

Hawke's Bay Power Consumers' Trust & Subsidiary
Statements of financial performance
For the year ended 31 March 2011

		Consolidated		Trust	
Notes		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Revenue from continuing operations	3	163,038	155,397	9,061	6,429
Expenses, excluding finance costs	4	124,677	116,399	573	538
Finance expenses	5	16,417	14,807	-	-
Total expenses		141,094	131,206	573	538
Profit before income tax		21,944	24,191	8,488	5,891
Income tax expense	6	4,085	5,623	379	(17)
Profit for the year		17,859	18,568	8,109	5,908

Statements of comprehensive income
For the year ended 31 March 2011

		Consolidated		Trust	
Notes		2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000
Profit for the year		17,859	18,568	8,109	5,908
Other comprehensive income					
Gains/(losses) on financial instruments taken to equity	22	(4,365)	693	-	-
Revaluation of land and buildings	22	(1,337)	-	-	-
Other comprehensive income for the year		(5,702)	693	-	-
Total comprehensive income		12,157	19,261	8,109	5,908

The above statements of financial performance and comprehensive income should be read in conjunction with the accompanying notes

Hawke's Bay Power Consumers' Trust & Subsidiary
Statements of financial position
As at 31 March 2011

	Notes	Consolidated		Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	8	4,881	2,636	2,622	1,406
Receivables	9	19,671	17,001	32	9
Inventories	10	20,237	16,383	-	-
Current tax receivables	6	2,822	161	(219)	45
Total current assets		47,611	36,181	2,435	1,460
Non-current assets					
Property, plant and equipment	11	536,202	522,799	-	-
Intangible assets	12	45,247	43,192	-	-
Held-to-maturity investments	13	548	557	-	-
Derivative financial instruments	20	75	2,601	-	-
Debt Security in Subsidiaries		-	-	1,600	1,600
Shares in subsidiaries		-	-	64,000	64,000
Total non-current assets		582,072	569,149	65,600	65,600
Total assets		629,683	605,330	68,035	67,060
LIABILITIES					
Current liabilities					
Trade and other payables	14	17,041	15,096	276	233
Employee provisions	15	3,915	3,307	-	-
Derivative financial instruments	20	2,198	1,261	-	-
Deferred income		577	452	-	-
Total current liabilities		23,731	20,116	276	233
Non-current liabilities					
Interest bearing liabilities	17	239,000	226,500	-	-
Employee provisions	16	1,083	1,061	-	-
Derivative financial instruments	20	9,346	4,657	-	-
Deferred tax liabilities	19	63,547	64,846	-	(155)
Total non-current liabilities		312,976	297,064	-	(155)
Total liabilities		336,707	317,180	276	78
Net assets		292,976	288,150	67,759	66,982
EQUITY					
Equity on Establishment	21	67,661	67,661	65,000	65,000
Reserves	22	(2,863)	1,366	-	-
Retained earnings	22	228,178	219,123	2,759	1,982
Total equity		292,976	288,150	67,759	66,982

For and on behalf of the board

Trustee _____

Trustee _____

Date: _____

The above statement of financial position should be read in conjunction with the accompanying notes

Hawke's Bay Power Consumers' Trust & Subsidiary
Statement of changes in equity
For the year ended 31 March 2011

Consolidated: Comparative Year	Notes	Contributed Equity \$'000	Reserves \$'000	Retained earning \$'000	Total equity \$'000
Balance at 1 April 2009		67,661	673	206,193	274,527
Profit for the year		-	-	18,568	18,568
Distribution overprovided and unclaimed money				155	155
Cash flow hedge reserve movement	22	-	693	-	693
Total comprehensive income/(loss)		-	693	18,723	19,416
Unclaimed Distribution Money				(10)	(10)
Dividend paid		-	-	(5,783)	(5,783)
Balance at 31 March 2010		67,661	1,366	219,123	288,150
Consolidated: Current Year					
Balance at 1 April 2010		67,661	1,366	219,123	288,150
Profit for the year		-	-	17,859	17,859
Distribution overprovided and unclaimed money				194	194
Cash flow hedge reserve movement	22	-	(4,365)	-	(4,365)
Revaluation of land and buildings	22	-	(1,337)	-	(1,337)
Total comprehensive income/(loss)		-	(5,702)	18,053	12,351
Unclaimed Distribution Money				(9)	(9)
Reclassification of prior year reserves	22	-	1,473	(1,473)	-
Dividend paid		-	-	(7,517)	(7,517)
Balance at 31 March 2011		67,661	(2,863)	228,178	292,976
Trust: Comparative Year					
Balance at 1 April 2009		65,000	-	1,712	66,712
Profit for the year		-	-	5,908	5,908
Distribution overprovided and unclaimed money	22	-	-	155	155
Total comprehensive income/(loss)		-	-	6,063	6,063
Unclaimed Distribution Money				(10)	(10)
Dividend paid		-	-	(5,783)	(5,783)
Balance at 31 March 2010		65,000	-	1,982	66,982
Trust: Current Year					
Balance at 1 April 2010		65,000	-	1,982	66,982
Profit for the year		-	-	8,109	8,109
Distribution overprovided and unclaimed money	22	-	-	194	194
Total comprehensive income/(loss)		-	-	8,303	8,303
Unclaimed Distribution Money	22	-	-	(9)	(9)
Dividend paid		-	-	(7,517)	(7,517)
Balance at 31 March 2011		65,000	-	2,759	67,759

The above statement of changes in equity should be read in conjunction with the accompanying notes

Hawke's Bay Power Consumers' Trust & Subsidiary
Statements of cash flow
For the year ended 31 March 2011

