

KING COUNTRY ELECTRIC POWER TRUST

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31 MARCH 2009

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**KING COUNTRY ELECTRIC POWER TRUST
GOVERNANCE (TRUSTEES) AND MANAGEMENT**

FOR THE YEAR ENDED

31 MARCH 2009

TRUSTEES

Name

Residence

Brian Gurney
Graeme Cosford
Michael Turner
Uwe Kroll
Norman Annand

Chairperson

Omori
Taumarunui
Owhango
Ohakune
Taumarunui

SECRETARY

Tessa 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
Miriam Street
TAUMARUNUI

AUDITOR

Sewell & Wilson
Ohakune & Wanganui

KING COUNTRY ELECTRIC POWER TRUST STATEMENT OF RESPONSIBILITY


FOR THE YEAR ENDED
31 MARCH 2009

The Trustees have pleasure in presenting the annual report of King Country Electric Power Trust (the Trust), incorporating the financial statements and the auditor's report, for the year ended 31 March 2009.

The Trustees of the Trust accept responsibility for the preparation of the annual financial statements and the judgements used in these statements.

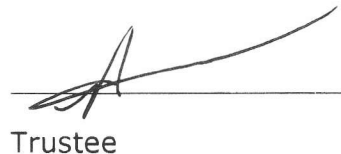
The Trustees accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In the opinion of the Trustees, the annual financial statements for the financial year ended 31 March 2009 fairly reflect the financial position and operations of the Trust.


Chairperson

12 | 8 | 09

Date


Trustee

12 | 08 | 09.

Date

KING COUNTRY ELECTRIC POWER TRUST

INCOME STATEMENT

FOR THE YEAR ENDED
31 MARCH 2009

	Notes	2009 Actual \$	2008 Actual \$
Income			
Dividends Received		1,887,678	2,600,943
Investment Income (Interest)		799,653	581,061
		<u>2,687,331</u>	<u>3,182,004</u>
Less Expenditure			
General Operating Expenditure	3	155,646	219,020
Depreciation		313	501
Loss on disposal of fixed assets		-	112
		<u>155,959</u>	<u>219,633</u>
Profit from Continuing Operations before Income Tax		2,531,372	2,962,371
Income Tax Expense	4	835,352	993,976
Profit from Continuing Operations after Income Tax		<u><u>1,696,020</u></u>	<u><u>1,968,395</u></u>

KING COUNTRY ELECTRIC POWER TRUST STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
31 MARCH 2009

Notes	2009 Actual \$	2008 Actual \$
Retained Earnings		
Opening Balance	16,102,379	614,484
Net Surplus / (Deficit) for the Year	1,696,020	1,968,395
Capital Gain on Disposal of Available-For-Sale Financial Assets (The Lines Company Ltd)	-	13,520,000
Distribution to Beneficiaries	(799,879)	(500)
Movements for the Year	<u>896,141</u>	<u>15,487,895</u>
Balance at 31 March	<u>16,998,520</u>	<u>16,102,379</u>
Available for Sale Financial Assets Reserve		
Opening Balance	14,493,008	7,143,750
Movement in Fair Value	(1,837,459)	7,349,258
Balance at 31 March	<u>12,655,549</u>	<u>14,493,008</u>
Associated Company Reserve		
Opening Balance	-	13,679,516
Movement in Associated Company Value	-	-
Reversal of Associated Company Reserve	-	(13,679,516)
Balance at 31 March	<u>-</u>	<u>-</u>
Trust Capital		
Opening Balance	6,675,100	6,675,100
Movement	-	-
Balance at 31 March	<u>6,675,100</u>	<u>6,675,100</u>
Summary - Trust Equity		
Opening Balance	37,270,487	28,112,850
Movements	(941,318)	9,157,637
Total Trust Equity at 31 March	<u>36,329,169</u>	<u>37,270,487</u>

KING COUNTRY ELECTRIC POWER TRUST

BALANCE SHEET

AS AT PERIOD ENDING
31 MARCH 2009

	Notes	2009 Actual \$	2008 Actual \$
Total Equity		<u>36,329,169</u>	<u>37,270,487</u>
Represented By:			
Current Assets			
Cash and Cash Equivalents	5	870,246	2,835,284
Debtors	6	14,386	10,311
Provision for Income Tax Refund	4	45,467	-
Inventories	7	54,104	8,321
Investments	8	9,396,084	6,675,650
		<u>10,380,287</u>	<u>9,529,566</u>
Less Current Liabilities			
Creditors	9	23,999	27,827
Unpresented Dividend Cheques		3,582	-
Provision for Income Tax Payable	4	-	45,531
		<u>27,581</u>	<u>73,358</u>
Working Capital		10,352,706	9,456,208
Non Current Assets			
Available-for-Sale Financial Assets	10	25,976,048	27,813,552
Property, Plant & Equipment	11	415	727
		<u>25,976,463</u>	<u>27,814,279</u>
Net Assets		<u>36,329,169</u>	<u>37,270,487</u>

KING COUNTRY ELECTRIC POWER TRUST NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2009

1. Statement of Significant Accounting Policies

a) Reporting entity

King Country Electric Power Trust is an Energy Power Trust as defined in the Energy Companies Act 1992.

