

## **KING COUNTRY ELECTRIC POWER TRUST**

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**KING COUNTRY ELECTRIC POWER TRUST**

**STATEMENT OF FINANCIAL PERFORMANCE**

**FOR THE YEAR ENDED 31 MARCH 2006**

	Note	31 March 2006	31 March 2005
Income	1	552,822	412,966
Expenses	2	105,977	75,389
<b>Operating Surplus Before Taxation</b>		<b>446,845</b>	<b>337,577</b>
Income tax		NIL	NIL
<b>Operating Surplus After Taxation</b>	5	<b>446,845</b>	<b>337,577</b>
Plus 25 % Share of Net surplus, after dividend and taxation of The Lines Co Ltd	11	428,842	361,717
<b>Consolidated Surplus (Deficit) after taxation</b>		<b>\$875,687</b>	<b>\$699,294</b>

**KING COUNTRY ELECTRIC POWER TRUST**

**STATEMENT OF FINANCIAL POSITION - AS AT 31st MARCH 2006**

	Note	31 March 2006	31 March 2005
<b>Trust Equity :</b>			
Total Equity (Refer Statement of Movements in Equity)		\$25,986,178	\$28,113,599
<b>Represented By :</b>			
<b>Current Assets</b>			
Bank Balance & Short Term Deposit		1,264,327	825,854
Receivables	8	26,941	12,470
Prepayments	9	845	NIL
<b>Total Current Assets</b>		1,292,113	838,324
<b>Investments</b>			
Shares in King Country Energy Limited	3	6,937,500	6,375,000
Shares in The Lines Company Ltd	3	17,763,819	20,900,585
<b>Total Investments</b>		24,701,319	27,275,585
<b>Fixed and Long Term Assets</b>			
Assets at cost less Accumulated Depreciatlon	4	1,760	3,269
<b>Total Fixed and Long Term Assets</b>		1,760	3,269
<b>Total Assets</b>		25,995,192	28,117,178
<b><u>Less</u></b>			
<b>Current Liabilities</b>			
Accounts Payable	10	9,014	3,579
Income Tax Payable	6, 7	NIL	NIL
<b>Total Current Liabilities</b>		9,014	3,579
<b>Net Assets</b>		\$25,986,178	\$28,113,599

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Trustee

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Trustee

**KING COUNTRY ELECTRIC POWER TRUST**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 MARCH 2006**

	31 March Note      2006	31 March 2,005
<b>Cash Flows from Operating Activities</b>		
<b>Cash was received from:</b>		
Interest received	55,443	31,427
Dividends Received	482,908	407,908
	<hr/>	<hr/>
	538,351	439,335
<b>Cash was applied to:</b>		
Suppliers and Employees	99,878	92,193
<b>Net Cash In Flow (Out Flow) from</b>		
<b>Operating Activities</b>	<b>5</b> \$438,473	<b>\$347,142</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total Net Cash Movement</b>	438,473	347,142
Plus Opening Balance	825,854	478,712
	<hr/>	<hr/>
Closing Balance	1,264,327	825,854
	<hr/> <hr/>	<hr/> <hr/>
<b>Represented By:</b>		
Cash at Bank	1,472	2,394
Short Term Investments	1,262,855	823,460
	<hr/>	<hr/>
	\$1,264,327	\$825,854
	<hr/> <hr/>	<hr/> <hr/>

**KING COUNTRY ELECTRIC POWER TRUST**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH 2006**

	Note	31 March 2006	31 March 2005
<b>Trust Equity - 1st April 2005</b> (Net Capital of Trust)		\$28,113,599	\$22,234,586
<b><u>Plus increase in Reserves</u></b>			
Share Revaluation Reserve - King Country Energy Ltd		562,500	1,406,250
<b>Total Increase in Reserves</b>		562,500	1,406,250
<b><u>Associate Company Revaluation - The Lines Co Ltd</u></b>			
<b><u>Plus</u></b>			
25 % share of surplus after tax for year ended 31 March 2006 net of dividend receivable	11	363,028	361,717
25% share of asset revaluation as at 31st March 2005	12	255,468	3,773,469
		618,496	4,135,186
<b><u>Less</u></b>			
Write down of opening net equity	13	(3,755,262)	NIL
<b>Net reduction in share of equity</b>		(3,136,766)	NIL
<b><u>Plus Retained Earnings</u></b>			
for current year		446,845	337,577
<b>Total Trust Equity - as at 31st March 2006</b>		\$25,986,178	\$28,113,599

**KING COUNTRY ELECTRIC POWER TRUST**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2006**

**STATEMENT OF ACCOUNTING POLICIES**

The following particular accounting policies that materially affect the measurement of profit and the financial position have been applied.