	Notes	Consolidated		Trust	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash flows from operating activities					
Dividends Received		-	-	8,760	6,200
Taxation refunds		45	55	45	55
Receipts from customers		154,851	145,199	-	-
Contributions for capital works		5,215	5,969	-	-
Interest received		318	172	294	226
		160,429	151,395	9,099	6,481
Payments to suppliers and employees		(103,835)	(83,336)	(526)	(605)
Interest paid on loans		(16,147)	(14,395)	-	-
Income taxes paid		(5,505)	(6,844)	(8)	(44)
GST net refunds/(payments)		(610)	(3,854)	-	-
Net cash inflow / (outflow) from operating activities	29	34,332	42,966	8,565	5,832
Cash flows from investing activities					
Purchase and construction of property, plant & equipment		(37,238)	(44,784)	-	-
Amounts repaid by related party		-	-	-	-
Amounts advanced to related party		-	-	-	-
Amounts payable to related party		-	-	-	-
Investment in subsidiary		-	-	-	-
Investment bonds		-	(557)	-	-
Net cash inflow / (outflow) from investing activities		(37,238)	(45,341)	-	-
Cash flows from financing activities					
Proceeds from borrowings		12,500	7,500	-	-
Distribution to Owners		(7,349)	(5,582)	(7,349)	(5,582)
Net cash inflow / (outflow) from financing activities		5,151	1,918	(7,349)	(5,582)
Net increase (decrease) in cash and cash equivalents		2,245	(457)	1,216	250
Cash and cash equivalents at the beginning of the financial year		2,636	3,093	1,406	1,156
Cash and cash equivalents at end of year	8	4,881	2,636	2,622	1,406

The GST(net) component of operating activities reflects the net GST paid to and received from the IRD. The GST(net) component has been presented on a net basis as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent with the presentation basis of other primary financial statements.

The above cash flow statement should be read in conjunction with the accompanying notes

1 General information

The Hawke's Bay Power Consumers' Trust holds all the shares in Unison Networks Limited on behalf of the consumers who are connected to Unison's electricity lines network in Hawke's Bay.

Unison Networks Limited and its subsidiaries (together the Group) provide electricity distribution and line function services to consumers and businesses, as well as fibre optic network interconnections and related services throughout the Hawke's Bay, Rotorua and Taupo regions. The Group also provides civil, vegetation, electrical and fibre contracting services; and manufactures electrical products for the Australia, Pacific and New Zealand markets.

Unison Networks Limited is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 1101 Omaha Road, Hastings, New Zealand. It is registered under the Companies Act 1993 and is an energy company in terms of the Energy Companies Act 1992.

These consolidated financial statements have been approved for issue by the Trustees on 22 July 2011.

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements for the year ended 31 March 2011 of the Group have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards, as appropriate for profit orientated entities.

Entities reporting

The financial statements presented are Hawke's Bay Power Consumers' Trust (the parent) and subsidiaries comprising of Unison Networks Limited and its subsidiaries comprising of Unison Energy Limited (UEL), Unison Contracting Services Limited (UCSL), ETEL Limited (ETEL), Unison Insurance Limited (UIL), Unison Fibre Limited (UFL) and ETEL Transformers Pty Limited.

Statutory base

The consolidated financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993, Companies Act 1993, Energy Companies Act 1992 and Electricity Act 1992.

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and property, plant and equipment. Cost is based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Trust as at 31 March 2011 and the results of all subsidiaries for the year then ended. The Trust and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 Summary of significant accounting policies (continued)

(c) Critical judgements in applying accounting policies

All critical judgements applied to accounting policies have been included in the applicable notes to the consolidated financial statements.

(d) Critical accounting estimates and assumptions

All critical accounting estimates and assumptions have been included in the applicable notes to the consolidated financial statements.

(e) Property, plant and equipment

Electrical Distribution Network

An election was made to use the electrical distribution network revaluation as at 31 March 2006 as deemed cost on the date of transition (i.e. 1 April 2006) to New Zealand's equivalent to IFRS.

Subsequent additions are recognised at cost and are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Fibre Network

Additions are recognised at cost and are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Land and buildings

Land and buildings are stated at fair value based on periodic, but at least five yearly, valuations determined by an independent registered valuation company, and are adjusted for additions at cost and depreciation at appropriate rates.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in the statement of comprehensive income, the increase is first recognised in the statement of financial performance. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the statement of financial performance.

Other Property, Plant and Equipment

All other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Asset under construction

The cost of assets under construction includes direct materials, labour and an allocation of overheads that directly relate to the work performed.

2 Summary of significant accounting policies (continued)

Disposal of Property, Plant and Equipment

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between the sale price and the carrying value of the asset.

On disposal of an item of property, plant or equipment, any revaluation surplus in respect of that class of asset is transferred to retained earnings.

Depreciation

Electrical Distribution Network

Depreciation is provided on a straight line basis on all tangible items of property, plant and equipment other than freehold land, at rates calculated to allocate the assets' cost or valuation less any residual value, over their estimated useful life.

Manufacturing

Depreciation is provided on a diminishing value basis for all tangible items of property, plant and equipment, using the relevant tax depreciation rates. Diminishing value is more appropriate than the straight line method in a manufacturing environment, for allocating the assets cost or valuation less any residual value, over their useful life.

Fibre network

Depreciation is provided on a straight line basis on all tangible items of property, plant and equipment other than freehold land, at rates calculated to allocate the assets' cost or valuation less any residual value, over their estimated useful life.

Other Property, Plant and Equipment

Depreciation is provided on a straight line basis on all tangible items of property, plant and equipment other than freehold land, at rates calculated to allocate the assets' cost or valuation less any residual value, over their estimated useful life.

The estimated useful lives of property, plant and equipment are as follows:

Electrical Distribution Network

33kv sub transmission	45 - 80 years
Zone substations, structures and equipment	16 - 60 years
Distribution transformers	45 - 55 years
Distribution switchgear	35 - 45 years
Overhead Lines	35 - 80 years
Underground cables	30 - 70 years
Other distribution equipment	30 - 70 years

Other Property, Plant and Equipment

Freehold buildings	60 - 100 years
Land	Indefinite
Motor vehicles	5 - 10 years
Plant and equipment	5 - 10 years
Office furniture and equipment	4 - 10 years
Information technology	3 - 10 years

Manufacturing

Plant and equipment	5 - 25 years
Motor vehicles	5 - 16 years
Office furniture and equipment	7 years
Information technology	3 - 10 years

Fibre Network

Core Network	15 - 30 years
Central Office	15 - 30 years
Feeder Network	15 - 30 years
Connections	15 years

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

2 Summary of significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives (not exceeding three years).

(iii) Easements

Easements are not cash generating in nature as they give the Group the right to access private property where network assets are located. Easements are initially recorded at its cost plus the cost of registering the easement and any other directly attributable costs of preparing the easement for its intended use. Easements with a definite life are amortised over that period.

