Electricity Ashburton
YOUR POWER PARTNER

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2011

2011 Annual Report

Contents

Board of Directors:

John Tavendale (Chairman)
Gary Leech (Deputy Chairman)
Ray Davy
Murray Frost
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
Commercial Manager	Jeremy Adamson
Finance Manager	Mark Lester

Office:

Electricity Ashburton Limited
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18 Kermode Street
Ashburton

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DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

Electricity Ashburton's principal activities are:

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

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

The Directors of Electricity Ashburton Limited unanimously resolved on 8 June 2011 that in the opinion of the Directors for the year ended 31 March 2011, 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 Act 2010.

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 Ashburton 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. Their prime responsibility is 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.

Role of the Board (Continued)

Board operation

The operation of the board is governed by the Company's constitution and the board's code of conduct.

The board chairman is elected by board members and has a leadership role in the conduct of the board and its relationship with the shareholders committee and the Company's other major stakeholders. The chairman maintains a professional relationship with the Company's General Manager, and through him, the Company's management team.

Board meetings

The board meets approximately 11 times a year. Additional meetings are convened as and when required.

Directors receive formal agenda papers and regular papers in advance of meetings.

Executive managers are regularly involved in board discussions. Directors also have other opportunities to gain information and expert advice in relation to the Company and its operation.

Board Committees

Audit Committee:

The Audit Committee comprises the whole board and is chaired by Mr G.R. Leech B.Com, FCA, AFInstD. 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 2010 Annual General Meeting directors Mr M.W. Frost and Mr P.J. McKendry retired by rotation. It was the unanimous decision of the Shareholders Committee to reappoint Messrs Frost and McKendry 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)	59,000
G R Leech (Deputy Chairman)	35,400
M W Frost	29,500
P J McKendry	29,500
R J Davy	29,500
Total	**$182,900**

Role of the Board (Continued)

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 may be 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 affected to cover such risks.

EMPLOYEE REMUNERATION

The number of employees whose total remuneration including non-cash benefits was over $100,000 during the year ended 31 March 2011 are specified in the following bands are:

Band	Number of staff in band
$100,000 - $110,000	3
$110,000 - $120,000	4
$120,000 - $130,000	4
$130,000 - $140,000	1
$160,000 - $170,000	1
$270,000 - $280,000	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 are as follows:

	2011	2010
Financial audit	$26,000	$25,304
Regulatory audits	$25,000	$25,000

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: 13th July 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 $000	2010 $000
Operating Revenue	2	33,721	32,002
Less			
Operating Expenses	3	(12,999)	(12,532)
Interest and Associated Costs	4	(3,217)	(2,714)
Depreciation and Amortisation	5	(6,410)	(5,918)
		(22,626)	(21,164)
Operating Surplus before share of Joint Venture, Rebate and Taxation		11,095	10,838
Share of Joint Venture	15	(368)	0
Operating Surplus before Customer Deferred Rebate and Taxation		10,727	10,838
Customer Deferred Discount		(3,478)	(3,286)
Operating Surplus before Taxation		7,249	7,552
Taxation	6	(855)	(2,156)
Operating Surplus after Taxation		6,394	5,396
Total Comprehensive Income		6,394	5,396

Basic Earnings Per Share

	Notes	2011 $000	2010 $000
Operating Surplus after Tax attributed to shareholders of the Company		6,394	5,396
Basic and diluted earnings per share	7	$5.00	$4.27

STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE YEAR ENDED 31 MARCH 2011

	Equity $000	Members' Interests $000	Total $000
BALANCE AS AT 1 APRIL 2009	99,730	1,245	100,975
Comprehensive Income:			
Operating Surplus after Taxation	5,396	0	5,396
Transactions with Owners:			
Shares Issued	0	68	68
Shares Repaid	0	(35)	(35)
	0	33	33
BALANCE AS AT 31 MARCH 2010	105,126	1,278	106,404
BALANCE AS AT 1 APRIL 2010	105,126	1,278	106,404
Comprehensive Income:			
Operating Surplus after Taxation	6,394	0	6,394
Transactions with Owners:			
Shares Issued	0	142	142
Shares Repaid	0	(156)	(156)
	0	(14)	(14)
BALANCE AS AT 31 MARCH 2011	111,520	1,264	112,784