**REPORTING ENTITY**

The King Country Electric Power Trust is an Energy Power Trust as defined in the Energy Companies Act 1992 and prepares general purpose financial statements in accordance with generally accepted accounting practice and the requirements of the Electricity Amendment Act 2001.

The principal activity of the Trust is the holding of 10 % of the shares in King Country Energy Ltd, and 25 % of the shares in The Lines Co Ltd, on behalf of consumers, and to exercise the rights attached to the ownership of the shares in those companies for the benefit of consumers, in accordance with the terms of the Trust Deed

**MEASUREMENT BASE**

The generally accepted accounting policies recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed, except where revaluation of assets are incorporated, and other items disclosed in the accounting policies listed below.

Reliance is placed on the fact that the Trust is a going concern.

**CHANGES IN ACCOUNTING POLICY**

No changes have been made in accounting policy

All policies have been applied on a basis consistent with previous years.

**ACCOUNTING PERIOD**

These financial statements cover transactions for the year ended 31 March 2006.

The Balance Date of the Trust is set out in the Definitions of the Trust Deed and is the 31st day of March each year.

**PARTICULAR ACCOUNTING POLICIES**

The following particular accounting policies which materially affect the measurement of profit and financial position are applied:

**Operating Results**

The Statement of Financial Performance shows the results of operating revenue less expenses.

## KING COUNTRY ELECTRIC POWER TRUST

### STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

#### PARTICULAR ACCOUNTING POLICIES (Continued)

##### **Distinction Between Capital and Revenue Expenditure**

Capital Expenditure is all expenditure on the purchase of a new assets and any expenditure which results in a significant improvement of the original function of an existing asset. Revenue Expenditure is expenditure which restores an asset to its original condition and all expenditure in maintaining and operating the business of the Trust.

##### **Accounts Receivable**

Accounts Receivable are stated at expected net realisable value.

##### **Investment in The Companies**

The investments in the Companies are shown at the unlisted market value of King Country Energy Ltd, and as a 25 % share of the equity value of The Lines

##### **Fixed Assets**

Fixed Assets are stated at cost less accumulated depreciation.

##### **Depreciation**

Fixed Assets have been depreciated on the following basis:

Computer Equipment 48% DV.

Filing Cabinet 14.4% DV.

##### **Income and Expenditure - Goods and Services Tax**

The Trust is not registered for Goods and Services Tax.

Items of income and expenditure are stated inclusive of Goods and Services Tax.

##### **Contingent Liabilities**

There are no contingent liabilities at the end of the year.

##### **Post Balance Date Items of Significance**

1. A dividend of \$32,908 was received from The Lines Co Ltd during May 2006.
2. The Trust ,in June 2006, contracted Energy Mad Ltd, to supply 22,000 energy saving light bulbs at a discounted price to consumers , at a projected cost of \$61,000.
3. A distribution of \$1,000,000 of Trust funds was made to beneficiaries in July 2006.

##### **Particular Effect of the Change in Accounting Policy**

There were no changes in Accounting Policy

##### **Value of Investments (Refer Note 3)**

The value of the shareholding in King Country Energy Ltd has increased from \$6,375,000 to \$6,937,500.

The value of the shareholding in The Lines Co Lts has decreased from \$20,900,585 to \$17,763,819



**KING COUNTRY ELECTRIC POWER TRUST  
NOTES TO THE ACCOUNTS**

<b>1 <u>INCOME</u></b>	<b>31 March 2006</b>	<b>31 March 2005</b>
Interest Received	69,914	37,966
Dividends Received	482,908	375,000
	<b>\$552,822</b>	<b>\$412,966</b>

<b>2 <u>EXPENSES</u></b>		
Operating Expenses	70,667	47,974
Depreciation	1,510	332
Trustees Honorarium and Fees	33,800	27,083
	<b>\$105,977</b>	<b>\$75,389</b>

**3 SHARE INVESTMENTS**

The Trust, at balance date, held the following share investments:

	<b>2006</b>	<b>2005</b>
1,875,000 shares in King Country nergy Ltd at \$3.70	6,937,500	6,375,000
3,290,780 shares in The Lines Co Ltd **	17,763,819	20,900,585
	<b>\$24,701,319</b>	<b>\$27,275,585</b>

\* As valued on the Unlisted Exchange on Balance Date.