(iv) Indefeasible right of use (IRU)

IRU's are not cash generating in nature as the Group provides the right to connection to and use of fibre option cable to third parties. The rights to connect and use fibre distribution networks are initially recorded at cost plus any other directly attributable costs of preparing the IRU for its intended use. IRU's are amortised using the straight line method over their useful lives (6 to 21 years).

(g) Impairment of non financial assets

The carrying amount of the Group's assets, other than inventories and derivative financial instruments, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the statement of financial performance except impairment losses on revalued assets are first taken to the revaluation reserve if there is a surplus in respect of that asset.

Irrespective of any indications of impairment, goodwill acquired in a business combination and intangible assets that have an indefinite useful life are tested annually for impairment.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). The recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Non financial assets other than goodwill which suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group has positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non current assets.

After initial recognition investments are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the statement of financial performance.

2 Summary of significant accounting policies (continued)

(i) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, (net of Goods and Services Tax), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sales of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risk and rewards of ownership of the goods;
- The amount of revenue can be measured reliably;
- It is probable the economic benefits with the transaction will flow to the entity; and
- The costs incurred in respect of the transaction can be measured reliably.

Capital contributions

Where the Group constructs assets at its own cost and receives a cash payment from a third party as part, or full, payment for the development of such assets, the Group recognises the asset at the cost incurred to construct the asset and recognises the cash received as revenue.

Contract revenue

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract. Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable under the terms of the contract, and an allocation of overhead expenses incurred in connection with the group's construction activities in general.

Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, based upon usage or volume through put during that period.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(j) Trade receivables

Trade receivables are stated at cost less impairment losses.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The movement of the provision is recognised in the statement of financial performance.

(k) Inventories

Inventories held for sale or use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the weighted average cost method. The write down from cost to current replacement cost or net realisable value is recognised in the statement of financial performance in the period when the write down occurs. The cost of work in progress includes direct materials and labour and an allocation of overheads that directly relate to the work performed.

2 Summary of significant accounting policies (continued)

(l) Income tax

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is charged or credited to the statement of financial performance, except when it related to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(m) Dividends

Dividend distributions to the Trust's owners are recognised in the period in which the dividends are distributed to the Trust's owners.

(n) Accounting for financial instruments and hedging activities

Derivatives that qualify for hedge accounting

Derivative financial instruments are used to manage interest rate risks which the Group aims to reduce the impact of short term fluctuations on the Group's earnings.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction cash flow.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the cash flow hedging reserve in shareholders' equity are shown in note 22.

The full fair value of hedging derivatives is classified as a non current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the statement of financial performance. For derivatives that are not hedged, the gain or loss on changes in fair value is recognised in the statement of financial performance.

Amounts accumulated in equity are recycled in the statement of financial performance in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast interest payments that are hedged results in the recognition of a non financial asset (for example, property, plant and equipment) or a non financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

2 Summary of significant accounting policies (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of financial performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of financial performance.

Derivatives that do not qualify for hedge accounting

Derivative financial instruments are used to manage exposure to foreign currency exchange risks arising from financing activities. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured to their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange derivatives are classified as non current.

(o) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in employee provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date based on net present value. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Participating employees of the Group are entitled to benefits on retirement, disability or death from the Defined Benefit Plan Contributors Schemes as part of the National Provident Fund and entitled to retirement benefits from AMP. The schemes are multi employer defined benefit plan which provides a defined lump sum benefit based on years of service and final average salary. However, sufficient information is not available to use defined benefit accounting. Therefore the Group accounts for the scheme as if it were a defined contribution plan.

Accounting for defined contribution plans requires that an expense is recognised for the contributions paid/payable during the year and any outstanding contributions are recognised as a liability.

(iv) Bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(q) Goods and Services Tax (GST)

Group - The statement of financial performance has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Trust - The financial statements have been prepared on a GST inclusive basis.

2 Summary of significant accounting policies (continued)

(r) Leases

(i) *Financial leases*

Leases in which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease are depreciated over the shorter of the asset's useful life and the lease term.

(ii) *Operating 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 financial performance on a straight line basis over the period of the lease.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a realisable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of financial performance.

(t) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid, and are initially measured at fair value, net of any transaction costs. These are subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the financial position date.

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. An asset qualifies when the cost of construction is greater than \$500,000 and the construction period is longer than 6 months. Interest on borrowing costs are calculated based on the effective yearly interest rate of 6.84% (2010: 6.97%). Other borrowing costs are expensed.

(w) Investments in subsidiaries

Investments in subsidiaries in the Trust financial statements are stated at cost less impairment.

2 Summary of significant accounting policies (continued)

(x) Foreign currency translation

Transactions in foreign currencies are translated at the New Zealand rate of exchange at the date of the transaction. At balance date foreign monetary assets and liabilities not hedged by foreign currency derivative instruments are translated at the closing rate, and exchange variances arising included in the statement of financial performance.

Monetary assets and liabilities in foreign currencies at balance date hedged by foreign currency derivative instruments are translated at the contract rates.

(y) Standards, amendments and interpretations to existing standards that are not yet effective

NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9.

NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2014.

(z) Changes in accounting policies

There have been no changes in accounting policies during the financial period.