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Notes	2011 $000	2010 $000
EQUITY AND MEMBERS' INTERESTS:			
Deferred Shares	8	31,484	31,484
Retained Earnings	9	80,036	73,642
Total Equity		111,520	105,126
Rebate Shares	8	1,264	1,278
TOTAL EQUITY AND MEMBERS' INTERESTS		**112,784**	**106,404**
REPRESENTED BY:			
CURRENT ASSETS:			
Cash and Cash Equivalents	10	0	168
Inventories	11	5,215	6,012
Trade and Other Receivables	12	4,542	3,811
Loan to Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture		700	0
Current Income Tax Refund Due		715	0
Derivative Financial Instruments	16	4	0
Total Current Assets		**11,176**	**9,991**
NON-CURRENT ASSETS:			
Intangibles	13	168	204
Property, Plant, and Equipment	14	178,900	161,648
Investment in Joint Venture	15	9,632	0
Derivative Financial Instruments	16	138	234
Total Non-Current Assets		**188,838**	**162,086**
TOTAL ASSETS		**200,014**	**172,077**
CURRENT LIABILITIES:			
Cash and Cash Equivalents	10	289	0
Borrowings	19	33,920	37,400
Current Income Tax Liabilities		0	342
Trade and Other Payables	17	2,580	2,626
Employee Entitlements	18	1,468	1,463
Derivative Financial Instruments	16	0	0
Total Current Liabilities		**38,257**	**41,831**
NON-CURRENT LIABILITIES:			
Deferred Income Tax Liabilities	6	19,772	19,718
Borrowings	19	29,000	4,000
Derivative Financial Instruments	16	201	124
Total Non-Current Liabilities		**48,973**	**23,842**
TOTAL LIABILITIES OTHER THAN REBATE SHARES		**87,230**	**65,673**
TOTAL NET ASSETS		**112,784**	**106,404**

For and on behalf of the Board

CHAIRMAN **DIRECTOR**

13th July 2011

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 $000	2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash was Provided from:			
Receipts from Customers		33,327	32,382
Receipts from Interest		19	3
		33,346	32,385
Cash was Applied to:			
Payments to Suppliers & Employees		(13,430)	(14,252)
Customer Deferred Discount		(3,478)	(3,286)
Interest Paid		(3,040)	(2,546)
Net GST Movement		21	26
Taxation Paid		(1,536)	(1,481)
		(21,463)	(21,539)
Net Cash Flows from Operating Activities	**20**	**11,883**	**10,846**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was Provided from:			
Sale of Property, Plant and Equipment		135	62
		135	62
Cash was Applied to:			
Investment in Property, Plant and Equipment		(20,662)	(17,987)
Investment in Joint Venture		(10,000)	0
		(30,662)	(17,987)
Net Cash Flows From Investing Activities		**(30,527)**	**(17,925)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was Provided from:			
Contributions from Owners - Income		142	68
Bank Loans - Borrowings		18,900	8,700
		19,042	8,768
Cash was Applied to:			
Bank Loans - Repaid		0	(1,500)
Loan to Joint Venture		(700)	0
Contributions from Owners Repaid		(155)	(35)
		(855)	(1,535)
Net Cash Flows From Financing Activities		**18,187**	**7,233**
NET INCREASE (DECREASE) IN CASH HELD		**(457)**	**154**
Cash and Cash Equivalents at start of year		168	14
Cash and Cash Equivalents at end of year		**(289)**	**168**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 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
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.

Borrowings
Borrowings are initially measured at fair value plus transaction costs.

Derivatives Financial Instruments
Interest rate swaps are measured at fair value through the statement of comprehensive income via valuation from an external party.

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
- Communication Network

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.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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.

Communication Network 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 assets	1.43% to 6.67% straight line
• Communication Network	3.00% to 17.50% 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
• 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.

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.

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

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)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

DIVIDENDS

When necessary 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. No dividends were declared in 2011 or 2010.

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

The Company has financial instruments which are classified in the following categories: financial assets at fair values through the statement of comprehensive income, loans and receivables and financial liabilities at amortised cost.

