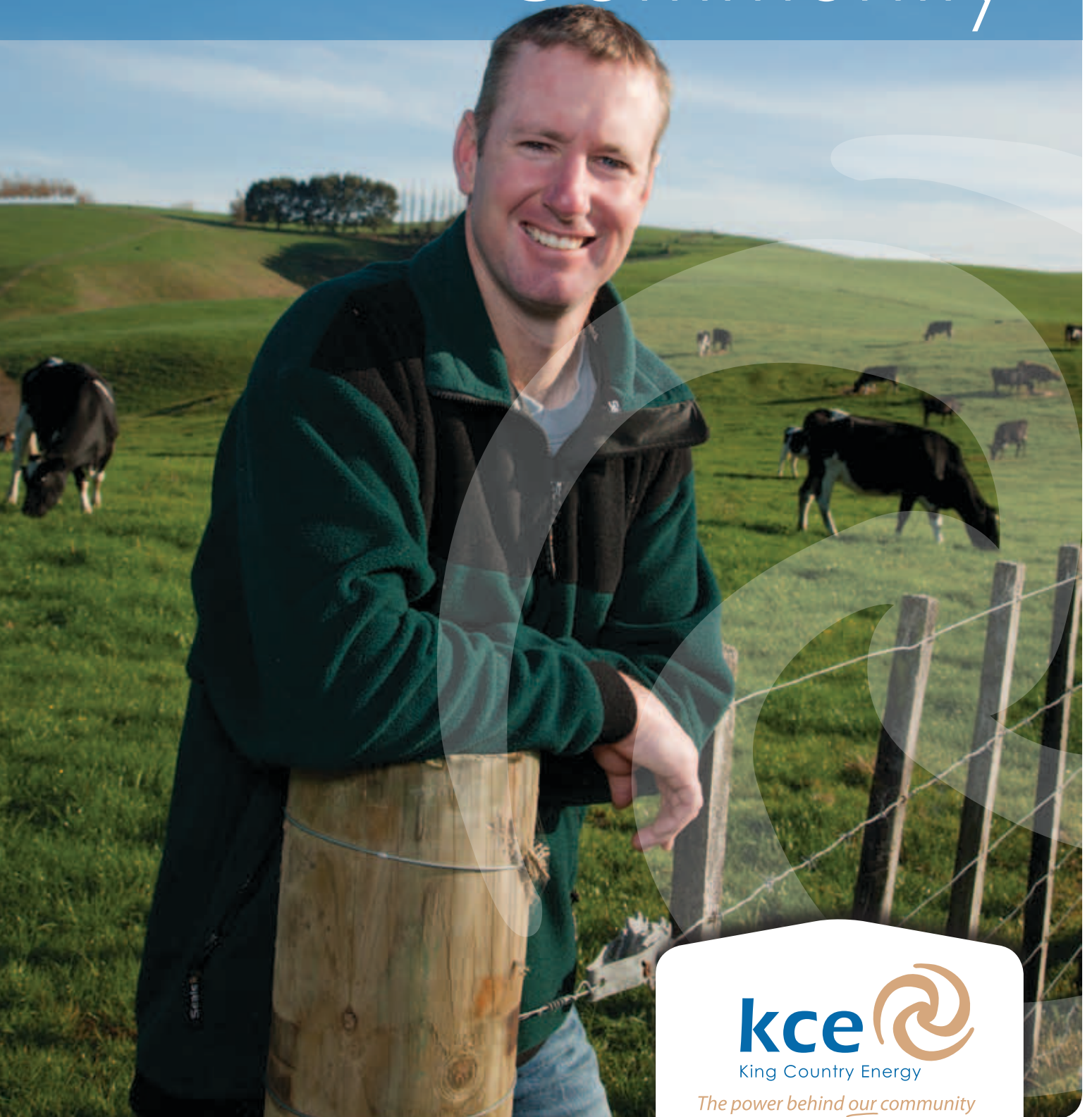


Committed to the Community



King Country Energy

The power behind our community

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THE NUMBERS

	Six Months Ended 30.09.11	Six Months Ended 30.09.10
Operating Revenue	\$19.0m	\$18.0m
Earnings before Interest, Tax, Depreciation, Ammortisation and Financial Instruments (EBITDAF)	\$5.7m	\$4.6m
Net Profit After Tax (NPAT)	\$2.9m	\$1.4m
Operating Cash Flow	\$5.0m	\$2.8m
Retail Sales Volume	117.4 GWh	129.0 GWh
Generation Volume	68.0 GWh	70.7 GWh
Dividend	12 cps, unimputed payable 2.12.11	12 cps, fully imputed payable 26.11.10

Committed to the Community

The six month period to 30 September 2011 for King Country Energy (KCE) has shown an overall performance improvement, compared to the six months ending 30 September 2010 (prior corresponding period -pcp).

