

A brighter future together



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THE NUMBERS

12c
DIVIDEND

Fully imputed interim cash dividend to be paid on 26 November 2010

12c fully imputed for the six months to 30 September 2009

\$4.6m
EBITDAF

\$4.4m for the six months ending 30 September 2009

\$1.4m
NPAT

\$1.4m for the six months ending 30 September 2009

\$2.8m
NET OPERATING CASH FLOW

\$3.6m for the six months ending 30 September 2009

129 GWh
RETAIL LOAD

143 GWh for the six months ending 30 September 2009

70.7 GWh
GENERATION VOLUME

62.1 GWh for the six months ending 30 September 2009

Positive about strong foundations

The six month period to 30 September 2010 has provided some improvement for King Country Energy on last year's result.

Although the result is lower than expected, the business has performed satisfactorily even though we have experienced very low wholesale electricity prices created by volatile climatic conditions.

Pleasingly, inflows into our hydro catchments are higher than the long-term average, which has provided a higher level of generation volume than expected. Despite the increased output, a much lower average wholesale electricity spot price has resulted in lower

than expected revenues from our generation stations. This reduced wholesale electricity price has also increased our hedge clearing costs.

As in previous years, hydrology and wholesale electricity price variability are beyond our control. However King Country Energy has achieved a satisfactory result for the first half of the year in the face of these influences.

“

King Country Energy maintains its strong customer care focus as a priority, which is underpinned by our frontline staff approach when dealing with customers.

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Dividend

The Board is pleased to announce an interim cash dividend of 12 cents per share which is fully imputed. This is equivalent to a gross taxable dividend of 17 cents per share. The dividend will have a record date of 22 November 2010 and a payment date of 26 November 2010.

Financial Performance

King Country Energy's consolidated earnings before tax was \$2.7 million for the period to 30 September 2010, and is slightly behind expectations. This represents an increase of 34% on the previous year's interim result.

Reported earnings before interest, tax, depreciation, amortisation and fair value movements on financial instruments (EBITDAF) was \$4.6 million for the period.

Ordinary net profit after tax (NPAT) attributable to shareholders was \$1.4 million, on par with the previous year's interim result. This includes the impact of the fair value adjustments for financial instruments of \$0.4 million.

The tax charge for the period has been reduced by \$0.6 million as a consequence of the tax changes announced in this year's government budget. The reduction in the corporate tax rate to 28% from 1 April 2011 has reduced our deferred tax liability by \$1.2 million, while the loss of the deduction for building depreciation commencing at the same time, has increased our deferred tax liability by \$0.6 million.

The average wholesale electricity price for the period to 30 September 2010 was \$54.92 per MWh, which is lower than expected.

Retail Operations

Retail sales volume for the period to 30 September 2010 was 129 GWh which was slightly lower than the previous years interim result due to the transfer of a number of customers King Country Energy previously supplied as an agent for a competing retailer.

The margin-focused retail strategy we implemented last year has begun to bear fruit, with a number of our contracted customer base having received new pricing and contract offers in the period and we are pleased with the positive response to the new pricing.

The company maintains its strong customer care focus as a priority, which is underpinned by our frontline staff approach when dealing with customers. Continued improvement to our systems and service delivery platform is helping us increase overall customer care levels.

King Country Energy continues to support community initiatives that benefit children and families throughout the region through our current sponsorship arrangements.

In addition, King Country Energy has recently signed a sponsorship agreement with Netball Waikato to become a main sponsor of Netball Waikato from October 2010. This sponsorship gives our company naming rights to netball facilities in Taumarunui, Otorohonga and Maniapoto. King Country Energy will work hard to leverage the Netball Waikato sponsorship to ensure our brand recognition is further enhanced within our region.

Current Generation

Total internal generation was 71 GWh for the period to 30 September 2010, with 35 GWh coming from our local sites and 36 GWh from our half of the Mangahao Hydro Station. This total volume was ahead of our expectation of 70 GWh due to higher than expected hydrology in our catchment areas over the winter.

The average price achieved by our generation stations was \$47.91 per MWh for wholesale electricity market sales, as compared to a market average of \$52.78 per MWh. This was a consequence of higher than expected generation volumes during months where the wholesale electricity price was low and lower than expected generation in months where the wholesale electricity price was high.

Operating costs across the portfolio of generation stations were in line with expectations for the period to 30 September 2010.