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, derivatives and 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 (loans and receivables).

Bank Overdraft

The Company has a $500,000 overdraft facility with the BNZ (financial liabilities at amortised cost).

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

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 (loans and receivables).

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 (financial Liabilities at amortised cost).

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.

Interest rate swaps are included as 'derivative financial instruments' on the statement of financial position and classified as movements in derivative associated with financing through the statement of comprehensive income.

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. (financial liabilities at amortised cost)

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)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

Joint Venture

The Company's interests in jointly controlled entities are accounted for using the equity method. The Joint Venture accounting policy has been changed where necessary to ensure consistency with the policies adopted by the Company.

New Standards and Interpretations not yet adopted

Certain new standards, amendments and interpretations of existing standards have been published that are mandatory for later periods and which the Company has not early adopted. These will be applied by the Company in the mandatory periods listed below. The key items applicable to the Company are:

NZ IAS 24: Related Parties (Revised) (mandatory for periods beginning on or after 1 January 2011)
Further clarifies the definition of a related party which may result in other related parties being identified. Management have reviewed the proposed clarification and do not expect that this will result in further related parties being identified for the Company.

NZ IFRS 9: *Financial Instruments* (mandatory for periods beginning on or after 1 January 2013)
Replaces the multiple classification and measurement models in IAS 39 Financial instruments: *Recognition and measurement with a single model that has only two classification categories*: amortised cost and fair value.

The following new standards and amendments to standards were applied during the period:

NZ IFRS 3: Business Combinations (Revised) and NZ IAS 27: Consolidated and Separate Financial Statements (Revised)
This amendment includes a number of updates including the requirement that all costs relating to a business combination must be expensed and subsequent re-measurement of the business combination must be put through the income statement. Both standards were required to be adopted at the same time. As the Company has had no transactions involving business combinations there has been no impact from the application of these new standards.

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.

Note		2011 $000	2010 $000
2	**Operating Revenue**		
	Line Services	29,309	28,096
	Customer Contributions	795	430
	Connection Fees	577	349
	Communication Network Revenue	151	0
	Rental Property	91	57
	Sundry	2,779	2,942
	Interest Income	19	113
	Depreciation Recovered	0	15
		33,721	**32,002**
3	**Operating Expenses**		
	Transmission Costs	4,735	4,818
	Employee Benefit Costs	2,250	2,128
	Distribution System Maintenance	1,793	2,119
	Directors Fees	183	177
	Shareholder Committee Fees	47	46
	Bad debts written off	13	2
	Rental & Operating Lease Payments	222	193
	Audit Fees – Current Auditors	26	25
	Audit Fees – Regulatory Disclosures – Current Auditors	25	25
	Loss on Sale of Assets	12	7
	Other	3,693	2,992
		12,999	**12,532**
4	**Interest and Associated Cost**		
	Interest Expense on loans	2,640	2,605
	Bank Fees Associated with Financing	409	109
	Movements in Derivative Associated with Financing	168	0
		3,217	**2,714**
5	**Depreciation and Amortisation**		
	Depreciation:		
	Electricity Distribution System	5,112	4,830
	Buildings	99	97
	Motor Vehicles	388	341
	Plant and Equipment	152	168
	Office Equipment	161	139
	Broadband Distribution system	372	114
	Amortisation	126	228
		6,410	**5,918**
6	**Taxation**		
	Tax Reconciliation:		
	Operating surplus before taxation	7,249	7,552
	Prima Facie taxation at 30%	2,175	2,266
	Movements in Tax Due to:-		
	Permanent Differences		
	Non-Assessable Income	(209)	(129)
	Non-Deductible Expenses	(1,166)	(543)
		(1,375)	(672)
	Timing Differences		
	Depreciation	(241)	577
	Other	296	(15)
		55	562
	Taxation charge for Year	855	2,156
	Comprising		
	Current Taxation	800	1,593
	Deferred Taxation	55	563
		855	2,156

Note		2011 $000		2010 $000
6	**Taxation (continued)**			
	Imputation Credit Account			
	Opening balance	11,007		9,141
	Income Tax Paid During the Year	1,536		1,866
	Closing Balance	**12,543**		**11,007**