The result is consistent with expectations and KCE has performed solidly, through variable hydro inflows and lower than expected average wholesale electricity prices during the period.

Inflows into the combined hydro catchments and associated generation output are in line with the long-term average. Average wholesale electricity prices have been lower than expected, however KCE has been able to recover some of this downside by utilizing hydro storage capability to target electricity peak price periods.

Dividend

The Board is pleased to announce an interim unimputed cash dividend of 12 cents per share. The dividend will have a record date of 28 November 2011 and a payment date of 2 December 2011.

Financial Performance

Reported earnings before interest, tax, depreciation, amortisation and fair value movements on financial instruments (EBITDAF) was \$5.7 million for the period a 24% improvement on the pcp.

KCE's consolidated earnings before tax was \$4.2 million for the period to 30 September 2011, comparing to the pcp of \$2.7 million.

Company cashflows continue to be strong, with a net operating cashflow of \$5.0 million, compared to \$2.8m for

the pcp, with a 30 September 2011 closing cash balance of \$8.0m.

Ordinary net profit after tax (NPAT) attributable to shareholders was \$ 2.9 million, and includes the impact of the fair value adjustments for financial instruments of \$0.2 million. This represents a 107% increase on the pcp.

Retail

Retail sales volume for the period to 30 September 2011 was 117 GWh, compared to 129GWh for the pcp. This is lower than the previous year's interim result due to the loss of several large industrial customers following the introduction of the margin-focused retail strategy last year.

KCE is committed to margin protection and customer retention especially with increased competition, as awareness of switching has heightened following the introduction of the "What's my Number" advertising campaign.

This has seen an increase in competition in our traditional trading area; however it is being managed with a targeted win back campaign based on KCE's superior customer service levels, which is proving effective.

KCE continues to support community initiatives that benefit children and families throughout the region with our current sponsorship arrangements.

In particular our Netball Waikato sponsorship and the associated naming rights to netball facilities in Taumarunui, Otorohonga and Maniapoto has provided an increased

“
KCE continues to support community initiatives that benefit children and families throughout the region with our current sponsorship arrangements.”

community profile and awareness for KCE, as we complete our first netball season with this agreement in place.

KCE continues to work hard to leverage the Netball Waikato sponsorship to ensure our brand recognition is further enhanced.

Generation

Total internal generation was 70 GWh for the period to 30 September 2011, with 39 GWh coming from local sites and 31 GWh from KCE's 50% investment in the Mangahao hydro station. This total volume was consistent with company expectations of 71 GWh, however at times low hydrology affected KCE's market position.

The average price achieved by the generation stations was \$61.72 per MWh for wholesale electricity market sales, as compared to a market average of \$61.25 per MWh. Station peaking performance exceeded expectations; however this was countered by volatility in volumes and spot prices.

Operating costs across the portfolio of generation stations are lower than expected as a result of consolidating maintenance outages, to maximize revenue and some deferral of scheduled maintenance, due to weather and design improvements.

Hedging

KCE continues to use hedges to manage its market price exposure. This methodology has proved successful in the past and continues to protect KCE from the majority of spot price volatility. This has not always been at a favourable price, however recent market events have made hedge pricing more transparent and KCE is pleased with the progress of market reforms.

Going forward, KCE has recently secured hedges to cover its current retail sales until the end of 2014. The extension of hedge cover and development of the hedge market provides the opportunity for the retail business to grow, as well as providing forward price security to our customers and stable returns to our shareholders.

Share Price

KCE's share price traded in a range from \$3.10 to \$3.35 over the six month period, with an average price of \$3.24 and closed at the end of September at \$3.10.

Governance

At the Annual General Meeting held on 28 July 2011 Mr Brian Needham and Mr Toby Stevenson, who were required to retire by rotation, were both re-elected. Mr Stephen Armstrong was elected to the board, replacing Mr Richard Tweedie, who retired from the board in 2010.

Outlook

The Board is very pleased with these financial results and is optimistic about the second half of the year. KCE continues to perform solidly in the face of variable, and at times, challenging market conditions.