Share Price

King Country Energy's share price traded in a range from \$3.76 to \$4.00 over the six month period, with an average price of \$3.90 and closed at the end of September at \$3.76.

Governance

At the Annual General Meeting held on 29 July 2010, Mr Brian Gurney and Mr Mahadevan Bahirathan, who were required to retire by rotation, were both re-elected.

Outlook

The Board is optimistic about the second half of the year. Although we are behind expectations, the company continues to perform satisfactorily in the face of unfavourable market forces.

We maintain our focus of reducing reliance on the hedge market as a source of energy supply.

Overall, the Board remains positive that King Country Energy has the strong foundation required to maintain its position as the number one electricity retailer 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 2010

	Note	Group		
		Unaudited		Audited
		30.09.10	30.09.09	31.03.10
		\$'000	\$'000	\$'000
Operating Revenue	3	18,029	17,532	33,280
Operating Expenses	4	(14,851)	(13,974)	(27,898)
Mokau Consent Costs		(7)	(51)	(1,578)
Financing Costs		(80)	(64)	(153)
		(14,938)	(14,089)	(29,629)
Profit before Financial Instruments		3,091	3,443	3,651
Fair Value Movement on Electricity Derivatives	9	(388)	(1,428)	(1,291)
Profit Before Tax		2,703	2,015	2,360
Income Tax Expense	5	(1,344)	(653)	(800)
Profit After Tax		1,359	1,362	1,560
Other Comprehensive Income:				
Revaluation Gain on Land, Buildings and Generation Plant		-	-	30,133
Income Tax Expense on Items of Other Comprehensive Income	5	1,148	48	(8,103)
Other Comprehensive Income for the Period Net of Tax		1,148	48	22,030
Total Comprehensive Income for the Period		2,507	1,410	23,590
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 company	15	\$0.07	\$0.07	\$0.08

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Note	Group		
		Unaudited		Audited
		30.09.10	30.09.09	31.03.10
		\$'000	\$'000	\$'000
Ordinary Shares				
Opening & Closing Balance		26,267	26,267	26,267
Asset Revaluation Reserve				
Opening Balance		50,110	28,080	28,080
Other Comprehensive Income		1,148	48	22,030
Total Comprehensive Income		1,148	48	22,030
Closing Asset Revaluation Reserve	6	51,258	28,128	50,110
Retained Earnings				
Opening Balance		7,566	10,506	10,506
Profit for the Period		1,359	1,362	1,560
Total Comprehensive Income		1,359	1,362	1,560
Ordinary Dividends Paid		(2,250)	(2,250)	(4,500)
Closing Retained Earnings	7	6,675	9,618	7,566
Closing Equity				
		84,200	64,013	83,943

BALANCE SHEET

AS AT 30 SEPTEMBER 2010

		Group		
	Note	Unaudited		Audited
		30.09.10	30.09.09	31.03.10
		\$'000	\$'000	\$'000
Shareholders' Equity:				
Share Capital		26,267	26,267	26,267
Reserves	6	51,258	28,128	50,110
Retained Earnings	7	6,675	9,618	7,566
Total Equity		84,200	64,013	83,943
Represented by:				
Current Assets:				
Cash and Bank Balances		5,319	4,413	5,169
Trade and Other Receivables		4,010	3,896	3,360
Income Tax Receivable		745	672	1,716
Derivative Financial Instruments	9	55	130	150
Total Current Assets		10,129	9,111	10,395
Non Current Assets:				
Plant, Property, Equipment	8	94,624	68,995	95,577
Derivative Financial Instruments	9	575	1,395	1,121
Intangible Assets	10	2,357	1,591	2,439
Total Non Current Assets		97,556	71,981	99,137
Total Assets		107,685	81,092	109,532
Current Liabilities:				
Trade and Other Creditors		2,487	2,753	3,413
Customer Credit Balances		297	45	445
Borrowings (Lease Obligations)	11	60	69	69
Employee Entitlements		221	169	195
Derivative Financial Instruments	9	1,454	1,894	1,717
Total Current Liabilities		4,519	4,930	5,839
Non Current Liabilities:				
Borrowings (Lease Obligations)	11	49	95	68
Derivative Financial Instruments	9	1,205	1,409	1,195
Deferred Tax	5	17,712	10,645	18,487
Total Non Current Liabilities		18,966	12,149	19,750
Total Liabilities		23,485	17,079	25,589
Net Assets		84,200	64,013	83,943