	Depreciation	Other	Total
Deferred Tax Account			
Opening Balance as at 1 April 2009	19,587	(432)	19,155
Change in the Year	578	(15)	563
Closing Balance as at 31 March 2010	**20,165**	**(447)**	**19,718**
Opening Balance as at 1 April 2010	20,165	(447)	19,718
Change in the year	728	306	1,034
Change in tax rules associated with buildings	454	0	454
Change in Company Tax rate	(1,423)	(11)	(1,434)
Closing Balance as at 31 March 2011	**19,924**	**(152)**	**19,772**

Current and Non-Current Deferred Tax

2010			
Current Deferred Tax	578	(80)	498
Non-Current Deferred Tax	19,587	(367)	19,220
	20,165	**(447)**	**19,718**
2011			
Current Deferred Tax	659	(12)	647
Non-Current Deferred Tax	19,265	(140)	19,125
	19,924	**(152)**	**19,772**

7 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:

	2011 $000	2010 $000
Operating Surplus after Tax	6,395	$5,396
Weighted average no. of rebate shares	1,278	1,264

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

Opening Surplus after Tax	$6,395,060	$5,396,218
Basic and diluted earnings per share	$5.00	$4.27

8 Share Capital

There are 30,028,400 shares in the Company (2010 30,028,400) and they are as follows:

	Number of Shares	Shares Value $
2010		
Deferred Shares	28,750,000	31,484,000
Rebate Shares Issued Fully Paid	1,278,400	1,278,400
	30,028,400	32,762,400
2011		
Deferred Shares	28,750,000	31,484,000
Rebate Shares Issued	1,264,400	1,264,400
Treasury Rebate Shares	14,000	0
	30,028,400	32,748,400

8 Share Capital (continued)

Deferred Shares

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

(a) There is no right to distributions, dividends or rebates.
(b) 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.
(c) The shares are not transferable, except to another local authority, or if 25 per cent of the voting shares are controlled by one person.
(d) The right to an equal distribution with the holders of the rebate shares on a winding up of the Company.

Rebate Shares issued

The Company issues to those connected to the Network $100 of non-tradable rebate shares with the following provisions:
(a) No user shall be required to hold any more rebate shares than any other user.
(b) 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.

		2011 $000	2010 $000
9	**Reconciliation of Retained Earnings**		
	Balance at start of the Year	73,642	68,246
	Add total Comprehensive Income for the Year	6,394	5,396
	Closing balance at end of the Year	**80,036**	**73,642**
10	**Cash and Cash Equivalents**		
	Internal Floats	0	1
	Cash at bank	(289)	167
		(289)	**168**
11	**Inventories**		
	Distribution System	4,300	4,358
	Broadband	915	1,654
		5,215	**6,012**

No inventories are subject to retention of title clauses or hedged as security for liability (2010: Nil).

		2011 $000	2010 $000
12	**Trade and Other Receivables**		
	Account Receivables	4,201	3,706
	Prepayments	358	120
	Provision for impairment	(17)	(15)
		4,542	**3,811**
	Ageing of Receivables is as follows:		
	Current	4,226	3.603
	Overdue 30-60 Days	68	114
	61-90 Days	33	41
	91 Days and over	215	80
		4,542	**3,811**

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.

	2011 $000	2010 $000
Changes in the impaired allowance amount		
Opening Balance	15	15
Additional Allowance	2	0
Closing Balance	**17**	**15**

		2011 $000	2010 $000
13	**Intangible Assets**		
	Opening Purchase Cost	1,756	1,656
	Additions in the Year	71	100
	Closing Purchase Cost	**1,827**	**1,756**
	Opening Accumulated Amortisation	1,552	1,324
	Amortisation for the Year	126	228
	Closing Accumulated Amortisation.	**1,678**	**1,552**
	Net Book Value	**149**	**204**
	Add Work in Progress	19	0
	Total Intangibles	**168**	**204**