3 Revenue

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Sales revenue				
Line revenue	105,661	103,734	-	-
Capital contributions	5,215	5,969	-	-
Non regulated revenue	51,838	45,513	-	-
	162,714	155,216	-	-
Other revenue				
Recovery of debts previously written off	11	5	-	-
Dividends	-	-	8,760	6,200
Interest received	313	176	301	229
	324	181	9,061	6,429
	163,038	155,397	9,061	6,429

4 Expenses

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Expenses, excluding finance costs, included in the statement of financial performance classified by nature				
Depreciation and amortisation expense	21,573	19,865	-	-
Audit Fees - Audit New Zealand	185	144	-	-
Audit Fees - PWC (2010: Cotton & Kelly)	8	8	8	8
Audit NZ - Electricity Information Disclosure	20	10	-	-
Remuneration paid to Directors and Trustees	578	534	118	119
Operating lease payments	1,381	1,709	-	-
Increase/(decrease) for impairment of receivables	23	29	-	-
Bad debt expense	179	223	-	-
Loss on sale of property, plant and equipment	877	781	-	-
Inventory write downs	269	154	-	-
Realised foreign exchange (gain)/loss	1,123	916	-	-
Unrealised foreign exchange (gain)/loss	2,674	256	-	-
Unrealised (gain)/loss on interest rate hedges	(623)	1,268	-	-
Distribution system maintenance	7,003	8,191	-	-
Transmission charges	26,574	26,375	-	-
Raw materials and consumable	22,574	23,931	-	-
Employee related expenses	19,225	15,614	-	-
Other expenses	21,034	16,391	447	411
	124,677	116,399	573	538
Depreciation				
Buildings	130	109	-	-
Plant and equipment	799	586	-	-
Fixtures & fittings	126	112	-	-
Motor vehicles	702	407	-	-
Computer hardware	922	652	-	-
Power generation	10	11	-	-
Fibre distribution network	206	-	-	-
Electrical distribution network	18,040	17,563	-	-
Total depreciation	20,935	19,440	-	-
Amortisation				
Computer software	608	425	-	-
IRU	30	-	-	-
Total amortisation	638	425	-	-
Total depreciation and amortisation	21,573	19,865	-	-

5 Finance income and expenses

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Finance costs				
Interest and finance charges paid/payable	16,568	15,329	-	-
Bank charges	71	62	-	-
Capitalised interest	(222)	(584)	-	-
Total finance costs	16,417	14,807	-	-
Finance income				
Intercompany funding charge	-	-	-	-
Total finance income	-	-	-	-
Net finance costs	16,417	14,807	-	-

6 Income tax expense

(a) Income tax expense

Current tax	4,048	4,663	224	-
Prior period tax expense adjustment	(455)	110	-	-
Prior period deferred tax adjustment	13	(59)	-	-
Deferred tax associated with timing differences	1,164	909	155	(17)
Deferred tax associated with tax rate changes	(4,538)	-	-	-
Deferred tax associated with tax treatment adjustment	3,853	-	-	-
Income tax expense	4,085	5,623	379	(17)

(b) Reconciliation of income tax expense to prima facie tax payable

Profit from continuing operations before income tax expense	21,944	24,191	8,488	5,891
Tax at the New Zealand tax rate of 30% (Trust 33%)	6,951	7,248	2,801	1,944
Non assessable income	(1,955)	(1,791)	-	-
Non deductible expenses	210	115	93	85
Prior period tax expense adjustment	(456)	110	-	-
Prior period deferred tax adjustment	13	(59)	-	-
Deferred tax associated with tax rate changes	(4,531)	-	-	-
Deferred tax associated with tax treatment adjustment	3,853	-	-	-
Fully Imputed Income	-	-	(2,515)	(2,046)
Income tax expense	4,085	5,623	379	(17)

(c) Taxation payable/(refund)

Opening balance	(161)	1,059	(45)	(55)
Current year taxation expense	4,048	4,663	224	-
Prior year tax refund	(750)	852	45	55
Prior period tax expense adjustment	(456)	110	-	-
Taxation paid	(5,503)	(6,845)	(6)	(45)
	(2,822)	(161)	219	(45)

7 Imputation credits

	Consolidated	
	2011	2010
	\$'000	\$'000
Imputation credit account		
Opening balance	8,525	4,778
Tax payments, net of refunds	5,953	6,800
Credits attached to dividend distributions	(3,754)	(3,053)
Closing balance	<u>10,724</u>	<u>8,525</u>

8 Current assets - cash and cash equivalents

Cash at bank and in hand	3,540	2,513	2,622	1,406
AUD account	726	123	-	-
USD account	615	-	-	-
	<u>4,881</u>	<u>2,636</u>	<u>2,622</u>	<u>1,406</u>

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and bank and investments in money market instruments, inclusive of outstanding bank overdrafts. Cash and cash equivalents at balance date as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position.

The Group has a \$3m overdraft facility available on the Group's operational bank accounts (31 March 2010: \$3m).

The Group provides guarantees to certain customers for security over supply contracts. At balance date the Group had provided guarantees to the value of \$1.5 million (2010: \$1.5 million).

9 Current assets - receivables

Trade receivables	17,153	15,248	31	8
Other receivables	363	119	-	-
Provision for impairment of receivables	(151)	(127)	-	-
Total trade receivables	<u>17,365</u>	<u>15,240</u>	<u>31</u>	<u>8</u>
Related party receivables	1,934	1,503	-	-
Subsidiary receivables	-	-	-	-
Prepayments	372	258	1	1
	<u>19,671</u>	<u>17,001</u>	<u>32</u>	<u>9</u>

The ageing of trade receivables is as follows:

0 - 30 days	14,820	13,654	31	8
Past due 31 - 60 days	1,982	1,355	-	-
Past due more than 60 days	563	231	-	-
	<u>17,365</u>	<u>15,240</u>	<u>31</u>	<u>8</u>

9 Current assets - receivables (continued)

There are no trade receivables classified as held for sale (31 March 2010: \$Nil). The Group does not hold any collateral in respect of the balances above.

The average credit period on sales of goods and services in New Zealand is 30 days (Australia: 60 days). No interest is charged on trade receivables in New Zealand for the first 30 days (Australia: 60 days) from the date of the invoice. Thereafter, interest can be charged at 2% per month on the outstanding balance. The Group has provided fully for all receivables over 120 days because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable. Trade receivables between 60 days and 120 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience.

Before accepting a new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality. Credit limits are defined by key Group trade receivable categories. Limits and scoring attributed to customers are reviewed every 2 years.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$0.5m (31 March 2010: \$0.2m) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$0.4m (31 March 2010: \$0.4 million) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Movements in the provision for impairment of receivables are as follows:

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Opening balance	(127)	(101)	-	-
Impairment losses recognised on receivables	(267)	(270)	-	-
Amounts written off as uncollectible	244	244	-	-
Amounts recovered during the year	(1)	-	-	-
	<u>(151)</u>	<u>(127)</u>	<u>-</u>	<u>-</u>

10 Current assets - inventories

Raw materials and spare parts	13,446	9,680	-	-
Provision for obsolescence	-	(214)	-	-
	<u>13,446</u>	<u>9,466</u>	<u>-</u>	<u>-</u>
Work in progress	628	451	-	-
Finished goods	6,163	6,466	-	-
	<u>20,237</u>	<u>16,383</u>	<u>-</u>	<u>-</u>

No inventories are pledged as security for liabilities (2010: nil).