\*\* Refer to Disclosure Statement.

No investments were sold during the year.

<b>4 <u>FIXED ASSETS</u></b>	<b>2006</b>	<b>2005</b>
- Cost	3,694	3,693
- Less Accumulated Depreciation	1,934	424
	<b>\$1,760</b>	<b>\$3,269</b>

**KING COUNTRY ELECTRIC POWER TRUST**

**5 RECONCILIATION OF CASH FLOWS WITH REPORTED OPERATING RESULTS**

	<b>31 March 2006</b>	<b>31 March 2005</b>
Reported Operating Surplus after Income Tax	446,845	337,577
Assets purchased	NIL	(3,345)
Depreciation Provided	1,510	332
Increase (Decrease)in Creditors	5,434	(13,790)
(Increase) Decrease in Receivables	(14,471)	26,368
Prepayments	(845)	
	<hr/>	<hr/>
Net Cash inflow from Operating Activities	<u>\$438,473</u>	<u>\$347,142</u>

**6 INCOME TAX**

	<b>2006</b>	<b>2005</b>
Operating Surplus as Accounts	446,845	337,577
Plus Dividend received May 2004		32,908
PLUS Imputation Credits for Year	237,849	200,909
	<hr/>	<hr/>
TAXABLE INCOME FOR YEAR	684,694	571,394
LESS Taxable Losses from Previous Years	92,264	54,844
	<hr/>	<hr/>
NET TAXABLE INCOME FOR YEAR	<u>\$592,430</u>	<u>\$516,550</u>
	<hr/>	<hr/>
TAX at 33c in \$	195,501	170,461
<u>Less</u> Imputation credits	237,849	200,909
	<hr/>	<hr/>
IMPUTATION CREDITS NOT UTILISED	42,348	30,448
	<hr/>	<hr/>
Tax Credit from Imputation Credits Converted to taxable Loss	128,328	92,264
	<hr/>	<hr/>
TAXABLE LOSSES CARRIED FORWARD	<u>\$ 128,328</u>	<u>\$92,264</u>

**7 CERTIFICATE OF EXEMPTION**

Inland Revenue has granted a Certificate of Exemption from Resident Withholding Tax. Dividends and Interest do not have Resident withholding Tax deducted. Imputation credits are attached to dividends received.

## **KING COUNTRY ELECTRIC POWER TRUST**

- 8** Receivables are interest accrued to balance date on cash deposits, but not credited until maturity of the deposits in the next financial year.
- 9** Prepayments are expenses of the following year, paid in the current financial year
- 10** Accounts Payable are the total of expenses incurred prior to balance date, but not paid until the next financial year.
- 11** It is a requirement of Financial Reporting Standard 38 that the Trust's 25 % share of the net surplus of its Associate Company, The Lines Co Ltd, is included in the consolidated surplus.
- 12** It is a requirement of Financial Reporting Standard 38 that the Trust's 25 % share of The Lines Co Ltd asset revaluation is declared in the Statement of Movements in Equity.
- 13** The Lines Co Ltd was required by legislation to adopt International Financial Reporting Standards in the preparation of its financial accounts for the year ended 31st March 2006, and to comply with the Standard, had to adjust its asset and liability values as at 31st March, 2005. This Trust's share of the adjustment was a write-down in net equity of \$3,755,262.

