



Electricity Ashburton

YOUR POWER PARTNER

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2012



Electricity Ashburton

YOUR POWER PARTNER

2012 Annual Report

Contents

Directors' Report	2-4
Statement of Comprehensive Income	5
Statement of Changes in Equity and Members' Interests	5
Statement of Financial Position	6
Statement of Cash Flow	7
Notes to the Financial Statements	8-22
Independent Auditor's Report	23-24

Board of Directors:

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

Shareholders Committee:

Stuart Leadley (Chairman)
Sandra Curd from 1 September 2012
Ian Cullimore
Jim Lischner
Helen Lowe to 1 September 2012
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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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
 - Communication Network

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

The Directors of Electricity Ashburton Limited unanimously resolved on 4 July 2012 that in the opinion of the Directors for the year ended 31 March 2012, 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.

DIRECTORS' REPORT (CONTINUED)

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 8 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 2012 Annual General Meeting Mr Ray Davy retired by rotation. It was the unanimous decision of the Shareholders Committee to reappoint Mr Ray Davy 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)	61,290
G R Leech (Deputy Chairman)	36,775
M W Frost	30,645
P J McKendry	30,645
R J Davy	30,645
Total	\$190,000

DIRECTORS' REPORT (CONTINUED)

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 or criminal offense. 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 2012 are specified in the following bands:

Band	Number of staff in band
\$100,000 - \$110,000	5
\$110,000 - \$120,000	7
\$120,000 - \$130,000	2
\$130,000 - \$140,000	1
\$170,000 - \$180,000	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:

	2012	2011
Financial audit	\$28,750	\$26,000
Regulatory audits	\$54,000	\$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

DATE: 4th July 2012



DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 \$000	2011 \$000
Operating Revenue	2	35,807	33,721
Less			
Operating Expenses	3	(13,722)	(12,999)
Interest and Associated Costs	4	(3,571)	(3,217)
Depreciation and Amortisation	5	(7,072)	(6,410)
		<u>(24,365)</u>	<u>(22,626)</u>
Operating Surplus before share of Joint Venture, Rebate and Taxation		11,442	11,095
Preferential right to income from the BCI EAL Joint Venture	16	702	0
Share of BCI EAL Joint Venture loss for the year	16	(677)	(368)
Operating Surplus before Customer Deferred Rebate and Taxation		<u>11,467</u>	<u>10,727</u>
Customer Deferred Discount		(3,610)	(3,478)
Operating Surplus before Taxation		<u>7,857</u>	<u>7,249</u>
Taxation	6	(2,226)	(855)
Operating Surplus after Taxation		<u>5,631</u>	<u>6,394</u>
Total Comprehensive Income		<u>5,631</u>	<u>6,394</u>
Basic Earnings Per Share			
Operating Surplus after Tax attributed to shareholders of the Company		5,631	6,394
Basic and diluted earnings per share	7	\$4.15	\$5.00

STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE YEAR ENDED 31 MARCH 2012

	Equity \$000	Members' Interests \$000	Total \$000
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)
	<u>0</u>	<u>(14)</u>	<u>(14)</u>
BALANCE AS AT 31 MARCH 2011	<u>111,520</u>	<u>1,264</u>	<u>112,784</u>
BALANCE AS AT 1 APRIL 2011	111,520	1,264	112,784
Comprehensive Income:			
Operating Surplus after Taxation	5,631	0	5,631
Transactions with Owners:			
Shares Issued	0	145	145
Shares Repaid	0	(123)	(123)
	<u>0</u>	<u>22</u>	<u>22</u>
BALANCE AS AT 31 MARCH 2012	<u>117,151</u>	<u>1,286</u>	<u>118,437</u>