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Group			
	Note	Unaudited		Audited
		30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000	
Cash Flows from Operating Activities				
Cash was received from:				
Electricity Receipts from Customers	15,515	15,311	30,595	
Interest Received	75	52	131	
Other Receipts from Customers	1,514	877	2,484	
Settlement of Derivatives	800	577	(109)	
	17,904	16,817	33,101	
Cash was applied to:				
Payment for Electricity	(7,932)	(6,589)	(11,974)	
Settlement of Derivatives	(1,929)	(2,418)	(3,147)	
Payment for Line Charges	(682)	(804)	(1,589)	
Payment to Other Suppliers	(3,274)	(1,994)	(5,151)	
Payments to Employees	(1,186)	(1,122)	(2,285)	
Income Tax Paid	-	(250)	(1,750)	
Interest on Borrowings	(80)	(64)	(153)	
	(15,083)	(13,241)	(26,049)	
Net Cash Inflow from Operating Activities	2,821	3,576	7,052	
Cash Flows from Investing Activities				
Cash was applied to:				
Fixed Assets Purchases	(392)	(346)	(789)	
	(392)	(346)	(789)	
Net Cash (Outflow) from Investing Activities	(392)	(346)	(789)	
Cash Flows from Financing Activities				
Cash was applied to:				
Borrowings	(29)	(24)	(51)	
Dividend Paid	(2,250)	(2,250)	(4,500)	
	(2,279)	(2,274)	(4,551)	
Net Cash (Outflow) from Financing Activities	(2,279)	(2,274)	(4,551)	
Total Net Cash Movement	150	956	1,712	
Opening Cash and Bank Balances	5,169	3,457	3,457	
Closing Cash and Bank Balances	5,319	4,413	5,169	

RECONCILIATION WITH OPERATING PROFIT

	Note	Group		
		Unaudited		Audited
		30.09.10	30.09.09	31.03.10
		\$'000	\$'000	\$'000
Profit after Tax		1,359	1,362	1,560
Non Cash Items:				
Loss on Disposal of Fixed Assets	4	12	19	62
Depreciation and Impairment	4	1,417	905	2,509
Change in Fair Value of Financial Instruments		388	1,428	1,291
Write off Mokau Capital Work in Progress		-	-	1,498
Increase/(Decrease) in Deferred Taxation	5	373	(340)	(649)
		2,190	2,012	4,711
Changes in Working Capital:				
Increase/(Decrease) in Employee Entitlements		26	(16)	10
(Increase)/Decrease in Tax Receivable		971	743	(301)
(Increase)/Decrease in Receivables		(650)	(680)	(144)
Increase/(Decrease) in Payables		(1,075)	155	1,216
		(728)	202	781
Net Cash Inflow from Operating Activities per Statement of Cash Flows		2,821	3,576	7,052

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 2010

1 ACCOUNTING PERIOD

These unaudited financial statements cover the six month period ended 30 September 2010. 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 2010.

2 ACCOUNTING POLICIES

There have been no changes in accounting policies from those applied in our Annual Report for the year ended 31 March 2010. Comparative figures for the period ended 30 September 2009 have been restated from the 30 September 2009 Interim Report so as to conform to disclosure standards contained in the Annual Report for the year ended 31 March 2010. The accounting policies used to restate the comparative figures are consistent with those applied for the period ended 30 September 2010.

3 REVENUE

Sale of Electricity
 Derivative Income/(Expense) on Electricity Sales
 Network Charges Recovered
 Discount Allowed - Prompt Payment
 Interest Received
 Other Income

Total Operating Revenue

4 EXPENSES

Included in Operating Expenses are the following items:

Purchase of Electricity
 Derivative Expense/(Income) on Electricity Purchases
 Network Charges
 Transpower Charges

Depreciation - Property, Plant, Equipment

Buildings
 Generation Plant
 Land, Roads, Bridges
 Motor Vehicles
 Furniture, Plant and Equipment
 Computer Software

