<b>Net Cash Flows from Operating Activities</b>	<u>10,846</u>	<u>12,038</u>
<b>19 Reconciliation of Retained Earnings</b>		
Balance at start of year	68,246	61,998
Add Operating Surplus after Taxation	5,396	6,248
	<u>73,642</u>	<u>68,246</u>
<b>20 Subsequent Events</b>		

On 1 April 2010 the company changed transactional banking from Westpac to Bank of New Zealand.

An additional loan facility of \$10m was approved by Westpac for the BCI – EAL Joint Venture.

A Commercial Manager was appointed and commenced in April this position is a new role within the company.

The company tax rate applying to the company will reduce from 30% to 28% for the income year commencing from 1 April 2011. The change in the company tax will reduce the deferred tax liability.

## Auditors' Report

To the shareholders of Electricity Ashburton Limited

We have audited the financial statements on pages 5 to 20. The financial statements provide information about the past financial performance and cash flows of the Company for the year ended 31 March 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 8 to 12.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205 (1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

### Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company as at 31 March 2010 and its financial performance and cash flows for the year ended on that date.

### Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company other than in our capacity as auditors and issuing certificates pursuant to the Electricity Distribution (Information Disclosure) Requirements 2008 and the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 5 to 20:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company as at 31 March 2010 and its financial performance and cash flows for the year ended on that date.

Our audit was completed on 30 June 2010 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Christchurch