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	Notes	2012 \$000	2011 \$000
EQUITY AND MEMBERS' INTERESTS:			
Deferred Shares	8	31,484	31,484
Retained Earnings	9	85,667	80,036
Total Equity		117,151	111,520
Rebate Shares	8	1,286	1,264
TOTAL EQUITY AND MEMBERS' INTERESTS		118,437	112,784
REPRESENTED BY:			
CURRENT ASSETS:			
Cash and Cash Equivalents	10	3,021	0
Inventories	11	6,146	5,215
Trade and Other Receivables	12	5,463	4,542
Loan to BCL EAL Joint Venture		0	700
Assets Held for Sale	15	1,099	0
Current Income Tax Refund Due		359	715
Derivative Financial Instruments	17	0	4
Total Current Assets		16,088	11,176
NON-CURRENT ASSETS:			
Intangibles	13	203	168
Property, Plant, and Equipment	14	190,854	178,900
Investment in the BCL EAL Joint Venture	16	8,955	9,632
Derivative Financial Instruments	17	66	138
Total Non-Current Assets		200,078	188,838
TOTAL ASSETS		216,166	200,014
CURRENT LIABILITIES:			
Cash and Cash Equivalents	10	0	289
Borrowings	20	20,120	33,920
Trade and Other Payables	18	3,712	2,580
Employee Entitlements	19	1,556	1,468
Deferred Income Tax Liabilities	6	794	647
Derivative Financial Instruments	17	66	0
Total Current Liabilities		26,248	38,904
NON-CURRENT LIABILITIES:			
Deferred Income Tax Liabilities	6	19,734	19,125
Borrowings	20	51,500	29,000
Derivative Financial Instruments	17	247	201
Total Non-Current Liabilities		71,481	48,326
TOTAL LIABILITIES OTHER THAN REBATE SHARES		97,729	87,230
TOTAL NET ASSETS		118,437	112,874

For and on behalf of the Board



CHAIRMAN



DIRECTOR

4th July 2012

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 \$000	2011 \$000
CASH FLOWS FROM OPERATING ACTIVITIES :			
Cash was Provided from:			
Receipts from Customers		35,737	33,327
Receipts from Interest		41	19
		<u>35,778</u>	<u>33,346</u>
Cash was Applied to:			
Payments to Suppliers & Employees		(15,309)	(13,430)
Customer Deferred Discount		(3,610)	(3,478)
Interest Paid		(3,367)	(3,040)
Net GST Movement		(140)	21
Taxation Paid		(1,115)	(1,536)
		<u>(23,541)</u>	<u>(21,463)</u>
Net Cash Flows from Operating Activities	21	<u>12,237</u>	<u>11,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash was Provided from:			
Preferential right to income from the Joint Venture		75	0
Sale of Property, Plant and Equipment		0	135
		<u>75</u>	<u>135</u>
Cash was Applied to:			
Investment in Property, Plant and Equipment		(18,424)	(20,662)
Investment in the BCI EAL Joint Venture		0	(10,000)
		<u>(18,424)</u>	<u>(30,662)</u>
Net Cash Flows From Investing Activities		<u>(18,349)</u>	<u>(30,527)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash was Provided from:			
Purchase of Shares		145	142
Loan to the BCI EAL Joint Venture		1,000	0
Bank Loans - Borrowings		8,700	18,900
		<u>9,845</u>	<u>19,042</u>
Cash was Applied to:			
Loan to the BCI EAL Joint Venture		(300)	(700)
Purchase of Shares		(123)	(155)
		<u>(423)</u>	<u>(855)</u>
Net Cash Flows From Financing Activities		<u>9,422</u>	<u>18,187</u>
NET INCREASE (DECREASE) IN CASH HELD		<u>3,310</u>	<u>(457)</u>
Cash and Cash Equivalents at start of year		(289)	168
Cash and Cash Equivalents at end of year		<u>3,021</u>	<u>(289)</u>

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 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/ Communication network assets.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

Item	Rate	Method
• Distribution assets	1.43% to 6.67%	Straight line
• Communication Network	3.00% to 17.50%	Straight line
• Buildings-concrete	1.00%	Straight line
-brick	2.00%	Straight line
-wooden	2.50%	Straight line
• Motor Vehicles	14.40% to 31.2%	Diminishing value
• Plant and Equipment	7.50% to 60.00%	Diminishing value
• Other	4.80% to 12.00%	Diminishing value

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

Capitalisation of qualifying assets

Qualifying assets are property, plant and equipment and intangible assets whose construction period is greater than 9 months.

When funds have been specifically borrowed for the construction of qualifying assets, the borrowing costs incurred during the qualifying period less any investment income on temporary investment of the borrowing is capitalised.

When funds have been generally borrowed for qualifying and non-qualifying assets, the weighted average cost of borrowing for the construction period of qualifying assets is used.

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

Intangible assets mainly consist of software which is shown at cost less amortisation. Amortisation of software is charged on a diminishing value base from 40% to 60%. Intangible assets which are not amortised over their useful life are assessed annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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.

ASSETS HELD FOR SALE

An asset is classified as 'held for sale' if its carrying amount will be recovered principally through a sale rather than continuing use. On classification as 'held for sale', assets are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as 'held for sale' are included in the Statement of Comprehensive Income.

