

KING COUNTRY ELECTRIC POWER TRUST

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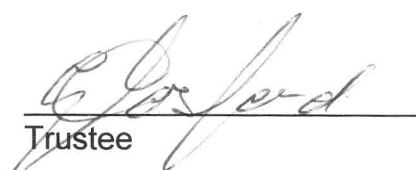
KING COUNTRY ELECTRIC POWER TRUST
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2007

	Note	31 March 2007	31 March 2006
Income	1	540,943	552,822
Expenses	2	392,027	105,977
Operating Surplus Before Taxation		<hr/> 148,916	<hr/> 446,845
Income tax		NIL	NIL
Operating Surplus After Taxation	5	<hr/> 148,916	<hr/> 446,845
Plus 25% share of Net Surplus, after taxation, of The Lines Co Ltd	11	735,021	428,842
Consolidated Surplus (Deficit) after taxation		<hr/> <hr/> \$883,937	<hr/> <hr/> \$875,687

KING COUNTRY ELECTRIC POWER TRUST

STATEMENT OF FINANCIAL POSITION - AS AT 31st MARCH 2007

	Note	31 March 2007	31 March 2006
Trust Equity :			
Total Equity (Refer Statement of Movements in Equity)		\$28,022,715	\$25,986,178
<hr/>			
Represented By :			
Current Assets			
Bank Balance & Short Term Deposit		684,965	1,264,327
Receivables	8	10,287	26,941
Prepayments	9	NIL	845
		<hr/>	<hr/>
Total Current Assets		695,252	1,292,113
Investments			
Shares in King Country Energy Limited	3	9,018,750	6,937,500
Shares in The Lines Company Ltd	3	18,479,516	17,763,819
		<hr/>	<hr/>
Total Investments		27,498,266	24,701,319
Fixed and Long Term Assets			
Assets at cost less Accumulated Depreciatlon	4	965	1,760
		<hr/>	<hr/>
Total Fixed and Long Term Assets		965	1,760
		<hr/>	<hr/>
Total Assets		28,194,483	25,995,192
Less			
Current Liabilities			
Accounts Payable	10	169,268	9,014
Income Tax Payable	6, 7	NIL	NIL
Distribution Payments Outstanding	14	2500	NIL
		<hr/>	<hr/>
Total Current Liabilities		171,768	9,014
		<hr/>	<hr/>
Net Assets		\$28,022,715	\$25,986,178
		<hr/>	<hr/>


Trustee


Trustee

KING COUNTRY ELECTRIC POWER TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2007

	Note	31 March 2007	31 March 2006
Cash Flows from Operating Activities			
Cash was received from:			
Interest received		74,689	55,443
Dividends Received		482,908	482,908
		<hr/>	<hr/>
		557,597	538,351
Cash was applied to:			
Suppliers and Employees		230,133	99,878
Distribution Costs		853,283	NIL
Ecobulb Promotion		53,543	NIL
Net Cash In Flow (Out Flow) from		<hr/>	<hr/>
Operating Activities	5	(\$579,362)	\$438,473
		<hr/>	<hr/>
Total Net Cash Movement		(579,362)	438,473
Plus Opening Balance		1,264,327	825,854
		<hr/>	<hr/>
Closing Balance		684,965	1,264,327
		<hr/>	<hr/>
Represented By:			
Cash at Bank		104,346	1,472
Short Term Investments		580,619	1,262,855
		<hr/>	<hr/>
		\$684,965	\$1,264,327
		<hr/>	<hr/>

KING COUNTRY ELECTRIC POWER TRUST
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2007

	Note	31 March 2007	31 March 2006
Trust Equity - 1st April 2006 (Net Capital of Trust)		\$25,986,178	\$28,113,599
<u>Plus increase in Reserves</u>			
Share Revaluation Reserve			
- King Country Energy Ltd		2,081,250	562,500
Total Increase in Reserves		2,081,250	562,500
<u>Associate Company Revaluation - The Lines Co Ltd</u>			
<u>Plus</u>			
25 % share of surplus after tax			
for year ended 31 March 2007 net			
of dividend receivable	11	702,113	363,028
25% share of asset revaluation			
as at 31st March 2007	12	13,584	255,468
		715,697	618,496
<u>Less</u>			
Write down of opening net equity	13	NIL	(3,755,262)
Increase (Reduction) in share of equity		715,697	(3,136,766)
<u>Movement in Retained Earnings</u>			
Distribution to Consumer Beneficiaries	14	(855,783)	NIL
Ecobulb Promotion	15	(53,543)	NIL
		(909,326)	NIL
Less Retained Earnings for Current Year		148,916	NIL
Increase (Reduction) in Retained Earnings for current year		760,410	446,845
Total Trust Equity - as at 31st March 2007		\$28,022,715	\$25,986,178

KING COUNTRY ELECTRIC POWER TRUST
NOTES TO ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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 2007.
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 2007.
2. The Trust, in accordance with the terms of the Trust Deed, completed an Ownership Review in May 2007. The decision of Trustees was to sell to Waitomo Energy Services Customer Trust 15% of the issued shares in The Lines Company Ltd, and to simultaneously purchase the 8.03% shareholding in King Country Energy Ltd held by that Trust. In addition, Trustees resolved to offer to purchase sufficient shares in King Country Energy Ltd to increase total shareholding to 20%.

KING COUNTRY ELECTRIC POWER TRUST

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

PARTICULAR ACCOUNTING POLICIES (Continued)

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 \$6,937,500 to \$9,018,750.

The value of the shareholding in The Lines Co Ltd has increased from \$17,763,819 to \$18,479,516.