As previously highlighted, KCE seeks to reduce its relative reliance on the hedge market as a source of energy supply, and this objective remains a key goal. The Board and management team are focused on fully investigating opportunities to reduce this reliance and to optimise the company's strong cashflow and balance sheet position.

The Board remains positive that KCE has the strong foundation required to maintain and grow its position as the energy retailer of choice in the King Country region.

On behalf of the Board and Management Team



Brian Gurney
Chairman



Rob Foster
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	Note	Group		
		Unaudited		Audited
		30.09.11 \$'000	30.09.10 \$'000	31.03.11 \$'000
Operating Income				
Operating Revenue	3	19,002	18,029	33,108
Operating Expenses	4	(14,641)	(14,851)	(27,051)
Mokau Consent Costs	4	86	(7)	(175)
Financing Costs		(38)	(80)	(130)
		(14,593)	(14,938)	(27,356)
		4,409	3,091	5,752
Profit before Financial Instruments				
Fair Value Movement of Electricity Derivatives	8	(171)	(388)	1,474
		4,238	2,703	7,226
Profit Before Tax Expense				
Income Tax Expense	5	(1,337)	(1,344)	(2,793)
		2,901	1,359	4,433
Profit after Tax Expense				
Other Comprehensive Income:				
Income Tax on items of Other Comprehensive Income	5	150	1,148	1,316
		150	1,148	1,316
Other Comprehensive Income for the Period net of Tax				
		3,051	2,507	5,749
Total Comprehensive Income for the Period				

All reported Revenues, Expenses and Profit After Tax are attributable to the owners of King Country Energy Ltd.

Earnings per share (Basic and Diluted) from continuing operations attributable to the ordinary equity holders of the parent company	14	\$0.15	\$0.07	\$0.24
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The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements on pages 9 to 20.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

Note	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
Opening Equity	85,192	83,943	83,943
Total Comprehensive Income Attributable to Owners	3,051	2,507	5,749
Dividends Paid to Shareholders	(2,250)	(2,250)	(4,500)
Closing Equity	85,993	84,200	85,192
Reconciliation of Movement in Equity			
Ordinary Shares			
Opening & Closing Balance	26,267	26,267	26,267
Asset Revaluation Reserve			
Opening Balance	51,426	50,110	50,110
Portion of Other Comprehensive Income	150	1,148	1,316
Portion of Total Comprehensive Income	150	1,148	1,316
Closing Asset Revaluation Reserve	51,576	51,258	51,426
Retained Earnings			
Opening Balance	7,499	7,566	7,566
Profit for the Period	2,901	1,359	4,433
Portion of Total Comprehensive Income	2,901	1,359	4,433
Ordinary Dividends Paid	(2,250)	(2,250)	(4,500)
Closing Retained Earnings	8,150	6,675	7,499
Closing Equity	85,993	84,200	85,192

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements on pages 9 to 20.

BALANCE SHEET

AS AT 30 SEPTEMBER 2011

	Note	Group		
		Unaudited		Audited
		30.09.11	30.09.10	31.03.11
		\$'000	\$'000	\$'000
Shareholders' Equity				
Share Capital		26,267	26,267	26,267
Reserves		51,576	51,258	51,426
Retained Earnings		8,150	6,675	7,499
Total Equity		85,993	84,200	85,192
Represented by:				
Current Assets:				
Cash & Bank Balances		8,018	5,319	6,092
Trade & Other Receivables	6	4,208	4,010	2,764
Income Tax Receivable		914	745	1,814
Derivative Financial Instruments	8	386	55	430
Total Current Assets		13,526	10,129	11,100
Non Current Assets:				
Plant, Property & Equipment	7	92,947	94,624	93,519
Derivative Financial Instruments	8	488	575	768
Intangible Assets	9	2,181	2,357	2,260
Total Non-Current Assets		95,616	97,556	96,547
Total Assets		109,142	107,685	107,647
Current Liabilities:				
Trade & Other Creditors		2,878	2,487	2,173
Customer Credit Balances		317	297	452
Borrowings (lease obligations)	10	42	60	52
Employee Entitlements		242	221	222
Derivative Financial Instruments	8	952	1,454	936
Total Current Liabilities		4,431	4,519	3,835
Non Current Liabilities:				
Borrowings (lease obligations)	10	6	49	26
Derivative Financial Instruments	8	260	1,205	429
Deferred Tax	5	18,452	17,712	18,165
Total Non Current Liabilities		18,718	18,966	18,620
Total Liabilities		23,149	23,485	22,455
Net Assets		85,993	84,200	85,192

The above Balance Sheet should be read in conjunction with the Notes to the Financial Statements on pages 9 to 20.