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 2012 or 2011.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (continued)

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.

Foreign currency monetary items at balance date are translated at the exchange rate in effect at the balance date.

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.

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 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. This is not expected to have a material effect on the financial statements.

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

Other than those due to new standards or amendments 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	2012 \$000	2011 \$000
2 Operating Revenue		
Line Services	30,867	29,309
Customer Contributions	523	795
Connection Fees	495	577
Communication Network Revenue	455	151
Rental Property	121	91
Other income including contracting revenue	3,273	2,779
Interest Income	41	19
Depreciation Recovered	32	0
	35,807	33,721
3 Operating Expenses		
Transmission Costs	4,546	4,735
Employee Benefit Costs*	4,025	2,250
Distribution System Maintenance	1,565	1,793
Directors Fees	190	183
Shareholder Committee Fees	49	47
Bad debts written off	12	13
Rental & Operating Lease Payments	223	222
Audit Fees – Current Auditors	29	26
Audit Fees – Regulatory Disclosures – Current Auditors	54	25
Loss on Sale of Assets	0	12
Other operating expenses including contracting activities*	3,029	3,693
	13,722	12,999
<p>*Part of employee benefit costs relating to contracting activities in 2011 were recorded under 'other operating expenses including contracting activities'. In 2012 all employee benefit costs, net of internal labour charged to: capital; network maintenance and faults are recorded under employee benefits. The total wages, salaries and benefits excluding FBT paid to employees in 2012 was \$7.5 million (2011: \$6.7 million).</p>		
4 Interest and Associated Cost		
Interest Expense on loans	2,833	2,640
Bank Fees Associated with Financing	553	409
Movements in Derivative Associated with Financing	185	168
	3,571	3,217
5 Depreciation and Amortisation		
<i>Depreciation:</i>		
Electricity Distribution System	5,436	5,112
Buildings	86	99
Motor Vehicles	406	388
Plant and Equipment	181	152
Office Equipment	106	161
Communication Network	788	372
<i>Amortisation</i>	69	126
	7,072	6,410
6 Taxation		
Tax Reconciliation:		
Operating surplus before taxation	7,857	7,249
Prima Facie taxation at 28% for 2012, 30% for 2011	2,200	2,175
<i>Movements in Tax Due to:-</i>		
Permanent Differences		
Non-Assessable Income	(110)	(209)
Non-Deductible Expenses	(620)	(1,166)
	(730)	(1,375)
Timing Differences		
Depreciation	509	(241)
Other	247	296
	756	55
Taxation charge for Year	2,226	855
Comprising		
Current Taxation	1,470	800
Deferred Taxation	756	55
	2,226	855

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note	2012 \$000	2011 \$000	
6			
Taxation (continued)			
Imputation Credit Account			
Opening balance	12,864	11,006	
Income Tax Paid During the Year	1,115	1,858	
Closing Balance	13,979	12,864	
Deferred Tax Account			
	Depreciation	Other	Total
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
Opening Balance as at 1 April 2011	19,924	(152)	19,772
Change in the year	509	247	756
Closing Balance as at 31 March 2012	20,433	95	20,528
Current and Non-Current Deferred Tax			
2011			
Current Deferred Tax	659	(12)	647
Non-Current Deferred Tax	19,265	(140)	19,125
	19,924	(152)	19,772
2012			
Current Deferred Tax	848	(54)	794
Non-Current Deferred Tax	19,585	149	19,734
	20,433	95	20,528
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:			
	2012 \$000	2011 \$000	
Operating Surplus after Tax	\$5,631	\$6,394	
Weighted average no. of rebate shares	1,356	1,278	
Earnings used in the calculation of basic and diluted shares reconciles to the net profit in the statement of comprehensive income as follows:			
Operating Surplus after Tax	\$5,631,749	\$6,394,060	
Basic and diluted earnings per share	\$4.15	\$5.00	
8			
Share Capital			
There are 30,028,400 shares in the Company (2011 30,028,400) and they are as follows:			
	Number of Shares	Shares Value \$	
2011			
Deferred Shares	28,750,000	31,484,000	
Rebate Shares Issued Fully Paid	1,264,400	1,264,400	
Unpaid Allocated Shares	14,000	0	
	30,028,400	32,748,400	
2012			
Deferred Shares	28,750,000	31,484,000	
Rebate Shares Issued	1,286,206	1,286,206	
Unpaid Allocated Shares	147,394	0	
	30,183,600	32,770,206	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