Hawke's Bay Power Consumers' Trust & Subsidiary
Notes to the financial statements
31 March 2011
(continued)

11 Non-current assets - property, plant and equipment

	Electricity distribution network \$'000	Network land & buildings \$'000	Fibre network \$'000	Land & buildings \$'000	Motor vehicles \$'000	Plant & equipment \$'000	Furniture & fittings \$'000	Information technology \$'000	Power generation \$'000	Assets under construction \$'000	Total \$'000
Consolidated: Comparative Year											
Opening net book amount	460,966	9,364	-	8,451	1,179	3,573	526	1,327	642	14,753	500,781
Depreciation charge	(17,459)	(104)	-	(109)	(407)	(586)	(112)	(652)	(11)	-	(19,440)
Additions	36,226	1,101	-	898	1,499	823	89	1,478	-	125	42,239
Disposals	(773)	-	-	-	(8)	-	-	-	-	-	(781)
Closing net book amount	<u>478,960</u>	<u>10,361</u>	<u>-</u>	<u>9,240</u>	<u>2,263</u>	<u>3,810</u>	<u>503</u>	<u>2,153</u>	<u>631</u>	<u>14,878</u>	<u>522,799</u>
At 31 March 2010											
Cost	547,050	10,757	-	1,158	4,592	6,496	1,664	7,021	681	14,878	594,297
Valuation	-	-	-	8,337	-	-	-	-	-	-	8,337
Accumulated depreciation	(68,090)	(396)	-	(255)	(2,329)	(2,686)	(1,161)	(4,868)	(50)	-	(79,835)
Net book amount	<u>478,960</u>	<u>10,361</u>	<u>-</u>	<u>9,240</u>	<u>2,263</u>	<u>3,810</u>	<u>503</u>	<u>2,153</u>	<u>631</u>	<u>14,878</u>	<u>522,799</u>
Consolidated: Current Year											
Opening net book amount	478,960	10,361	-	9,240	2,263	3,810	503	2,153	631	14,878	522,799
Depreciation charge	(17,822)	(218)	(206)	(130)	(702)	(799)	(126)	(922)	(10)	-	(20,935)
Additions	19,582	529	4,811	4,612	3,264	3,646	370	607	-	(904)	36,517
Disposals	(492)	-	-	-	(102)	-	(21)	-	(227)	-	(842)
Revaluation	-	-	-	(1,337)	-	-	-	-	-	-	(1,337)
Closing net book amount	<u>480,228</u>	<u>10,672</u>	<u>4,605</u>	<u>12,385</u>	<u>4,723</u>	<u>6,657</u>	<u>726</u>	<u>1,838</u>	<u>394</u>	<u>13,974</u>	<u>536,202</u>
At 31 March 2011											
Cost	566,027	11,287	4,811	454	7,318	10,141	1,907	7,628	433	13,974	623,980
Valuation	-	-	-	11,930	-	-	-	-	-	-	11,930
Accumulated depreciation	(85,799)	(615)	(206)	1	(2,595)	(3,484)	(1,181)	(5,790)	(39)	-	(99,708)
Net book amount	<u>480,228</u>	<u>10,672</u>	<u>4,605</u>	<u>12,385</u>	<u>4,723</u>	<u>6,657</u>	<u>726</u>	<u>1,838</u>	<u>394</u>	<u>13,974</u>	<u>536,202</u>

12 Non-current assets - intangible assets

	Goodwill \$'000	Computer software \$'000	Other intangible assets \$'000	IRU \$'000	Total \$'000
Consolidated: Comparative Year					
Year ended 31 March 2010					
Opening net book amount	41,655	882	77	-	42,614
Additions	-	1,003	-	-	1,003
Amortisation charge	-	(425)	-	-	(425)
Closing net book amount	<u>41,655</u>	<u>1,460</u>	<u>77</u>	<u>-</u>	<u>43,192</u>
At 31 March 2010					
Cost	117,543	4,982	77	-	122,602
Valuation	(60,559)	-	-	-	(60,559)
Accumulated amortisation and impairment	(15,329)	(3,522)	-	-	(18,851)
Net book amount	<u>41,655</u>	<u>1,460</u>	<u>77</u>	<u>-</u>	<u>43,192</u>
Consolidated: Current Year					
Year ended 31 March 2011					
Opening net book amount	41,655	1,460	77	-	43,192
Additions	-	1,969	44	689	2,702
Amortisation charge	-	(608)	-	(30)	(638)
Disposals	-	(9)	-	-	(9)
Closing net book amount	<u>41,655</u>	<u>2,812</u>	<u>121</u>	<u>659</u>	<u>45,247</u>
At 31 March 2011					
Cost	117,543	6,941	121	689	125,294
Valuation	(60,559)	-	-	-	(60,559)
Accumulated amortisation and impairment	(15,329)	(4,129)	-	(30)	(19,488)
Net book amount	<u>41,655</u>	<u>2,812</u>	<u>121</u>	<u>659</u>	<u>45,247</u>

12 Non-current assets - intangible assets (continued)

(a) Impairment tests for goodwill

In accordance with NZ IAS 36, 'Impairment of Assets', the Group regularly monitors the carrying value of its goodwill and reviews it annually or more regularly if there are indications that goodwill may be impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) and goodwill is allocated to these cash-generating units. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The Trustees believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

	Consolidated	
	2011 \$'000	2010 \$'000
ETEL	27,655	27,655
Taupo/Rotorua Network	14,000	14,000
	41,655	41,655

ETEL Limited

The recoverable amount of this cash generating unit was assessed by reference to value in use calculation which uses cash flow projections based on financial plans covering a 5 year period, and a post tax discount rate of 9.5% per annum (2010: 9.5% per annum). The calculation assumed that the Group's share of the local market will remain constant over the next 5 years and its share of the export market is assumed to grow over this period.