The principal activity of the Trust is the holding of 10% of the shares in The Lines Company Ltd and 20% of the shares in King Country Energy Ltd on behalf of the beneficiaries and to exercise the rights attached to the ownership of the shares in those companies for the benefit of the beneficiaries, in accordance with the terms of the Trust Deed.

b) Basis of Preparation

Financial Reporting Standards Applied

The Electricity Amendment Act 2001 requires the Trust to prepare financial statements in accordance with generally accepted accounting practice. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IFRSs and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities that qualify for and apply differential reporting exemptions.

Differential Reporting

The Trust qualifies for differential reporting exemptions because it is not publicly accountable as defined in the Framework for Differential Reporting (the Framework) and is not large. All available differential reporting exemptions have been taken advantage of.

Measurement Base

The financial statements are prepared on the historical cost basis unless otherwise noted in a specific accounting policy.

Presentation Currency

These financial statements are presented in New Zealand dollars.

Specific accounting policies

The accounting policies used in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented.

c) Revenue Recognition

Interest Income

Interest income on cash and cash equivalents and investments are recognised as they are earned (e.g. a term deposit that has been invested for 30 days of 100 at balance date will have 30 days of interest recognised). When a receivable is impaired, the Trust reduces the carrying amount to its estimated recoverable amount.

Dividend income is recognised when the right to receive payment is established. The income is reflected on a gross income basis; with the imputation credits attached becoming part of the tax calculation.

KING COUNTRY ELECTRIC POWER TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED
31 MARCH 2009

d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

e) Financial Assets and Liabilities

The financial assets of the Trust comprise cash and cash equivalents, debtors and Investments. All of these financial assets are categorised as "loans and receivables" for accounting purposes in accordance with financial reporting standards.

The financial liabilities of the Trust comprise creditors payable.

f) Investments

Short term deposits have maturities between three months and one year. These are disclosed at their fair value (cost).

At balance sheet date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment loss is recorded as an expense in the income statement.

g) Available-for-Sale Financial Assets

Shares in King Country Energy Ltd and The Lines Company Ltd are designated as available-for-sale financial assets. They are reflected at their fair value.

King Country Energy Ltd shares are valued based on the closing trading prices on the unlisted stock exchange as at balance date.

The Lines Company Ltd shares are held by two shareholders and there is no liquid market for the shares. A valuation exercise occurred during the 2007/2008 financial year to determine the value to be used for selling part of the shareholding to the other shareholder. The Trustees do not believe there has been any significant change to the value of the shareholding since then and the price per share used for this sale has been used to value the investment at balance date.

h) Income Tax

The current income tax asset or liability recognised on the balance sheet represents the current income tax balance due from, or payable to, the Inland Revenue Department at balance date. If imputation credits attached to dividends received are unutilised at balance date they will be carried forward as an asset where it is believed that there is a reasonable expectation of their utilisation within the next two years.

i) Debtors

'Debtors' represents items that the Trust has issued invoices for, but has not received payment for at year end. They are initially recorded at fair value and subsequently recorded at the amount the Trust realistically expects to receive. A provision for impairment of Debtors is established where there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the debt.

j) Inventories

Inventory is Work in Progress on a book on the history of electricity in the King Country which will be available for sale to the public.

KING COUNTRY ELECTRIC POWER TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED
31 MARCH 2009

k) Property, Plant and Equipment

Plant and equipment are recorded at cost, less accumulated depreciation and impairment losses. Cost includes those costs that relate directly to bringing the asset to the location where it will be used and making sure it is in the appropriate condition for its intended use.

Plant and equipment acquired with individual values under \$500 are not capitalised, they are recognised as an expense in the income statement.

Gains and losses on disposals (*i.e.* sold or given away) are determined by comparing the proceeds received with the carrying amounts (*i.e.* the book value).

l) Depreciation

Depreciation is charged for all plant and equipment and is charged to the income statement so as to spread the cost of an asset over the useful life of the asset on a diminishing value basis. Rates as prescribed by the Income Tax Act 2007 are used as a basis.