	2012 \$000	2011 \$000
9 Reconciliation of Retained Earnings		
Balance at start of the Year	80,036	73,642
Add total Comprehensive Income for the Year	5,631	6,394
Closing balance at end of the Year	<u>85,667</u>	<u>80,036</u>
10 Cash and Cash Equivalents		
Cash at bank	3,021	(289)
	<u>3,021</u>	<u>(289)</u>
11 Inventories		
Distribution System	5,176	4,300
Communication Network	970	915
	<u>6,146</u>	<u>5,215</u>
No inventories are subject to retention of title clause or hedged as security for liability (2011: Nil).		
12 Trade and Other Receivables		
Account Receivables	5,069	4,201
Prepayments	397	358
Provision for impairment	(3)	(17)
	<u>5,463</u>	<u>4,542</u>
Ageing of Receivables is as follows:		
Current	5,291	4,226
Overdue 30-60 Days	129	68
61-90 Days	28	33
91 Days and over	15	215
	<u>5,463</u>	<u>4,542</u>

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.

Changes in the impaired allowance amount

Opening Balance	17	15
Addition/(Released)	(14)	2
Closing Balance	<u>3</u>	<u>17</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2012 \$000	2011 \$000
13 Intangible Assets		
Software		
Opening Purchase Cost	1,827	1,756
Additions in the Year	38	71
Closing Purchase Cost	1,865	1,827
Opening Accumulated Amortisation	1,678	1,552
Amortisation for the Year	69	126
Closing Accumulated Amortisation.	1,747	1,678
Net Book Value	118	149
Add Work in Progress	85	19
Total Intangibles	203	168

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 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
Purchase cost as at 1 April 2011	240,262	3,210	7,509	5,045	3,065	983	11,706	271,780
Addition in year	13,510	23	0	479	417	48	2,159	16,636
Assets sold or scrapped	(2,297)	0	0	0	0	(7)	0	(2,304)
Transferred to held for sale	0	(1,609)	(83)	0	0	0	0	(1,692)
Purchase cost as at 31 March 2012	251,475	1,624	7,426	5,524	3,482	1,024	13,865	284,420
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
Accumulated Depreciation as at 1 April 2011	88,383	957	0	3,246	2,227	737	486	96,036
Addition depreciation in the year	5,436	86	0	406	181	106	788	7,003
Recovery of depreciation on disposal	(958)	0	0	0	0	(7)	0	(965)
Transferred to held for sale	0	(593)	0	0	0	0	0	(593)
Accumulated Depreciation as at 31 March 2012	92,861	450	0	3,652	2,408	836	1,274	101,481
Net Book Value 31 March 2011	151,879	2,253	7,509	1,799	838	246	11,220	175,744
Add Working 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
Net Book Value 31 March 2012	158,614	1,174	7,426	1,872	1,074	188	12,591	182,939
Add Work in Progress	3,751	3,506	0	129	30	9	490	7,915
	162,365	4,680	7,426	2,001	1,104	197	13,081	190,854

Wage and Salary Capitalised \$1,033,981 (2011: \$1,266,737)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2012 \$000	2011 \$000
15 Assets Held for Sale		
Buildings	1,016	0
Land	83	0
	<u>1,099</u>	<u>0</u>

The assets held for sale relate in particular to the Company's administration office in Kermode Street Ashburton, which is currently on the market. The Company is currently building a new head office complex in the Ashburton Business Estate.

Assets held for sale are measured at the lower of their carrying amount prior to classification as held for sale or their net fair value. The expected revenue from the sale of the assets is greater than their carrying value and no impairment loss is expected.

16 Investment in Barrhill Chertsey Irrigation Limited (BCI) And Electricity Ashburton Limited (EAL) 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 a preferential right to income from the BCI EAL joint venture to an agreed amount between the parties of the Joint Venture.

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

The Company's share of income and expenses are:

Income	2,416	957
Expenses	(2,780)	(1,116)
Interest	(313)	(209)
Net Loss for the Period	(677)	(368)

Current Assets	381	382
Non-Current Assets	17,053	17,806
Total Assets	17,434	18,188

Current Liabilities	1,154	6,412
Non-Current Liabilities	7,325	2,144
Total Liabilities	8,479	8,556

Electricity Ashburton Limited's value of investment in the Joint Venture	8,955	9,632
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Total Equity invested in the Joint Venture by the Company	10,000	10,000
Accumulated net losses to date	(1,045)	(368)
	8,955	9,632

The Joint Venture agreement Electricity Ashburton Limited includes a schedule detailing preferential right to income for Electricity Ashburton Limited. For the 2012 year this preferential right, to income was \$701,892. (2011 \$0). This payment is classed as an operating cost and operating income in the Joint Venture's and Electricity Ashburton Limited financial statements.