Impairment - Property, Plant, Equipment

Generation Plant
 Land, Roads, Bridges

Group		
Unaudited		Audited
30.09.10	30.09.09	31.03.10
\$'000	\$'000	\$'000
17,466	16,860	32,562
477	577	463
666	669	1,210
(757)	(703)	(1,392)
85	52	131
92	77	306
18,029	17,532	33,280
6,333	6,349	13,919
2,680	2,737	3,147
951	830	1,399
58	64	128
46	31	60
1,179	791	1,613
-	1	1
25	10	30
68	65	143
99	7	192
1,417	905	2,039
-	-	465
-	-	5
-	-	470

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Group

	Unaudited		Audited
	30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000
Operating Lease Payments	11	31	58
Bad Debts Written Off	84	31	345
Increase/(Decrease) in Estimated Doubtful Debts	-	14	(148)
Audit Fees	9	5	57
Repairs & Maintenance	482	365	1,028
Employee Benefits	1,170	1,117	2,175
Directors Fees and Expenses	81	89	168
Loss on Sale of Fixed Assets	12	19	62
Other Operating Expenses	1,563	1,418	3,051
Total Operating Expenses	14,851	13,974	27,898

5 INCOME TAX

Income Tax Expense

The major components of income tax expense are:

Current Income Tax

Current Income Tax Charge	971	993	1,510
	971	993	1,510

Deferred Income Tax

Temporary Differences in Current Period	-	(340)	(710)
Removal of Tax Deduction for Building Depreciation	605	-	-
Change in Income Tax Rate	(232)	-	-
	373	(340)	(710)

Reported Income Tax Expense	1,344	653	800
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Amounts Charged or Credited to Other Comprehensive Income

Deferred Income Tax Related to Items in Other Comprehensive Income

Valuation of Fixed Assets	-	-	(8,193)
Depreciation of Revaluations	150	48	90
Change in Income Tax Rate	998	-	-
	1,148	48	(8,103)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

The amount of Income Tax attributable to the Operating Profit for the financial period differs from the prima facie tax payable on the Operating Profit Before Tax. The difference is reconciled as follows:

	Group		
	Unaudited		Audited
	30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000
INCOME TAX ATTRIBUTABLE TO PROFIT			
Profit before Taxation	2,703	2,015	2,360
Taxation thereon at 30%	811	605	708
Non Deductible Expenditure	-	-	2
Non Deductible Depreciation	150	48	90
Change to Income Tax Rate	10	-	-
Current Income Tax Expense	971	653	800

The Current Income Tax Expense excludes the future effects of changes to Income Tax legislation which are shown as part of Reported Income Tax Expense.

DEFERRED TAXATION

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

Property, Plant, Equipment

Opening Balance	(19,052)	(11,280)	(11,280)
Current Year Temporary Differences - Through Income	(111)	(87)	(259)
Current Year Temporary Differences - Through Equity	150	48	90
Asset Revaluation - Through Equity	-	-	(8,193)
Asset Impairment - Through Income	-	-	590
Change in Tax Rate - Through Income	270	-	-
Change in Tax Rate - Through Equity	998	-	-
Removal of Tax Deduction for Building Depreciation - Through Income	(605)	-	-
Closing Balance	(18,350)	(11,319)	(19,052)

Employee Benefits

Opening Balance	44	56	56
Current Year Temporary Differences - Through Income	3	(5)	(12)
Change in Tax Rate - Through Income	(3)	-	-
Closing Balance	44	51	44

Financial Instruments

Opening Balance	492	105	105
Current Year Temporary Differences - Through Income	108	429	387
Change in Tax Rate - Through Income	(33)	-	-
Closing Balance	567	534	492

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Group

8 PROPERTY, PLANT, EQUIPMENT

Generation Plant and Equipment

Fair Value	97,113	64,862	97,006
Accumulated Depreciation and Impairment	(13,585)	(7,615)	(12,355)

Net Carrying Amount

83,528	57,247	84,651	
Net Carrying Amount Beginning of Period	84,651	57,996	57,996
Additions	56	42	1,915
Disposals	-	-	(11)
Revaluation Gain	-	-	26,826
Depreciation Charge for the Period	(1,179)	(791)	(1,613)
Impairment	-	-	(462)

Net Carrying Amount End of Period

83,528	57,247	84,651	
Carrying Amount at Historic Cost	39,178	38,235	38,311

Land and Improvements

Fair Value	3,770	2,431	3,770
Accumulated Depreciation and Impairment	(6)	(6)	(6)