The estimated useful lives of the assets are:

Furniture & Equipment (non-technology)	10 years (14.4% DV)
Computers	3 years (48% DV)

m) Creditors

'Creditors' represents liabilities for goods and services provided to the Trust prior to the end of the financial year which are unpaid. Creditors are recorded at the amount of cash required to settle those liabilities. The amounts are unsecured and are usually paid within 30 days of recognition.

n) Employee Entitlements - Salary Accruals

Salary payments and entitlements have been paid up to 31 March so there have been no accruals.

o) Goods and Services Tax (GST)

The financial statements have been prepared inclusive of GST as the Trust is not registered for GST.

2. Statement of Changes in Accounting Policy

There are no changes in accounting policy.

KING COUNTRY ELECTRIC POWER TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED
31 MARCH 2009

3. Expenses

General Operating Expenses

	2009	2008
Advertising & General	-	1,126
ACC Levies	90	64
Accountancy	8,342	-
Audit Fees	3,429	3,156
AGM Expense	1,780	1,367
Bank Charges	436	235
Computer Costs	317	577
Computer Allowances	750	750
Conference Costs	5,280	5,621
Distribution Costs	14,708	-
Meeting Room Hire	343	348
General Expense	710	1,349
Insurance	4,078	5,006
Interest Expense	3,440	-
Legal Expenses	15,077	12,396
Ownership Review Costs	-	40,992
Postage	378	914
Secretarial Expenses	15,000	17,443
Share Offer Costs	-	49,679
Subscriptions	1,519	2,109
Stationery & Photocopying	946	626
Telephone & Tolls	2,441	2,802
Trustee Fees	59,327	41,000
Travelling Expenses	9,666	10,299
Website Costs	601	1,211
Election Fees	-	19,283
Consultancy Fees	6,988	668
Total General Operating Expenditure	155,646	219,020

KING COUNTRY ELECTRIC POWER TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED

31 MARCH 2009

4. Income Tax Expense

The major components of income tax expense are:

	2009	2008
Income Statement Profit from continuing operations	2,531,372	2,962,371
Plus Non Deductible Expenditure	0	49,678
Taxable Income	2,531,372	3,012,049
Net Taxable Income	2,531,372	3,012,049
Tax at 33%	835,353	993,976
Resident Withholding Tax Paid/Imputation Credits Utilised	289,428	90,315
Less Imputation Credits (current year)	584,362	858,310
Less Provisional Tax Paid	7,030	-
Income Tax Receivable/(Payable)	45,467	(45,531)

5. Cash and Cash Equivalents

	2009	2008
Bank Balances (current & savings accounts)	870,246	26,380
Short term deposits (original maturity less than 3 months)	-	2,808,904
Total Cash and Cash Equivalents	870,246	2,835,284

6. Receivables

	2009	2008
Accrued Interest on investments	14,386	10,311

7. Inventories

	2009	2008
Work in progress at cost	54,104	8,321

The Trust is at present compiling a history of electricity in the King Country. The cost of

KING COUNTRY ELECTRIC POWER TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED
31 MARCH 2009

this will be off-set by sales of the book once it is published.

8. Investments

	2009	2008
Term deposits (original maturity between 3 months and one year)	9,396,084	6,675,650

9. Creditors

	2009	2008
Carrying amount of monthly payables	23,999	8,544
Election expenses accrual	-	19,283
Total Accounts Payable	23,999	27,827

10. Available-for-Sale Financial Assets

	2009	2008
Shares in King Country Energy Ltd	15,037,496	16,875,000
Shares in The Lines Company Ltd	10,938,552	10,938,552
Total Available-for-Sale Financial Assets	25,976,048	27,813,552

Shares in King Country Energy Limited are rated at market value as at 31 March 2009.

Shares in The Lines Company Limited are valued at the same price as used for the sell down of shares in the 2008 Financial Statements. In the absence of a liquid market for these shares, this comprises the best reasonable estimate of their value.

11. Property, Plant & Equipment

The Trust owns office equipment. There is not believed to be any material impairment that should be reflected in the carrying value.

	2009	2008
Cost	3,640	3,640
Accumulated Depreciation	3,225	2,912
Carrying Value	415	728
Depreciation	313	501

KING COUNTRY ELECTRIC POWER TRUST
NOTES TO THE FINANCIAL STATEMENTS (cont.)

FOR THE YEAR ENDED
31 MARCH 2009

14. Capital Commitments.

A Distribution of \$800,000 was approved by the Trustees prior to 31 March 2009 however, due to some problems with The Lines Company not being able to pay it in March payment was made in April 2009. (2008: Nil)

15. Contingent Liabilities.

There were no Contingent Liabilities at 31 March 2009. (2008: Nil)

16. Post Balance Day Events.

There has been no material Post Balance Day Events. (2008: Nil)