14 Property Plant and Equipment

	Electricity Reticulation Network $000	Buildings $000	Land $000	Vehicles $000	Plant $000	Office Equipment $000	Communication Network $000	Total $000
Purchase Cost as at 1 April 2009	214,629	3,117	4,122	4,186	2,733	1,544	189	230,520
Addition in year	13,156	90	409	672	205	125	1,975	16,632
Assets sold or scrapped	(7)	(4)	0	(148)	(54)	(187)	0	(400)
Purchase cost as at 31 March 2010	227,778	3,203	4,531	4,710	2,884	1,482	2,164	246,752
Purchase cost as at 1 April 2010	227,778	3,203	4,531	4,710	2,884	1,482	2,164	246,752
Addition in year	15,295	7	2,978	807	186	149	9,542	28,964
Assets sold or scrapped	(2,811)	0	0	(472)	(5)	(648)	0	(3,936)
Purchase cost as at 31 March 2011	240,262	3,210	7,509	5,045	3,065	983	11,706	271,780
Accumulated Depreciation as at 1 April 2009	79,853	765	0	3,025	1,962	1,260	0	86,865
Addition depreciation in the year	4,830	97	0	341	168	139	114	5,689
Recovery of depreciation on disposal	0	(4)	0	(112)	(52)	(185)	0	(353)
Accumulated Depreciation as at 31 March 2010	84,683	858	0	3,254	2,078	1,214	114	92,201
Accumulated Depreciation as at 1 April 2010	84,683	858	0	3,254	2,078	1,214	114	92,201
Addition depreciation in the year	5,112	99	0	388	152	161	372	6,284
Recovery of depreciation on disposal	(1,412)	0	0	(396)	(3)	(638)	0	(2,449)
Accumulated Depreciation as at 31 March 2011	88,383	957	0	3,246	2,227	737	486	96,036
Net Book Value 31 March 2010	143,095	2,345	4,531	1,456	806	268	2,050	154,551
Add Working in Progress	4,805	0	0	0	0	0	2,292	7,097
	147,900	2,345	4,531	1,456	806	268	4,342	161,648
Net Book Value 31 March 2011	151,879	2,253	7,509	1,799	838	246	11,220	175,744
Add Work in Progress	2,338	21	0	0	0	0	797	3,156
	154,217	2,274	7,509	1,799	838	246	12,017	178,900

Wage and Salary Capitalised $1,266,737 (2010: $1,370,098)

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.

15 Investment in Joint Venture

The Company has a 50% participating interest in the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture. Under the arrangement income and expenses are shared equally, excluding interest on current accounts. Electricity Ashburton Limited has first call on any surplus from the joint venture to an agreed amount between the parties of the Joint Venture

The Joint Venture has been accounted for using the equity method.

The Company's share of income and expenses are:

	2011 $000	2010 $000
Income	957	0
Expenses	(1,116)	0
Interest	(209)	0
Net Loss for the Period	**(368)**	**0**
Current Assets	382	0
Non-Current Assets	17,806	0
Total Assets	**18,188**	**0**
Current Liabilities	6,412	0
Non-Current Liabilities	2,144	0
Total Liabilities	**8,556**	**0**
Electricity Ashburton Limited's value of investment in the Joint Venture	**9,632**	**0**
Total Equity invested in the Joint Venture by the Company	10,000	**0**
Accumulated net losses to date	(368)	**0**
	9,632	**0**

16 Derivative financial Instruments

Cash flow Hedges

	2011 $000	2010 $000
Current Assets		
Interest Rate CAPS	4	0
Non-Current Assets		
Interest Rate CAPS	138	234
Non-Current Liabilities		
Interest Rate SWAPS	(201)	(124)
Total Value of Derivate Financial Instruments	**(54)**	**110**

Cash flow hedges are used to manage interest rate risk.

17 Trade and other payables

	2011 $000	2010 $000
Trade Creditors	2,211	2,434
Interest Accrual	369	190
Taxation Payable	0	342
	2,580	**2,626**

18 Employee Entitlements

	Leave Entitlement $000	Other Entitlement $000	Total Entitlement $000
Balance as at 1 April 2009	754	621	1,375
Movement During the Period	88	0	88
Balance as at 31 March 2010	**842**	**621**	**1,463**
Balance as at 1 April 2010	842	621	1,463
Movement During the Period	63	(58)	5
Balance as at 31 March 2011	**905**	**563**	**1,468**

19 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

The Company has no foreign exchange contracts in place at 31 March 2011 or 31 March 2010.