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

Cash Flows from Operating Activities

Cash was Received from:

Electricity Receipts from Customers	15,818	15,515	29,717
Interest Received	117	75	191
Other Receipts from Customers	1,033	1,514	2,799
Settlement of Derivatives	253	800	610

Cash was Applied to:

Payment for Electricity	(7,338)	(7,932)	(12,539)
Settlement of Derivatives	(1,694)	(1,929)	(3,593)
Payment for Line Charges	(404)	(682)	(1,789)
Payment to Other Suppliers	(1,539)	(3,274)	(5,004)
Payment to Employees	(1,226)	(1,186)	(2,271)
Income Tax Paid	-	-	(1,896)
Interest on Borrowings	(38)	(80)	(130)

Net Cash Inflow/(Outflow) from Operating Activities

4,982 2,821 6,095

Cash Flows from Investing Activities

Cash was Received From:

Sale of Fixed Assets	11	-	10
	11	-	10

Cash was applied to:

Purchase of Fixed Assets	(788)	(392)	(622)
	(788)	(392)	(622)

Net Cash Inflow/(Outflow) from Investing Activities

(777) (392) (612)

Cash Flows from Financing Activities

Cash was applied to:

Borrowings	(29)	(29)	(60)
Dividend Paid	(2,250)	(2,250)	(4,500)
	(2,279)	(2,279)	(4,560)

Net Cash Inflow/(Outflow) from Financing Activities

(2,279) (2,279) (4,560)

Net Cash Movement for Period

1,926 150 923

Opening Cash & Bank Balances

6,092 5,169 5,169

Closing Cash & Bank Balances

8,018 5,319 6,092

RECONCILIATION WITH OPERATING PROFIT

	Note	Group		
		Unaudited		Audited
		30.09.11 \$'000	30.09.10 \$'000	31.03.11 \$'000
Profit after Tax per Statement of Comprehensive Income		2,901	1,359	4,433
Non Cash Items				
Loss/(Gain) on Disposal of Fixed Assets	4	3	12	15
Depreciation & Impairment	4	1,424	1,417	2,835
Change in Fair Value of Financial Instruments	8	171	388	(1,474)
Increase / (Decrease) in Deferred Taxation	5	437	373	994
		2,035	2,190	2,370
Changes in Working Capital				
Increase / (Decrease) in Employee Entitlements		20	26	27
(Increase) / Decrease in Tax Receivable		900	971	(98)
(Increase) / Decrease in Receivables		(1,444)	(650)	596
Increase / (Decrease) in Payables		570	(1,075)	(1,233)
		46	(728)	(708)
Net Cash Inflow / (Outflow) from Operating Activities per Statement of Cash Flows		4,982	2,821	6,095

The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements on pages 9 to 20.

Assets acquired through finance leases are included as part of asset purchases. The associated lease obligation is included as part of the movement in borrowings during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

1 ACCOUNTING PERIOD

These unaudited Financial Statements are for the six month period ended 30 September 2011. They have been prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) and should be read in conjunction with our Annual Report for the year ended 31 March 2011.

2 ACCOUNTING POLICIES

There have been no changes in accounting policies from those applied in our Annual Report for the year ended 31 March 2011.

3 REVENUE

Included in Operating Revenue are the following items:

Sales of Electricity

Derivative Income/(Expense) on Electricity Sales

Network Charges Recovered

Discount Allowed - Prompt Payment

Interest Received

Other Income

Total Operating Revenue

Group			
Unaudited		Audited	
30.09.11	30.09.10	31.03.11	
\$'000	\$'000	\$'000	
19,161	17,466	32,299	
284	477	579	
573	666	1,191	
(1,297)	(757)	(1,585)	
118	85	202	
163	92	422	
19,002	18,029	33,108	

4 EXPENSES

Included in Operating Expenses are the following items:

Purchase of Electricity

Derivative Expense/(Income) on Electricity Purchases

Network Charges

Transpower Charges

Depreciation & Amortisation

Operating Lease Payments

Bad Debts Written Off

Increase/(Decrease) in Estimated Doubtful Debts

Audit Fees

Repairs & Maintenance

Employee Benefits

Directors Fees & Expenses

Loss on Sale of Fixed Assets

Other Operating Expenses

Total Operating Expenses

8,098	6,333	11,724	
1,382	2,680	4,061	
747	951	1,660	
18	58	116	
1,424	1,417	2,835	
-	11	10	
53	84	215	
(20)	-	(60)	
10	9	61	
312	482	969	
1,263	1,170	2,315	
90	81	170	
3	12	15	
1,261	1,563	2,960	
14,641	14,851	27,051	