Net Carrying Amount

3,764	2,425	3,764	
Net Carrying Amount Beginning of Period	3,764	2,426	2,426
Revaluation Gain	-	-	1,344
Depreciation Charge for the Period	-	(1)	(1)
Impairment	-	-	(5)

Net Carrying Amount End of Period

3,764	2,425	3,764	
Carrying Amount at Historic Cost	912	913	912

Buildings

Fair Value	6,727	4,552	6,738
Accumulated Depreciation and Impairment	(619)	(332)	(584)

Net Carrying Amount

6,108	4,220	6,154	
Net Carrying Amount Beginning of Period	6,154	4,251	4,251
Additions	-	-	-
Revaluation Gain	-	-	1,963
Depreciation Charge for the Period	(46)	(31)	(60)

Net Carrying Amount End of Period

6,108	4,220	6,154	
Carrying Amount at Historic Cost	2,851	2,887	2,809

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Group

Motor Vehicles

Cost	391	123	292
Accumulated Depreciation and Impairment	(66)	(30)	(49)

Net Carrying Amount

Net Carrying Amount Beginning of Period	243	73	73
Additions	115	61	231
Disposals	(8)	(31)	(31)
Depreciation Charge for the Period	(25)	(10)	(30)

Net Carrying Amount End of Period

Office Equipment and Furniture

Cost	1,136	1,220	977
Accumulated Depreciation and Impairment	(653)	(762)	(541)

Net Carrying Amount

Net Carrying Amount Beginning of Period	436	343	343
Additions	101	171	272
Disposals	(1)	(8)	(69)
Depreciation Charge for the Period	(53)	(48)	(110)

Net Carrying Amount End of Period

Leased Office Equipment and Furniture

Cost	265	265	265
Accumulated Depreciation and Impairment	(163)	(132)	(148)

Net Carrying Amount

Net Carrying Amount Beginning of Period	117	150	150
Depreciation Charge for the Period	(15)	(17)	(33)

Net Carrying Amount End of Period

Development and Construction Projects

Development Projects at Fair Value	-	2,928	-
Development Projects at Cost	314	1,491	212

Net Carrying Amount

	Unaudited		Audited
	30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000
Motor Vehicles			
Cost	391	123	292
Accumulated Depreciation and Impairment	(66)	(30)	(49)
Net Carrying Amount	325	93	243
Net Carrying Amount Beginning of Period	243	73	73
Additions	115	61	231
Disposals	(8)	(31)	(31)
Depreciation Charge for the Period	(25)	(10)	(30)
Net Carrying Amount End of Period	325	93	243
Office Equipment and Furniture			
Cost	1,136	1,220	977
Accumulated Depreciation and Impairment	(653)	(762)	(541)
Net Carrying Amount	483	458	436
Net Carrying Amount Beginning of Period	436	343	343
Additions	101	171	272
Disposals	(1)	(8)	(69)
Depreciation Charge for the Period	(53)	(48)	(110)
Net Carrying Amount End of Period	483	458	436
Leased Office Equipment and Furniture			
Cost	265	265	265
Accumulated Depreciation and Impairment	(163)	(132)	(148)
Net Carrying Amount	102	133	117
Net Carrying Amount Beginning of Period	117	150	150
Depreciation Charge for the Period	(15)	(17)	(33)
Net Carrying Amount End of Period	102	133	117
Development and Construction Projects			
Development Projects at Fair Value	-	2,928	-
Development Projects at Cost	314	1,491	212
Net Carrying Amount	314	4,419	212

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Group

	Unaudited		Audited
	30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000
Net Carrying Amount Beginning of the Period	212	4,326	4,326
Additions	259	242	212
Transfers	(157)	(149)	(2,838)
Impairment	-	-	(1,488)
Net Carrying Amount End of the Period	314	4,419	212
Total Property, Plant, Equipment	94,624	68,995	95,577

All land, buildings and generation plant, property and equipment was revalued as at 31 March 2010 to fair value for financial reporting purposes. The fair value of land 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, with 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. In accordance with the provisions of NZ IFRS 1, the carrying values of the remaining fixed assets at 31 March 2006 have been deemed to be the fair value of such assets at 1 April 2006. Directors consider the carrying values of fixed assets at 30 September 2010 to be their fair value.