The Trustees believe that the planned growth in the export market is reasonable and achievable.

The Trustees believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause a material impairment of the cash generating unit.

Taupo/Rotorua Network

The recoverable amount of the Taupo/Rotoura Network cash generating unit was assessed by reference to value in use calculation which uses cash flow projections based on financial forecasts covering a 10 year plan and using a post tax discount rate of 7.06% per annum (2010: 7.25% per annum). The calculation assumed that there would be no significant changes to this business unit and that the growth rates used were in line with long term average market growth rates.

The Trustees believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause a material impairment of the cash generating unit.

13 Non-current assets - Other financial assets

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Government bond	548	557	-	-

The financial asset as at 31 March 2011 is a New Zealand Bond. The bond is held as a requirement of the Insurance Deposit Act 1953. Restrictions exist on the Group's ability to deal in this stock. It is the Trustees' intention to hold the bond to maturity. The principal amount is \$530,000, coupon interest rate 6.50% and the maturity date is 15 April 2013.

14 Current liabilities - payables

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables	11,516	10,655	60	12
Provision for Distribution	216	221	216	221
Accrued expenses	1,484	673	-	-
Interest payable	2,503	2,166	-	-
Other payables	1,322	1,381	-	-
	17,041	15,096	276	233

The average credit period on purchases is 30 days, the Group has financial risk management policies in place to ensure that all payables are paid within the credit time frames.

15 Current liabilities - employee provisions

Accrued pay	1,918	1,513	-	-
Long service leave	14	-	-	-
Sick leave	43	25	-	-
Annual leave	1,940	1,769	-	-
	3,915	3,307	-	-

	Accrued pay \$'000	Long service leave \$'000	Sick leave \$'000	Annual leave \$'000	Total \$'000
Consolidated - 2011					
Opening balance	1,513	-	25	1,769	3,307
Increase/(decrease) in provision during the year	405	14	18	171	608
Closing balance	1,918	14	43	1,940	3,915
Consolidated - 2010					
Opening balance	1,583	-	18	1,395	2,996
Increase/(decrease) in provision during the year	(70)	-	7	374	311
Closing balance	1,513	-	25	1,769	3,307

16 Non-current liabilities - employee provisions

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Annual leave	130	19	-	-
Retirement gratuities	702	666	-	-
Sick leave	-	165	-	-
Long service leave	251	211	-	-
	1,083	1,061	-	-

	Annual leave \$'000	Retirement gratuities \$'000	Sick leave \$'000	Long service leave \$'000	Total \$'000
Consolidated - 2011					
Opening balance	19	666	165	211	1,061
Increase/(decrease) in provision during the year	111	36	(165)	40	22
Closing balance	130	702	-	251	1,083
Consolidated - 2010					
Opening balance	80	612	286	145	1,123
Increase/(decrease) in provision during the year	(61)	54	(121)	66	(62)
Closing balance	19	666	165	211	1,061

17 Non-current liabilities - borrowings

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Term borrowings				
Maturing within 1 year	120,000	60,000	-	-
Maturing between 1 and 2 years	80,000	86,500	-	-
Maturing between 2 and 3 years	-	80,000	-	-
Maturing between 3 and 4 years	39,000	-	-	-
Total non-current interest bearing liabilities	239,000	226,500	-	-

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. The Group utilises a multi tranche bank facility arrangement for a total of \$270 million (31 March 2010: \$260 million). Components of this facility will be routinely renewed on maturity date. For this reason all borrowings under this facility are reported as term borrowings.

The bank facility is unsecured and has the benefit of a negative pledge and cross guarantee. The facility is subject to various covenants such as limitations on long term indebtedness, leverage and other ratios. The Group complied with all covenants for the 2011 and 2010 financial years.

(a) Interest rate risk exposures

The Group manages interest rate exposure in accordance with its treasury policy by hedging no less than 60% (31 March 2010: 60%) of all borrowings with interest rate hedge instruments.

The weighted average rates on interest rate swaps and options are as follows:

	2011 %	2011 \$'000	2010 %	2010 \$'000
	Interest Rate Swaps			
Maturing in less than 1 year	6.65	12,000	7.03	35,000
Maturing between 1 and 2 years	-	-	6.65	12,000
Maturing between 2 and 5 years	5.60	78,000	6.05	43,000
Maturing after 5 years	5.31	110,000	5.49	90,000
		<u>200,000</u>		<u>180,000</u>
Interest Rate Options				
Maturing between 2 and 5 years	6.10	30,000	7.30	30,000
		<u>30,000</u>		<u>30,000</u>

18 Financial risk management

The Group has a comprehensive treasury policy approved by the Trustees to manage the risks of financial instruments. The policy outlines the objectives and approach that the Group will adopt in the treasury management process. The policy covers management of interest rate, funding, liquidity, currency and operational risks.

(a) Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank balances and accounts receivable. No collateral is held on these amounts (31 March 2010: nil).

Concentration of credit exposure

The Group has exposure to six electricity retailers that account for 46% of accounts receivable. To minimise this risk, the Group performs credit evaluations on all energy retailers in conjunction with the contractual requirements contained within the use of system agreements operating with these parties. A loan or bank undertaking may be required where deemed necessary. At balance date a bank guarantee of up to \$5.4 million is currently held in respect of one retailer.

(b) Fair value estimation

The methods and assumptions used are that carrying amounts in the Financial Statements reflect the estimated fair value of the financial instruments including receivables, bank and investments, accounts payable and term debt. There were no material investments at balance date.