Mokau consent costs shown on the face of the Statement of Comprehensive Income represent costs incurred by the Group in relation to obtaining Resource Management Act consents for the proposed Mokau hydro scheme. During the period Directors determined not to proceed with the project and to expense all remaining project costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

DEFERRED TAXATION

The major components together with their movements of the deferred tax balances are as follows:

	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
Property Plant and Equipment			
Balance Beginning of Period	(18,263)	(19,052)	(19,052)
Current Period Temporary Differences - Through Income	(483)	(111)	(201)
Current Period Temporary Differences - Through Equity	150	150	318
Change in Tax Rate - Through Income	-	270	270
Change in Tax Rate - Through Equity	-	998	998
Removal of Tax Deduction for Building Depreciation - Through Income	-	(605)	(605)
Correction to Prior Period	-	-	9
Balance End of Period	(18,596)	(18,350)	(18,263)
Employee Benefits			
Balance Beginning of Period	42	44	44
Current Period Temporary Differences - Through Income	4	3	1
Change in Tax Rate - Through Income	-	(3)	(3)
Balance End of Period	46	44	42
Financial Instruments			
Balance Beginning of Period	47	492	492
Current Period Temporary Differences - Through Income	48	108	(412)
Change in Tax Rate - Through Income	-	(33)	(33)
Balance End of Period	95	567	47

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

Other Provisions

Balance Beginning of Period	9	29	29
Current Period Temporary Differences - Through Income	(6)	-	23
Change in Tax Rate - Through Income	-	(2)	(2)
Correction to Prior Period	-	-	(41)

Balance End of Period

Total

Balance Beginning of Period	(18,165)	(18,487)	(18,487)
Current Period Temporary Differences - Through Income	(437)	-	(589)
Current Period Temporary Differences - Through Equity	150	150	318
Change in Tax Rate - Through Income	-	232	232
Change in Tax Rate - Through Equity	-	998	998
Removal of Tax Deduction for Building Depreciation - Through Income	-	(605)	(605)
Correction to Prior Period	-	-	(32)

Balance End of Period

	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
	9	29	29
	(6)	-	23
	-	(2)	(2)
	-	-	(41)
	3	27	9
	(18,165)	(18,487)	(18,487)
	(437)	-	(589)
	150	150	318
	-	232	232
	-	998	998
	-	(605)	(605)
	-	-	(32)
	(18,452)	(17,712)	(18,165)

All the companies comprising the Group are part of the same Consolidated Income Tax Group. Therefore deferred tax assets and liabilities have been offset within the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

6 ACCOUNTS RECEIVABLE

Electricity Receivables
Other Receivables
Prepayments

Group			
Unaudited		Audited	
30.09.11	30.09.10	31.03.11	
\$'000	\$'000	\$'000	
2,463	2,301	2,440	
1,745	1,709	180	
-	-	144	
4,208	4,010	2,764	

7 PROPERTY, PLANT AND EQUIPMENT

Generation Plant & Equipment

Fair Value
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Additions

Depreciation Charge for the Period

Net Carrying Amount End of Year

Carrying Amount at Historical Cost

Land, and Land Improvements

Fair Value
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Depreciation Charge for the Period

Net Carrying Amount End of Period

Carrying Amount at Historical Cost

Buildings

Fair Value
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Disposals

Depreciation Charge for the Period

Net Carrying Amount End of Period

Carrying Amount at Historical Cost

97,005	97,113	96,999
(15,817)	(13,585)	(14,643)
81,188	83,528	82,356
82,356	84,651	84,651
6	56	54
(1,174)	(1,179)	(2,349)
81,188	83,528	82,356
37,347	39,178	38,601
3,770	3,770	3,770
(8)	(6)	(7)
3,762	3,764	3,763
3,763	3,764	3,764
(1)	-	(1)
3,762	3,764	3,763
912	912	912
6,727	6,727	6,727
(709)	(619)	(664)
6,018	6,108	6,063
6,063	6,154	6,154
-	-	(1)
(45)	(46)	(90)
6,018	6,108	6,063
2,807	2,851	2,829