Interest Rate Risk

The Company has external long term funding arrangements that exposes it to interest rate risk. In order to manage the interest rate risk the Company employs a treasury policy, which requires long term debt to be split between 50% 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.

Credit Risk

The Company has exposure to 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 records associated with the collection of trade receivables gives Director's the belief that no additional credit risk beyond the amounts provided for doubtful debts is required 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 security is held on any of these items. Further disclosures on accounts receivable are outlined in Note 12.

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.

External funding arrangements	
Overdraft facility - BNZ	$500,000
Short term funding	
Vendor funded finance - Ashburton District Council	$2,620,000
Long Term funding	
Westpac multi option credit line facility	$21,000,000
Westpac Term Loan	$1,000,000
Cash Advance Facility with BNZ	$53,000,000
Bonds	
Dollar value of bonds in place with Westpac	$82,215
Number of bonds in place with Westpac	4

Short and long term funding is secured by a negative pledge over assets.

19 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.

Interest Rate Risk		6 months and less $000	6-12 months $000	1-2 years $000	2-5 years $000
2010					
Effective Total		37,400	0	4,000	0
Interest Rate	From	4.32%		7.15%	
	To	8.50%		7.38%	
2011					
Effective Total		38,300	2,620	6,000	16,000
Interest Rate	From	3.84%	0.0%	3.85%	4.30%
	To	7.38%	0.0%	5.05%	7.51%

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 and equity by $603,000 (2010 $25,850)

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.

Maturity of long term external funding		6 months and less $000	6-12 months $000	1-2 years $000	2-5 years $000
2010					
Effective Total		37,400	0	4,000	0
Interest Rate	From	4.32%		7.15%	
	To	8.50%		7.38%	
2011					
Effective Total		1,000	32,920	26,000	3,000
Interest Rate	From	7.38%	0.0%	3.84%	4.17%
	To	7.38%	4.6%	4.60%	5.05%

Part of the BNZ funding agreement has a provision which allows the BNZ to demand replayed within 364 days. No demand for repayment was issued in the current year.
The funding agreement with Westpac is due for renewal in the next 12 months. Traditionally when this loan comes up for renewal it has been renewed. All indications are that this loan will be renewed.

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 subject to the following externally imposed capital requirements, which are measured at balance date.

Interest Coverage: Earnings before interest, tax, and rebate / Interest. Coverage of which is be greater than or equal to 2.0.
Shareholder Funds Ratio: Total Shareholder Funds to be maintained in excess of 45% of Total Tangible Assets.

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

Guarantees

The Company has given an interlocking guarantee for a funding facility supplied by BNZ for the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture. The value of the interlocking guarantee as at 31 March 2011 was $13,500,000. If Electricity Ashburton Ltd is called under the guarantee the Joint Venture assets are effectively secured for Electricity Ashburton Ltd.

In its first six months of operation, ended 31 March 2011, Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture breached its banking interest cover covenant. The three year cash flow forecast from 1 April 2011 shows that the Joint Venture will comply with the banking interest cover covenant for the next three years. A waiver has been received from the BNZ subsequent to the year end for the breach of the interest cover covenant.