17 Derivative financial Instruments

Cash flow Hedges

Current Assets

Interest Rate CAPS	0	4
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Non-Current Assets

Interest Rate CAPS	66	138
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Current Liabilities

Interest Rate SWAPS	(66)	0
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Non-Current Liabilities

Interest Rate SWAPS	(247)	(201)
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Total Value of Derivate Financial Instruments	(247)	(59)
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Interest rate swaps and caps agreements are used to manage interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2012 \$000	2011 \$000
18 Trade and other payables		
Trade Creditors	3,326	2,211
Interest Accrual	386	369
	3,712	2,580

19 Employee Entitlements			
	Leave Entitlement \$000	Other Entitlement \$000	Total Entitlement \$000
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
Balance as at 1 April 2011	905	563	1,468
Movement During the Period	45	43	88
Balance as at 31 March 2012	950	606	1,556

20 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 2012 or 31 March 2011.

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 six electricity retailers' 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 Heartland Building Society, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Financial Instruments (continued)

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.

	2012	2011
External funding arrangements		
Overdraft facility - BNZ	\$500,000	\$500,000
Short term funding		
Vendor funded finance - Ashburton District Council	\$2,620,000	\$2,620,000
Long Term funding		
<i>Maturing within 12 months</i>		
Westpac multi option credit line facility	\$0	\$19,000,000
Westpac term loan	\$0	\$1,000,000
Cash advance facility with BNZ	\$17,500,000	\$11,300,000
	<u>\$17,500,000</u>	<u>\$31,300,000</u>
<i>Maturing greater than 12 months</i>		
Drawn down Westpac multi option credit line facility	\$32,000,000	\$0
Cash advance facility with BNZ	\$35,500,000	\$43,700,000
	<u>\$67,500,000</u>	<u>\$43,700,000</u>
Total long term funding	\$85,000,000	\$75,000,000
Contractual Performance Bonds		
Dollar value of bonds in place with Westpac	\$82,215	\$82,215
Number of bonds in place with Westpac	4	4

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

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
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%
2012					
Effective Total		44,620	6,000	7,000	14,000
Interest Rate	From	0.00%	6.55%	5.30%	5.54%
	To	5.75%	6.55%	7.22%	7.00%

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 2012 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 \$716,200 (2011 \$603,000)

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Financial Instruments (continued)

Liquidity Forecast (continued)

Maturity of long term external funding				
	6 months and less \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000
2011				
Effective Total	1,000	32,920	26,000	3,000
Interest on principal from now to maturity	1,335	1,136	594	212
Effective Total	2,335	34,056	26,594	3,212
Interest on principal due				
From	7.38%	0.0%	4.17%	7.51%
To	7.38%	4.6%	5.10%	7.51%
2012				
Principal	2,620	17,500	38,000	13,500
Interest payable	1,231	1,189	1,529	651
Effective Total	3,851	18,689	39,529	14,151
Interest on principal due				
From	0.00%	4.18%	3.76%	4.80%
To	0.00%	6.44%	5.76%	7.22%

The funding agreement with Westpac is due for renewal in September 2013. Traditionally when this loan comes up for renewal it has been renewed. All indications are that this loan will be renewed.

The funding agreement with The Bank of New Zealand is organised into 3 trenches, with maturity dates ranging from 1 year to 3 years. Traditionally when the Bank of New Zealand agreement comes up for renewal it has been renewed. All indications are that the agreements 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, which the Company fully complies with.