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

Motor Vehicles

Cost
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Additions

Disposals

Depreciation Charge for the Period

Net Carrying Amount End of Period

Office Equipment & Furniture

Cost
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Additions

Disposals

Depreciation Charge for the Period

Net Carrying Amount End of Period

Leased Office Equipment & Furniture

Cost
Accumulated Depreciation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Depreciation Charge for the Period

Net Carrying Amount End of Period

Development and Construction Projects

Development Projects at Cost

Net Carrying Amount

	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
Motor Vehicles			
Cost	452	391	401
Accumulated Depreciation and Impairment	(122)	(66)	(98)
Net Carrying Amount	330	325	303
Net Carrying Amount Beginning of Period	303	243	243
Additions	72	115	133
Disposals	(15)	(8)	(19)
Depreciation Charge for the Period	(30)	(25)	(54)
Net Carrying Amount End of Period	330	325	303
Office Equipment & Furniture			
Cost	1,151	1,136	1,125
Accumulated Depreciation and Impairment	(758)	(653)	(696)
Net Carrying Amount	393	483	429
Net Carrying Amount Beginning of Period	429	436	436
Additions	26	101	114
Disposals	-	(1)	(2)
Depreciation Charge for the Period	(62)	(53)	(119)
Net Carrying Amount End of Period	393	483	429
Leased Office Equipment & Furniture			
Cost	265	265	265
Accumulated Depreciation and Impairment	(190)	(163)	(177)
Net Carrying Amount	75	102	88
Net Carrying Amount Beginning of Period	88	117	117
Depreciation Charge for the Period	(13)	(15)	(29)
Net Carrying Amount End of Period	75	102	88
Development and Construction Projects			
Development Projects at Cost	1,181	314	517
Net Carrying Amount	1,181	314	517

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
Net Carrying Amount Beginning of Period	517	212	212
Additions	693	259	392
Transfers	(29)	(157)	(87)
Net Carrying Amount End of Period	1,181	314	517
Total Property, Plant & Equipment	92,947	94,624	93,519

All land and land improvements, buildings and generation plant, property and equipment were revalued as at 31 March 2010 to fair value for financial reporting purposes. The fair value of land and land improvements and buildings was assessed by reference to market information for the relevant geographic area. The fair value for generation plant property and equipment was assessed using economic value methodology based on the discounted cash flows able to be generated by the relevant plant, property and equipment. A discount rate of 8.5% being applied. Furniture plant and equipment integral to the operation of generation stations was also included in the valuation. The value of generation plant was determined by independent valuers, PriceWaterhouseCoopers, Chartered Accountants on 30 September 2009. Non-generation land and buildings were valued by independent registered valuers, Quotable Value New Zealand. Directors consider the carrying values of fixed assets at 30 September 2011 to be their fair value.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Movements in the asset/(liability) value of Electricity Price Derivatives over the period have been:

Net Carrying Amount Beginning of Period	(167)	(1,641)	(1,641)
Derivatives Acquired at Fair Value	468	(168)	(168)
Revaluation of Derivatives	(486)	(865)	(507)
Portion of Fair Value Consumed on Maturity	(153)	645	2,149
Net Carrying Amount End of Period	(338)	(2,029)	(167)

Reported gain/(loss) on Electricity Price Derivatives comprises the following:

Settlement Included in Operating Revenue	284	477	579
Settlement Included in Operating Expenses	(1,382)	(2,680)	(4,061)
Total (Loss)/Gain Settled in Cash	(1,098)	(2,203)	(3,482)
Acquisition of Derivatives at Fair Value	468	(168)	(168)
Revaluation of Derivatives	(486)	(865)	(507)
Portion of Fair Value Consumed on Maturity	(153)	645	2,149
Total (Loss)/Gain on Valuation	(171)	(388)	1,474
Total (Loss)/Gain on Derivatives	(1,269)	(2,591)	(2,008)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

Instruments Used by the Group

Derivative financial instruments comprise contracts for difference and are used by the Group in the normal course of business in order to manage exposure to fluctuations in spot market electricity prices. All derivatives are held to maturity and are specific to the Group. The Group holds sufficient derivatives to cover its generation shortfall in a dry year. The Group does not hold derivative financial instruments for the purposes of trading those instruments for a profit.

At balance date the Group had derivative contracts that had commencement and finishing date running to 31/12/14 (2010: 31/01/2013). The total nominal volume of derivatives is 348.2 GWh (2010 250.8 GWh).