9 DERIVATIVE FINANCIAL INSTRUMENTS

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

Opening Carrying Value	(1,641)	(350)	(350)
Derivatives Acquired at Fair Value	(168)	(284)	(284)
Revaluation of Derivatives	(865)	(1,447)	(2,916)
Portion of Fair Value Consumed on Maturity	645	303	1,909
Closing Carrying Value	(2,029)	(1,778)	(1,641)

Reported Gain/(Loss) on Electricity Price Derivatives comprises the following:

Settlement Included in Operating Revenue	477	577	463
Settlement Included in Operating Expenses	(2,680)	(2,737)	(3,147)
Total (Loss)/Gain Settled in Cash	(2,203)	(2,160)	(2,684)
Acquisition of Derivatives at Fair Value	(168)	(284)	(284)
Revaluation of Derivatives	(865)	(1,447)	(2,916)
Portion of Fair Value Consumed on Maturity	645	303	1,909
Total (Loss)/Gain on Valuation	(388)	(1,428)	(1,291)
Total (Loss)/Gain on Derivatives	(2,591)	(3,588)	(3,975)

At balance date the Group had derivative contracts that had commencement and finishing date running to 31 January 2013 (2009: 31 December 2012). The total nominal volume of derivatives is 250.8 GWh (2009 293.4 GWh).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

10 INTANGIBLE ASSETS

Goodwill - Opening and Closing Balance

Computer Software

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

Total Intangible Assets

11 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

	Group		
	Unaudited		Audited
	30.09.10	30.09.09	31.03.10
	\$'000	\$'000	\$'000
Goodwill - Opening and Closing Balance	1,560	1,560	1,560
Computer Software			
Cost	1,165	208	1,150
Accumulated Depreciation and Impairment	(368)	(177)	(271)
Net Carrying Amount	797	31	879
Net Carrying Amount Beginning of Period	879	38	38
Additions	32	-	1,039
Disposals	(15)	-	(6)
Depreciation Charge for the Period	(99)	(7)	(192)
Net Carrying Amount End of Period	797	31	879
Total Intangible Assets	2,357	1,591	2,439
11 BORROWINGS			
Current Borrowings			
Capitalised Lease Obligations	60	69	69
Non Current Borrowings			
Capitalised Lease Obligations	49	95	68
Capitalised Lease Minimum Lease Payment Obligations			
Within One Year	70	75	75
One to Two Years	45	70	55
Two to Five Years	11	52	30
	126	197	160
Capitalised Lease Present Value Payment Obligations			
Within One Year	36	69	69
One to Two Years	19	55	45
Two to Five Years	7	40	23
	62	164	137

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 2010

12 CAPITAL COMMITMENTS

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

Capital Expenditure

Replacement Runner Mangahao	
Govenor Mangahao	
Mokauiti Spillgate	

Operating Leases

Non-cancellable operating lease commitments:

Within one year

Group

Unaudited		Audited
30.09.10	30.09.09	31.03.10
\$'000	\$'000	\$'000
556	-	727
25	-	-
-	14	-
581	14	727
-	15	-
-	15	-

13 SUMMARY OF INTEREST IN JOINT VENTURES

Mangahao Joint Venture

Subsidiary company, KCE Mangahao Ltd is a 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	2,621	2,865	5,235
Expenses	(1,230)	(1,006)	(1,975)
	1,391	1,859	3,260

The Group's Share of Assets and Liabilities

Current Assets	529	512	594
Long Term Assets	52,298	34,303	52,835
Current Liabilities	(4,827)	(4,297)	(6,153)
Non-Current Liabilities	(11,426)	(6,753)	(12,340)
	36,574	23,765	34,936

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

Group

14 FINANCIAL INSTRUMENTS

The Group holds the following classes of financial instrument:

Financial Assets Held for Trading Through Profit and Loss

Derivative Financial instruments

Loans and Receivables

Cash and Cash Equivalents

Accounts Receivable

Financial Liabilities Held for Trading Through Profit and Loss

Derivative Financial instruments

Other Liabilities at Amortised Cost

Payables

Borrowings

	Unaudited		Audited
	30.09.10	31.09.09	30.03.10
	\$'000	\$'000	\$'000
	630	1,525	1,271
	630	1,525	1,271
	5,319	4,413	5,169
	4,010	3,892	3,250
	9,329	8,305	8,419
	2,659	3,303	2,912
	2,659	3,303	2,912
	3,005	2,967	4,053
	109	164	137
	3,114	3,131	4,190

15 EARNINGS PER SHARE

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

Net Profit from Operations

Net Profit Attributable to Equity Holders of Parent

Weighted Average Number of Ordinary Shares for Basic and Diluted Earnings Per Share (thousands)

	30.09.10	31.09.09	30.03.10
	1,359	1,362	1,560
	1,359	1,362	1,560
	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.