Interest Coverage: Earnings before interest, tax, and rebate / Interest. Coverage of which is to 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 2012 was \$17,500,000. If Electricity Ashburton Ltd is called under the guarantee the Joint Venture assets are effectively secured for Electricity Ashburton Ltd.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2012 \$000	2011 \$000
21 Reconciliation of Net Cash Flows from Operating Activities to operating Surplus after Taxation		
Operating Surplus After Taxation	5,631	6,394
Add / (Less) Non-Cash Items:-		
Depreciation	7,072	6,410
Movement in Financial Derivatives	188	169
Movement in Deferred Taxation	756	55
Loss on sale	(32)	12
Return on Investment in Joint Venture	(702)	0
Loss from Joint Venture	677	368
	<u>7,959</u>	<u>7,014</u>
Movement in net Current Assets / Liabilities:-		
Decrease / (Increase) in Inventory	(931)	795
Decrease / (Increase) in Trade and Other Receivables	(921)	(731)
Decrease / (Increase) in Income Tax Refund Due	356	(716)
Increase / (Decrease) in Trade and Other Payables	1,132	(46)
Increase / (Decrease) in Employee Entitlement	88	5
Increase / (Decrease) in Borrowings	0	2,620
Increase / (Decrease) in Taxation payable	0	(343)
	<u>(276)</u>	<u>1,584</u>
Other:-		
Inventory transferred to Property, Plant and Equipment	0	(352)
Trade and Other Receivables relating to Investment Activities	626	0
Trade and Other Payables relating to Property, Plant and Equipment.	(1,703)	(2,757)
	<u>(1,077)</u>	<u>(3,109)</u>
Net Cash Flows from Operating Activities	<u>12,237</u>	<u>11,883</u>
22 Operating Lease		
Lessee		
Not later than 1 year	1,040	834
Later than 1 year and not later than 5 years	3,368	2,881
Lessor		
Not later than 1 year	325	20
Later than 1 year and not later than 5 years	480	80
23 Commitments		
Electricity Ashburton Limited		
New Head Office	6,831	0
Transformers	880	2,770
Consignment Stock	97	1,028
Ringmain units	0	303
Broadband Equipment	0	160
Other	0	90
Vehicle	44	12
	<u>7,852</u>	<u>4,363</u>
Share of Barrhill Chertsey Irrigation Limited and Electricity Ashburton Limited Joint Venture		
Construction cost	344	331
	<u>344</u>	<u>331</u>
Total Capital Commitments	<u>8,196</u>	<u>4,694</u>
24 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 \$17,500,000 (2011 \$13,500,000).		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 Related Party Transactions

	2012 \$	2011 \$
Ashburton District Council		
Ashburton District Council is a significant shareholder that holds 28,750,000 deferred shares		
<i>Electricity Ashburton Limited has paid Ashburton District Council:</i>		
Rates	146,236	148,513
Lease	58,778	59,806
Other services	92,407	7,942
<i>Outstanding at balance date</i>		
Rates	24,321	26,649
Other services	55	605
<i>Ashburton District Council has paid Electricity Ashburton Limited:</i>		
Contracting and Capital Contributions	201,239	754,596
Other	14,061	0
<i>Outstanding at balance date</i>		
Contracting and Capital Contributions	8,014	162,783
Other	1,147	
Ashburton Contracting Limited (ACL)		
Mr M W Frost a Director of Electricity Ashburton Limited and a Director of ACL		
<i>Electricity Ashburton Limited has paid Ashburton Contracting Limited:</i>		
Contracting Services	156,606	124,424
Outstanding at balance date	23,940	71,759
Barrhill Chertsey Irrigation Limited Electricity Ashburton Limited Joint Venture		
<i>Electricity Ashburton Limited has paid the Joint Venture:</i>		
Equity	0	10,000,000
Loan	300,000	700,000
<i>The Joint venture has paid Electricity Ashburton Limited</i>		
Management Fees	23,172	0
Preferential right to income	701,892	0
Loan	1,000,000	0
Interest	21,053	0
Contracting Services	28,758	251,062
Outstanding at balance date, but not due to the 30 June	701,892	0

All related parties transactions are carried out under normal commercial terms.

26 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	1,075	930
Post-employment benefits	0	0
Long term benefits	0	0
Termination benefits	0	60
Outstanding benefits at balance date		
Long term benefits outstanding	12	11
Termination benefits outstanding	79	71

27 Subsequent Events

There are no events subsequent to balance date that would materially affect these financial statements.



Independent Auditors' Report

to the shareholders of Electricity Ashburton Limited

Report on the Financial Statements

We have audited the financial statements of Electricity Ashburton Limited on pages 5 to 22, which comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income and the statement of changes in equity and members' interests and statement of cash flows 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.

We have no relationship with, or interests in, Electricity Ashburton Limited other than in our capacities as auditors and we have carried out assignments in the areas of compliance with the Electricity Distribution (Information Disclosure) Requirements 2008 and other regulatory requirement of the Commerce Act 1986. These services have not impaired our independence as auditors of the Company.

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Independent Auditors' Report

Electricity Ashburton Limited

Opinion

In our opinion, the financial statements on pages 5 to 22:

- (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 2012, 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 2012:

- (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.

Chartered Accountants
4 July 2012

Christchurch