9 INTANGIBLE ASSETS

Goodwill - Opening & Closing Balance

Computer Software

Cost
Accumulated Amortisation and Impairment

Net Carrying Amount

Net Carrying Amount Beginning of Period

Additions

Disposals

Amortisation Charge for the Period

Net Carrying Amount End of Period

Total Intangible Assets

Group		
Unaudited		Audited
30.09.11	30.09.10	31.03.11
\$'000	\$'000	\$'000
1,560	1,560	1,560
1,186	1,165	1,165
(565)	(368)	(465)
621	797	700
700	879	879
20	32	15
-	(15)	-
(99)	(99)	(194)
621	797	700
2,181	2,357	2,260

10 BORROWINGS

Current Borrowings

Capitalised Lease Obligations

Non Current Borrowings

Capitalised Lease Obligations

Capitalised Lease Minimum Lease Payment Obligations

Within One Year

One to Two Years

Two to Five Years

Capitalised Lease Present Value Payment Obligations

Within One Year

One to Two Years

Two to Five Years

42	60	52
6	49	26
45	70	55
7	45	30
-	11	-
52	126	85
42	60	52
6	40	26
-	9	-
48	109	78

The difference between the minimum lease payment obligation and the present value of lease payment obligations for all periods is the interest content of the monthly lease payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

11 CAPITAL COMMITMENTS

The following amounts have been committed to by the Group but not recognised in the financial statements:

	Group		
	Unaudited		Audited
	30.09.11	30.09.10	31.03.11
	\$'000	\$'000	\$'000
Capital Expenditure			
Replacement Runner Mangahao	257	556	426
Govenor Mangahao	-	25	13
Replacement Motor Vehicles	-	-	43
	257	581	482

12 SUMMARY OF INTEREST IN JOINT VENTURES

Mangahao Joint Venture

Subsidiary Company, KCE Mangahao Ltd is the participant in the unincorporated joint venture, Mangahao Joint Venture, for the generation of electricity at an established hydro electric power station at Mangahao. KCE Mangahao Ltd has a 50% interest in this joint venture.

The Group's Share of Operating Revenues and Expenses

Revenue	2,332	2,621	4,793
Expenses	(1,111)	(1,230)	(2,391)
	1,221	1,391	2,402

The Group's Share of Assets and Liabilities

Current Assets	845	529	685
Long Term Assets	51,260	52,298	51,762
Current Liabilities	(4,986)	(4,827)	(6,140)
Non-Current Liabilities	(10,985)	(11,426)	(11,337)
	36,134	36,574	34,970

13 FINANCIAL INSTRUMENTS

The Group holds the following classes of financial instrument

Financial Assets Held for Trading Through Profit and Loss

Derivative Financial instruments	874	630	1,198
	874	630	1,198

Loans and Receivables

Cash & Cash Equivalents	8,018	5,319	6,092
Accounts Receivable	4,208	4,010	2,620
	12,226	9,329	8,712

Financial Liabilities Held for Trading Through Profit and Loss

Derivative Financial instruments	1,212	2,659	1,365
	1,212	2,659	1,365

Other Liabilities at Amortised Cost

Payables	3,437	3,005	2,847
Borrowings	48	109	78
	3,485	3,114	2,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

The tables below show the Group and parent's financial liabilities by relevant maturity based upon the remaining period to the earliest possible contractual maturity date as at the relevant balance date. Amounts have not been discounted and where the settlement amount is based upon a future estimated price, the price used is consistent with that used for all other estimates included in these financial statements.

	Less than 1 month \$000	1-6 Months \$000	6-12 Months \$000	Over 1 Year \$000
At 30 September 2011				
Net Settled Electricity Price Derivatives	-	819	-	-
Accounts Payable and Accruals	3,437	-	-	-
Lease Obligations	4	19	22	6
	3,441	838	22	6
At 30 September 2010				
Net Settled Electricity Price Derivatives	880	1,443	143	1,447
Accounts Payable and Accruals	2,125	-	-	-
Lease Obligations	6	31	32	52
	3,011	1,474	175	1,499

14 EARNINGS PER SHARE

Earnings used in calculating basic and diluted earnings per share attributable to equity holders

	Group		
	Unaudited		Audited
	30.09.11 \$'000	30.09.10 \$'000	31.03.11 \$'000
Net Profit After Tax	2,901	1,359	4,433
Net Profit Attributable to Equity Holders of Parent	2,901	1,359	4,433
Weighted Average Number of Ordinary Shares for Basic and Diluted Earnings Per Share (thousands)	18,750	18,750	18,750

There are no instruments on issue that could potentially dilute basic earnings per share in the future. There have been no share transactions or potential share transactions since balance date.