16 DIVIDENDS

A fully imputed dividend of 12 cents per ordinary share for the year ended 31 March 2010 was paid on 6 August 2010 following approval by shareholders at the Company's AGM.

Subsequent to balance date, the Board of Directors resolved to pay an interim dividend of 12 cents per ordinary share (plus full imputation credits), a total cash distribution of \$2,250,000. This amount has not been recognised as a liability in these accounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

17 SEGMENTAL 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.

	Retail		Generation		Total	
	30.09.10	30.09.09	30.09.10	30.09.09	30.09.10	30.09.09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Sales to External Customers	15,278	14,740	2,294	2,374	17,572	17,114
Other Revenue from External Customers	72	39	300	327	372	366
Inter-segment Sales	41	29	11,949	9,697	11,990	9,726
Total Segment Revenues	15,391	14,808	14,543	12,398	29,934	27,206
Unallocated Revenue	-	-	-	-	85	52
Total Segment Revenue	15,391	14,808	14,543	12,398	30,019	27,258
Results						
Segment Results before tax	1,492	3,301	2,445	(132)	3,937	3,169
Unallocated Expenses	-	-	-	-	(1,154)	(1,090)
	1,492	3,301	2,445	(132)	2,783	2,079
Financing Costs	-	-	-	2	-	2
Unallocated Financing Costs	-	-	-	-	(80)	(66)
	-	-	-	2	(80)	(64)
Income Tax	(449)	(999)	(1,227)	37	(1,676)	(962)
Unallocated Income Tax	-	-	-	-	332	309
	(449)	(999)	(1,227)	37	(1,344)	(653)
Segment Net Operating Profit After Tax	1,043	2,302	1,218	(93)	1,359	1,362

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2010

	Retail		Generation		Total	
	30.09.10	30.09.09	30.09.10	30.09.09	30.09.10	30.09.09
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and Liabilities						
Segment Assets	2,336	3,489	93,795	66,688	96,131	70,177
Unallocated Assets	-	-	-	-	11,554	10,915
	2,336	3,489	93,795	66,688	107,685	81,092
Segment Liabilities	792	752	20,477	14,201	21,269	14,953
Unallocated Liabilities	-	-	-	-	2,216	2,126
	792	752	20,477	14,201	23,485	17,079
Other Segment Information						
Capital Expenditure	-	62	337	213	337	275
Unallocated Capital Expenditure	-	-	-	-	55	241
	-	62	337	213	392	516
Depreciation and Amortisation	14	16	1,240	824	1,254	840
Unallocated Depreciation & Amortisation	-	-	-	-	163	65
	14	16	1,240	824	1,417	905
Other Non-cash Expenses	92	45	392	1,428	484	1,473
Unallocated Non-cash Expenses	-	-	-	-	-	19
	92	45	392	1,428	484	1,492
Cash Flow Information						
Net Cash Inflow From Operating Activities	484	2,861	4,102	1,771	4,586	4,632
Unallocated Net Cash Outflow From Operating Activities	-	-	-	-	(1,765)	(1,056)
	484	2,861	4,102	1,771	2,821	3,576
Net Cash Outflow From Investing Activities	(484)	(2,861)	(4,112)	(1,766)	(4,596)	(4,627)
Unallocated Net Cash Outflow From Investing Activities	-	-	-	-	4,204	4,281
	(484)	(2,861)	(4,112)	(1,766)	(392)	(346)
Net Cash Flow From Financing Activities	-	-	-	-	-	-
Unallocated Net Cash Flow From Financing Activities	-	-	-	-	(2,279)	(2,274)
	-	-	-	-	(2,279)	(2,274)

18 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to balance date, the Board have declared a fully imputed cash dividend of 12 cents per ordinary share, a total of \$2,250,000. This is equivalent to a 17.14 cents per share gross taxable dividend. The dividend will be paid on 26 November 2010.

The power behind our community

King Country Energy

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