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash and cash equivalents				
Cash and cash equivalents	4,881	2,636	2,622	1,406
Trade receivables and other receivables	19,671	17,001	32	9
Related party receivables	-	-	-	-
Held to maturity				
Other financial assets	548	557	-	-
Designated fair value through equity				
Derivative financial instruments	(11,469)	(3,317)	-	-
Financial liabilities measured at amortised costs				
Payables	(17,041)	(15,096)	(276)	(233)
Related party payables	-	-	-	-
Deferred income	(577)	(452)	-	-
Employee provisions	(4,968)	(4,368)	-	-
Borrowings	(239,000)	(226,500)	-	-
	(247,955)	(229,539)	2,378	1,182

18 Financial risk management (continued)

(c) Forward exchange contracts

As at balance date the Group held the following forward exchange contracts:

	Average exchange rate	Foreign currency	Contract value			
	31 March 2011	31 March 2010	31 March 2011 FC \$'000	31 March 2010 FC \$'000	31 March 2011 NZ \$'000	31 March 2010 NZ \$'000
Buy USD						
Less than 1 year	0.7049	0.6782	9,050	6,560	12,839	9,672
Greater than 1 year	0.7309	0.6768	3,150	3,750	4,310	5,541
Sell AUD						
Less than 1 year	0.7936	0.7980	13,545	5,850	17,068	7,331
Greater than 1 year	0.7949	0.7874	23,190	6,550	29,174	8,319

(d) Foreign exchange sensitivity analysis

The Group is mainly exposed to the currency of the United States (USD) and the currency of Australia (AUD). The following table details the Group's sensitivity to a 1 cent increase and decrease in the relevant foreign currencies against the New Zealand dollar. Given the volatility of the foreign markets a 1 cent change in foreign currency exchange rates is considered a reasonable possible change. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 1 cent change in foreign currency exchange rates. A positive number indicates an increase in profits and other equity.

	31 March 2011 \$'000	31 March 2010 \$'000
Buy USD		
Profit or loss - strengthening in NZD	33	(1)
Profit or loss - weakening in NZD	(34)	1
Sell AUD		
Profit or loss - strengthening in NZD	(40)	(24)
Profit or loss - weakening in NZD	41	25

(e) Foreign currency risk

Foreign currency risk is the risk that the value of the Group's assets and liabilities or revenues and expenditure will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars. The Group policy is to hedge material foreign currency exposure by entering into foreign exchange forward contracts.

18 Financial risk management (continued)

(f) Liquidity risk

Liquidity risk represents the risk that the Group may not have the financial ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. Overall the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

The following table analyses the Group contractual cash flows for financial assets and liabilities into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	Later than 3 years \$'000
Cash and cash equivalents	4,881	-	-	-
Receivables	19,671	-	-	-
Other financial assets	-	-	-	548
Payable	(17,041)	-	-	-
Employee provisions	(3,885)	(162)	(184)	(737)
Deferred income	(577)	-	-	-
Borrowings	(120,000)	(80,000)	-	(39,000)
	<u>(116,951)</u>	<u>(80,162)</u>	<u>(184)</u>	<u>(39,189)</u>

(g) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Derivatives and borrowings issued at variable interest rates expose the group to cash flow interest rate risk. The group manages its cash flow interest rate risk on borrowings by using floating to fixed interest rate swaps and options. Such interest rate swaps have the economic effect of converting borrowings at floating rates and swaps them into fixed rates that are generally lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

(h) Sensitivity Analysis

In managing interest rate risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in interest rates will have an impact on profit.

If interest rates on borrowings at 31 March 2011 had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease the surplus after tax by \$195,000 (31 March 2010: \$232,000) as a result of a higher/lower interest expense on floating rate borrowings

19 Non-current liabilities - deferred tax liabilities

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:				
Property, plant and equipment	67,828	66,775	-	-
Derivative financial instruments	(3,046)	(505)	-	-
Employee provisions	(1,108)	(1,148)	-	-
Provision for impairment of receivables	(42)	(38)	-	-
Other provisions	(85)	(83)	-	-
Future tax losses	-	(155)	-	(155)
Net deferred tax liabilities	63,547	64,846	-	(155)
Movements:				
Opening balance	64,846	63,700	(155)	(137)
Property, plant and equipment	1,052	1,051	-	-
Derivative financial instruments	(2,541)	296	-	-
Employee provisions	40	(220)	-	-
Provision for impairment of receivables	(4)	(8)	-	-
Other provisions	(1)	45	-	-
Future tax losses	155	(18)	155	(18)
Closing balance	63,547	64,846	-	(155)

During the period ending 31 March 2011 the Government has announced various changes to tax legislation which will impact on the Group's statement of financial position and statement of financial performance. The most significant changes announced are a reduction in the corporate income tax rate from 30% to 28% and the removal of the tax depreciation claim for long lived buildings, both changes effective from 1 April 2011.

20 Derivative financial instruments

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Assets				
Non current derivative financial instruments	75	2,601	-	-
Total derivative financial instrument assets	75	2,601	-	-
Liabilities				
Current derivative financial instrument	2,198	1,261	-	-
Non current derivative financial instrument	9,346	4,657	-	-
Total derivative financial instrument liabilities	11,544	5,918	-	-
Net derivative financial instruments	(11,469)	(3,317)	-	-

21 Equity on Establishment

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Equity on Establishment				
64,000,000 fully paid Ordinary Shares (2010: 64,000,000)	67,661	67,661	65,000	65,000

22 Reserves and retained earnings

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) Reserves				
Property, plant and equipment revaluation reserve	3,046	2,910	-	-
Hedging reserve - cash flow hedges	(5,909)	(1,544)	-	-
	(2,863)	1,366	-	-
Movements:				
Property, plant and equipment revaluation reserve				
Opening balance	2,910	2,910	-	-
Land and building revaluation	(1,337)	-	-	-
Reclassification of prior year reserves	1,473	-	-	-
Closing balance	3,046	2,910	-	-
Hedging reserve - cash flow hedges				
Opening balance	(1,544)	(2,237)	-	-
Fair value gains recognised to cash flow hedge reserve	562	2,721	-	-
Fair value losses recognised to cash flow hedge reserve	(6,719)	(1,732)	-	-
Deferred tax	1,792	(296)	-	-
Net fair value gain/(loss) recognised to cash flow hedge reserve	(4,365)	693	-	-
Closing balance	(5,909)	(1,544)	-	-

(b) Retained earnings

Movements in retained earnings were as follows:

Opening Balance	219,123	206,193	1,982	1,712
Net profit for the year	17,859	18,568	8,109	5,908
Distribution over-provided and Unclaimed Money	194	155	194	155
Dividends	(7,517)	(5,783)	(7,517)	(5,783)
Previous Distribution Money Claimed	(9)	(10)	(9)	(10)
Reclassification of prior year reserves	(1,473)	-	-	-
Closing balance	228,178	219,123	2,759	1,982

23 Commitments

(i) Operating leases

Lease payments under operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased property, plant and equipment are expensed to the statement of financial performance in equal installments over the lease term.