15 DIVIDENDS

The Board of Directors recommended and shareholders resolved to pay a final dividend of 12 cents per ordinary share (without imputation credits) on the 5th of August 2011. Directors resolved to pay an interim dividend of 12 cents per ordinary share (without imputation credits) on the 28th of November 2011 for a total cash distribution to shareholders during the calendar year of \$4,500,000 (2010: \$4,500,000).

16 SEGMENT REPORTING

The Group operates within the electricity generation and retail industry in the central North Island of New Zealand. The retail and generation segments of the business are managed separately but both segments have access to shared corporate services.

Unallocated revenue, expenses, assets and liabilities represent the revenue, expenses assets and liabilities of the parent company. As they provide benefits to all segments they have not been apportioned to the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	Retail		Generation		Total	
	30.09.11	30.09.10	30.09.11	30.09.10	30.09.11	30.09.10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to External Customers	13,756	15,278	4,682	2,294	18,438	17,572
Other Revenue from External Customers	69	72	377	300	446	372
Inter-segment Sales	54	41	13,585	11,949	13,639	11,990
Total Segment Revenues	13,879	15,391	18,644	14,543	32,523	29,934
Unallocated Revenue	-	-	-	-	118	85
Total Segment Revenue	13,879	15,391	18,644	14,543	32,641	30,019
Results						
Segment Results Before Tax	1,920	1,492	3,482	2,445	5,402	3,937
Unallocated Expenses	-	-	-	-	(1,126)	(1,154)
	1,920	1,492	3,482	2,445	4,276	2,783
Financing Costs	-	-	-	-	-	-
Unallocated Financing Costs	-	-	-	-	(38)	(80)
	-	-	-	-	(38)	(80)
Income Tax	(538)	(449)	(1,124)	(1,227)	(1,662)	(1,676)
Unallocated Income Tax	-	-	-	-	325	332
	(538)	(449)	(1,124)	(1,227)	(1,337)	(1,344)
Segment Net Operating Profit After Tax	1,382	1,043	2,358	1,218	2,901	1,359

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	Retail		Generation		Total	
	30.09.11	30.09.10	30.09.11	30.09.10	30.09.11	30.09.10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and Liabilities						
Segment Assets	3,272	2,336	90,943	93,795	94,215	96,131
Unallocated Assets	-	-	-	-	14,927	11,554
Total Assets	3,272	2,336	90,943	93,795	109,142	107,685
Segment Liabilities	776	792	19,975	20,477	20,751	21,269
Unallocated Liabilities	-	-	-	-	2,398	2,216
	776	792	19,975	20,477	23,149	23,485
Other Segment Information						
Capital Expenditure	47	-	206	337	253	337
Unallocated Capital Expenditure	-	-	-	-	535	55
	47	-	206	337	788	392
Depreciation and Amortisation	13	14	1,242	1,240	1,255	1,254
Unallocated Depreciation & Amortisation	-	-	-	-	169	163
	13	14	1,242	1,240	1,424	1,417
Other Non-cash Expenses	36	92	171	392	207	484
Unallocated Non-cash Expenses	-	-	-	-	-	-
	36	92	171	392	207	484
Cash Flow Information						
Net Cash Inflow From Operating Activities	868	484	5,113	4,102	5,981	4,586
Unallocated Net Cash Outflow From Operating Activities	-	-	-	-	(999)	(1,765)
	868	484	5,113	4,102	4,982	2,821
Net Cash Outflow From Investing Activities	(868)	(484)	(5,114)	(4,112)	(5,982)	(4,596)
Unallocated Net Cash Outflow From Investing Activities	-	-	-	-	5,205	4,204
	(868)	(484)	(5,114)	(4,112)	(777)	(392)
Unallocated Net Cash Flow From Financing Activities	-	-	-	-	(2,279)	(2,279)

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, the Board declared an unimputed cash dividend of 12 cents per ordinary share, a total of \$2,250,000. The dividend will be paid on 2 December 2011.

The background is a solid blue color with several large, overlapping, semi-transparent white and light blue swirling lines that create a sense of motion and depth. The lines are thick and have a soft, feathered edge.

The power behind our community

King Country Energy

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