		2011 $000	2010 $000
20	**Reconciliation of Net Cash Flows from Operating Activities to operating Surplus after Taxation**		
	Operating Surplus After Taxation	6,394	5,396
	Add / (Less) Non-Cash Items:-		
	Depreciation	6,410	5,919
	Movement in Financial Derivatives	169	(110)
	Movement in Deferred Taxation	55	563
	Loss on sale	12	6
	Loss from Joint venture	368	0
		7,014	6,378
	Movement in net Current Assets / Liabilities:-		
	Decrease / (Increase) in Inventory	795	(1,389)
	Decrease / (Increase) in Trade and Other Receivables	(731)	547
	Decrease / (Increase) in Income Tax Refund Due	(716)	0
	Increase / (Decrease) in Trade and Other Payables	(46)	(285)
	Increase / (Decrease) in Employee Entitlement	5	88
	Increase / (Decrease) in Browning	2,620	0
	Increase / (Decrease) in Taxation payable	(343)	111
		1,584	(928)
	Other:-		
	Inventory transferred to Property, Plant and Equipment	(352)	0
	Trade and Other Payables relating to Property, Plant and Equipment.	(2,757)	0
		(3,109)	0
	Net Cash Flows from Operating Activities	**11,883**	**10,846**
21	**Operating Lease**		
	Lessee		
	Not later than 1 year	834	160
	Later than 1 year and not later than 5 years	2,881	0
	Lessor		
	Not later than 1 year	20	0
	Later than 1 year and not later than 5 years	80	0
22	**Commitments**		
	Electricity Ashburton Limited		
	Transformers	2,770	755
	Consignment Stock	1,028	0
	Ringmain units	303	0
	Broadband Equipment	160	0
	Other	90	0
	Vehicle	12	31
	Whisper cabinets	0	317
	Joint Venture capital	0	10,000
		4,363	**11,103**
	Share of Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture		
	Construction cost	331	1,028
		331	**1,028**
	Total Capital Commitments	**4,694**	**12,131**

23 Contingent Liabilities

Electricity Ashburton has guaranteed the funding agreement between the BNZ and the Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Joint Venture Banking. The value of the guarantee at balance date was $13,500,000 (2010 $0).

24 Related Party Transactions

	2011 $	2010 $
Transactions from Electricity Ashburton Limited to:		
Ashburton District Council		
Ashburton District Council is a significant shareholder that holds 28,750,000 deferred shares		
Rates	148,513	224,646
Lease	59,806	0
Other services	7,942	0
Outstanding at balance date		
Rates	26,649	0
Lease	0	29,903
Other services	605	500.09
Ashburton Contracting Limited (ACL)		
Mr M W Frost a directors of Electricity Ashburton Limited and a Director of ACL		
Contracting Services	124,424	142,393
Outstanding at balance date	71,759	7,869
Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture		
Equity	10,000,000	0
Loan	700,000	0
Transactions to Electricity Ashburton Limited from:		
Ashburton District Council		
Ashburton District Council is a significant shareholder that holds 28,750,000 deferred shares		
Contracting and capital contributions	754,596	0
Ashburton Contracting Limited (ACL)		
Mr M W Frost a directors of Electricity Ashburton Limited and a Director of ACL		
Contracting Services	5,539	
Barrhill Chertsey Irrigation Limited and, Electricity Ashburton Limited Joint Venture		
Contracting Services	251,062	0

25 Key Management Personal Compensation

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

	$000	$000
Short term employment benefits	930	811
Post-employment benefits	0	0
Long term benefits	0	1
Termination benefits	60	6
Outstanding benefits at balance date		
Long term benefits outstanding	11	17
Termination benefits outstanding	71	103

26 Subsequent Events

The Company has increased its interlocking guarantee over the activities of the Joint Venture by $4,000,000. The total value of the interlocking guarantee has now be increased to $17,500,000 plus interest and related costs.

The BNZ has issued a waiver for the breach of the interest cover covenant Barrhill Chertsey Irrigation Ltd and Electricity Ashburton Ltd Joint Venture Banking covenants.

Independent Auditors' Report

to the shareholders of Electricity Ashburton

Report on the Financial Statements

We have audited the financial statements of Electricity Ashburton Limited on pages 5 to 21, which comprise the balance sheet as at 31 March 2011, the statement of comprehensive income and statement of changes in equity and members interest and the statement of cash flow for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these 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.

Auditors' Responsibility

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) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company'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 Company'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 overall 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.

In addition to the audit, we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008 and other regulatory requirements of the Commerce Act 1986. Other than the audit and these assignments, we have no relationship with, or interests in, the Company or any of its subsidiaries.

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Independent Auditors' Report

Electricity Ashburton Limited

Opinion

In our opinion, the financial statements on pages 5 to 21:

(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 2011, and its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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 work has been undertaken so that we might state to the Company's shareholders 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
21 July 2011

Christchurch