KING COUNTRY ELECTRIC POWER TRUST
NOTES TO THE ACCOUNTS

	31 March 2007	31 March 2006
1 INCOME		
Interest Received	58,035	69,914
Dividends Received	482,908	482,908
	<hr/> \$540,943	<hr/> \$552,822
	<hr/> <hr/>	<hr/> <hr/>

2 EXPENSES

Operating Expenses	59,750	70,667
Depreciation	795	1,510
Trustees Honorarium and Fees	44,512	33,800
Ownership Review Costs	97,788	NIL
Share Offer Costs	189,182	NIL
	<hr/> \$392,027	<hr/> \$105,977
	<hr/> <hr/>	<hr/> <hr/>

3 SHARE INVESTMENTS

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

	2007	2006
1,875,000 shares in King Country Energy Ltd at \$4.81*	9,018,750	6,937,500
3,290,780 shares in The Lines Co Ltd **	18,479,516	17,763,819
	<hr/> \$27,498,266	<hr/> \$24,701,319
	<hr/> <hr/>	<hr/> <hr/>

* As valued on the Unlisted Exchange on Balance Date.

** Refer to Disclosure Statement.

No investments were sold during the year.

	2007	2006
4 FIXED ASSETS		
- Cost	3,694	3,694
- Less Accumulated Depreciation	2,729	1,934
	<hr/> \$965	<hr/> \$1,760
	<hr/> <hr/>	<hr/> <hr/>

KING COUNTRY ELECTRIC POWER TRUST

5 RECONCILIATION OF CASH FLOWS WITH REPORTED OPERATING RESULTS

	31 March 2007	31 March 2006
Reported Operating Surplus after Income Tax	148,916	446,845
Depreciation Provided	795	1,510
Increase (Decrease) in Creditors	162,754	5,434
(Increase) Decrease in Receivables	16,654	(14,471)
(Increase) Decrease in Prepayments	845	(845)
Distribution and Retained Earnings	(909,326)	NIL
Net Cash Inflow (Outflow) from Operating Activities	<u>(\$579,362)</u>	<u>\$438,473</u>

6 INCOME TAX	2007	2006
Operating Surplus as Accounts	148,916	446,845
Plus Share Offer Costs Not Deductible	189,182	NIL
PLUS Imputation Credits for Year	237,850	237,849
TAXABLE INCOME FOR YEAR	575,948	684,694
LESS Taxable Losses from Previous Years	128,328	92,264
NET TAXABLE INCOME FOR YEAR	<u>\$447,620</u>	<u>\$592,430</u>
TAX at 33c in \$	147,715	195,501
Less Imputation credits	237,850	237,849
IMPUTATION CREDITS NOT UTILISED	90,135	42,348
Tax Credit from Imputation Credits Converted to taxable Loss	273,136	128,328
TAXABLE LOSSES CARRIED FORWARD	<u>\$ 273,136</u>	<u>\$128,328</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.
- 14** The Trust, in July 2006, distributed \$100 to each eligible beneficiary, making a total distribution of \$855,783. Twenty five payments totalling \$2,500 were presented to the Trust's bank after balance date.
- 15** The Trust, in July 2006, subsidised the purchase of energy efficient light bulbs for a total cost of \$53,543.

KING COUNTRY ELECTRIC POWER TRUST

SCHEDULE OF FIXED ASSETS AND DEPRECIATION FOR THE

YEAR ENDED 31 MARCH 2007

	RATE & TYPE	COST PRICE	OPENING VALUE	PURCHASE DATE	DEPN	ACCUM DEPN	CLOSING VALUE
Plant & Equipment							
Filing Cabinet	14.4%DV	349	150	27/10/2000	25	221	128
Sirocco Computer	48.0%DV	2,915	1,395	2/02/2005	1,287	2190	725
Brother Printer	48.0%DV	430	215	9/03/2005	198	318	112
TOTAL FIXED ASSETS		\$3694	\$1760		\$1510	\$2729	\$965

KING COUNTRY ELECTRIC POWER TRUST

ASSOCIATE COMPANY DISCLOSURE STATEMENT

AS AT
31st March 2007

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	:	\$18,479,516
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.

THIS TRUST'S SHARE OF THE ASSOCIATE'S :

Operating surplus	:	946,016
Tax expense attributable to operating surplus	:	210,995
Extraordinary items	:	<u>NIL</u>
Total recognised revenues and expenses, other than net surpluses or deficits	:	735,021

MOVEMENT IN CARRYING AMOUNT OF INVESTMENT

Commencement of period **17,763,819**

Plus

25% of net surplus, after tax	735,021
25% of asset revaluation, after tax adjustment and loss on hedges	<u>13,584</u>
	748,605

Less

Dividends paid, or declared	<u>32,908</u>
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CARRYING AMOUNT – as at 31st March 2007 **\$18,479,516**

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

:

NIL

GOODWILL IN CARRYING AMOUNT OF ASSOCIATE

:

NIL

AMOUNT OF GOODWILL OR OTHER ASSET VALUE WRITTEN DOWN IN THE CURRENT PERIOD

:

NIL

AMOUNT OF GOODWILL OR OTHER ASSET VALUE PREVIOUSLY WRITTEN DOWN THAT HAS BEEN REINSTATED IN THE CURRENT PERIOD

:

NIL

KING COUNTRY ELECTRIC POWER TRUST

DIRECTORY

AS AT 31ST MARCH 2007

TRUSTEES

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

SECRETARY

T M STEWART
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OFFICE OF THE TRUST

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BANKERS

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

SOLICITORS

Menefy Jaichand
Miriamas Street
TAUMARUNUI

AUDITOR

SEWELL & WILSON Ltd
Ohakune & Wanganui