**KING COUNTRY ELECTRIC POWER TRUST**

**SCHEDULE OF FIXED ASSETS AND DEPRECIATION FOR THE**

**YEAR ENDED 31 MARCH 2006**

	<b>RATE &amp; TYPE</b>	<b>COST PRICE</b>	<b>OPENING VALUE</b>	<b>PURCHASE DATE</b>	<b>DEPN</b>	<b>ACCUM DEPN</b>	<b>CLOSING VALUE</b>
<b>Plant &amp; Equipment</b>							
Filing Cabinet	14.4%DV	349	175	27/10/2000	25	199	150
Sirocco Computer	48.0%DV	2,915	2,682	2/02/2005	1,287	1520	1395
Brother Printer	48.0%DV	430	413	9/03/2005	198	215	215
<b>TOTAL FIXED ASSETS</b>		<b>\$3694</b>	<b>\$3270</b>		<b>\$1510</b>	<b>\$1934</b>	<b>\$1760</b>

# **KING COUNTRY ELECTRIC POWER TRUST**

## **DIRECTORY**

**AS AT 31ST MARCH 2006**

### **TRUSTEES**

Brian J GURNEY	Omori	(Chairman)
Neville SANDERS	Taumarunui	
Michael F TURNER	Owhango	
Graeme S COSFORD	Taumarunui	
Douglas N.SANDERS	Ohakune	

### **SECRETARY**

I C W DOUGHERTY B'Com A.C.A.  
Phone (07) 896 8777 (Home)  
Fax (07) 896 8876  
e-mail kcept@xtra.co.nz

### **OFFICE OF THE TRUST**

Inquiries to Stubbs Topham Sears Ltd  
Hikurangi House  
Miriamia Street  
P O Box 364  
TAUMARUNUI 3946  
Phone (07) 895 7164  
Fax (07) 895 8864

### **BANKERS**

Bank of New Zealand  
TAUMARUNUI  
National Bank of New Zealand  
TE KUITI

### **SOLICITORS**

Menefy Jaichand  
Miriamia Street  
TAUMARUNUI

### **AUDITOR**

SEWELL & WILSON Ltd  
Ohakune & Wanganui

# KING COUNTRY ELECTRIC POWER TRUST

## ASSOCIATE COMPANY DISCLOSURE STATEMENT

AS AT

31<sup>st</sup> March 2006

LEGAL NAME	:	The Lines Company Limited.
REGISTERED OFFICE	:	King St, Te Kuiti.
PRINCIPAL ACTIVITY	:	Provision of electricity network
OWNERSHIP INTEREST	:	25%
CARRYING AMOUNT OF INVESTMENT	:	\$17,145,323
INTEREST IN NET ASSETS	:	This Trust has no interest in the net assets of the company.
AGGREGATE AMOUNT OF CONTINGENT ASSET, CONTINGENT LIABILITIES, and FUTURE CAPITAL COMMITMENTS	:	Nil
JOINT and SEVERAL LIABILITIES	:	There are no liabilities of the associate for which this Trust is jointly and severally liable.
<b>THIS TRUST'S SHARE OF THE ASSOCIATE'S :</b>		
Operating surplus	:	614,972
Tax expense attributable to operating surplus	:	186,129
Extraordinary items	:	<u>NIL</u>
Total recognised revenues and expenses, other than net surpluses or deficits	:	428,843
<b>MOVEMENT IN CARRYING AMOUNT OF INVESTMENT</b>		
Commencement of period		20,900,585
<u>Less</u> Reduction in Net Asset values (Refer Note 13)		<u>3,755,262</u>
		17,145,323
<u>Plus</u>		
25% of net surplus, after tax		428,843
25% of asset revaluation, after tax adjustment and loss on hedges		<u>255,468</u>
		684,311
		17,829,634
<u>Less</u>		
Dividends paid, or declared		<u>65,815</u>
		17,763,819
<b>CARRYING AMOUNT – as at 31<sup>st</sup> March 2006</b>		
<b>FINANCIAL EFFECTS OF EVENTS OR TRANSACTIONS OCCURRING AFTER BALANCE DATE OF THE ASSOCIATE, WHICH COULD MATERIALLY AFFECT THE FINANCIAL POSITION OR OPERATING PERFORMANCE OF THE ASSOCIATE</b>		
	:	NIL
GOODWILL IN CARRYING AMOUNT OF ASSOCIATE	:	NIL
<b>AMOUNT OF GOODWILL OR OTHER ASSET VALUE WRITTEN DOWN IN THE CURRENT PERIOD (Refer Note 13)</b>		
	:	\$3,755,262
<b>AMOUNT OF GOODWILL OR OTHER ASSET VALUE PREVIOUSLY WRITTEN DOWN THAT HAS BEEN REINSTATED IN THE CURRENT PERIOD</b>		
	:	NIL