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	1,667	1,709	-	-
Later than one year but not later than five years	1,653	1,706	-	-
Later than five years	4,310	5,827	-	-
	7,630	9,242	-	-
Capital and operations commitments				
The value of contractual capital commitments is estimated at:	5,969	7,133	-	-
The value of contractual operating commitments is estimated at:	4,187	2,632	-	-

24 Contingencies

As at 31 March 2011 the Group had no contingent liabilities or assets (2010:\$Nil).

25 Capital Management

The Group's capital is its equity, which comprises accumulated funds and other reserves. Equity is represented by net assets.

The Group manages its equity as a by product of prudently managing revenues, expenses, assets and liabilities to ensure the Group effectively achieves its objectives and purpose, whilst remaining a going concern.

26 Related party transactions

The Establishment Plan of the Company provided for the formation of the Hawke's Bay Power Consumers' Trust (the object of which is to hold the shares of the Company on behalf of the consumers in their capacity as owners) and the issue of a \$1,000,000 debt security from the Company to the Trust. The debt security was increased to \$1,600,000 on 25 June 2003 and carries an interest rate of 6% p.a. It is repayable on 31 May 2013.

A fully imputed dividend of \$8,760,000 as well as interest of \$96,000 was paid by the Company to the Hawke's Bay Power Consumers' Trust during the year.

Unison Networks Limited operates a power lines business that owns, manages and operates an electricity distribution network serving the Hawke's Bay, Taupo and Rotorua regions. On behalf of electricity retailers it distributes electrical energy that has been brought to points of supply by the National Grid operator or produced by embedded generators, to over 109,000 connected consumers. Unison Contracting Services Limited along with other third party contractors provides contract services to maintain, develop and service the network. Unison Networks Limited provides management services to Unison Contracting Services Limited, Unison Fibre Limited and ETEL Limited. ETEL Limited manufactures transformers and other electrical components for the Australia, Pacific and New Zealand markets. Unison Insurance Limited's principal activity is to act as a captive insurance company.

The Group operates a management contract for Centralines Limited, an electricity lines company based in Waipukurau. This contract provides for executive, financial and technical managerial services for Centralines Limited. For commercial reasons the value of this contract is not disclosed.

Related parties include:

Subsidiaries

Information Management Services Limited

Centralines Limited

The Group's key management personnel

Key management and personnel compensation

Key management personnel compensation for the periods and financial year are set out below. The key management personnel are all the Directors of the Group and the five executives with the greatest authority for the strategic direction and management of the Group.

	Consolidated		Trust	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Short term benefits	3,895	2,958	-	-
Post employment benefits	-	-	-	-
Other long term benefits	16	-	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	3,911	2,958	-	-

Transactions with Directors, Key Management and their immediate family

During the year the following entities, in which directors had an interest, provided services to the Group under normal commercial terms.

	Consolidated		Trust	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Information Management Services/K Atkinson	(4)	(4)	-	-
Hawke's Bay Helicopter Rescue Trust/P Hocquard	(54)	-	-	-
The Property Group /R Fisher	(11)	-	-	-
Hawke's Bay District Health Board/K Atkinson	49	-	-	-
Tenon Limited/R Fisher	421	-	-	-

27 Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

			2011 %	2010 %
Unison Networks Limited	New Zealand	Ordinary	100	100
Unison Contracting Services Limited	New Zealand	Ordinary	100	100
ETEL Limited	New Zealand	Ordinary	100	100
Unison Fibre Limited	New Zealand	Ordinary	100	100
Unison Insurance Limited	New Zealand	Ordinary	100	100
Unison Energy Limited	New Zealand	Ordinary	100	100
ETEL Transformers PTY Limited	Australia	Ordinary	100	-

The number of ordinary fully paid shares on issue for Unison Networks Limited is 64,000,000 (2010: 64,000,000).

The number of ordinary fully paid shares on issue for Unison Contracting Services Limited is 3,720,000 (2010: 3,720,000).

The number of ordinary fully paid shares on issue for Unison Energy Limited is 100 (2010: 100).

The number of ordinary fully paid shares on issue for ETEL Limited is 22,350,000 (2010: 22,350,000).

The number of ordinary fully paid shares on issue for ETEL Transformers PTY Limited is 100 (2010: Nil).

The number of ordinary fully paid shares on issue for Unison Insurance Limited is 2,000,000 (2010: 2,000,000).

The number of ordinary fully paid shares on issue for Unison Fibre Limited is 8,000,000 (2010: 100).

28 Significant events occurring after balance date

On 21 July 2011 the Commerce Commission released a Draft Decisions Paper titled "2010-15 Default Price-Quality Path For Electricity Distribution". This paper sets the maximum allowable revenue in 2012/13 and annual percentage rate of change to 2015 for lines businesses in New Zealand, including Unison Networks Limited. The conclusions of the draft decisions paper may have an impact on Unison Networks Limited. However, the Trustees are unable to determine the impact, if any, at this time.

29 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Trust	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit for the year	17,859	18,568	8,109	5,908
Depreciation	20,800	19,440	-	-
Amortisation	638	425	-	-
Net (Gain)/loss on sale of property, plant and equipment	867	781	-	-
Fair value movement in financial instruments recognised via the statement of financial performance	623	989	-	-
(Increase)/decrease in receivables and prepayments	(2,656)	2,070	(9)	(4)
Increase/(decrease) in payables (excluding capital items), accruals and employee provisions	2,580	1,394	48	(66)
(Increase)/decrease in unrealised foreign exchange	(2,418)	(151)	-	-
Increase/(decrease) in income taxes payable	(2,885)	(1,248)	39	(11)
Deferred tax	(1,075)	698	379	(17)
Net cash inflow from operating activities	<u>34,332</u>	<u>42,966</u>	<u>8,566</u>	<u>5,832</u>