

ENERGY TRUSTS OF NEW ZEALAND INCORPORATED

Notes to the Financial Statements as at 31 December 2005

Reporting Entity

The reporting entity is the Energy Trusts of New Zealand Incorporated (ETNZ). ETNZ is an incorporated society of energy trusts, the majority of which hold shares in companies that operate Electricity Networks (Lines Businesses). Those shares are held on behalf of beneficiaries who, in the main, comprise all types of electricity consumers - commercial, industrial and domestic.

ETNZ has 23 member trusts. Most members hold shares in the lines companies that acquired the assets of local community-owned power companies, or Boards, as they were previously known.

Member trusts have investments of more than \$5 billion in those lines companies.

ETNZ is a national body providing support and opportunities for the sharing of knowledge and experience among trusts, trustees and trust officers and advisers.

These financial statements have been prepared in accordance with the Incorporated Societies Act 1908.

1 Statement of Accounting Policies

General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by ETNZ. Accrual accounting is used to match expenses and revenue. Reliance is placed on the fact that ETNZ is a going concern.

Particular Accounting Policies

The following particular accounting policies, which materially affect the measurement of earnings and the financial position, have been applied:

Depreciation

Fixed assets are recorded at historical cost less depreciation. Depreciation has been calculated at rates that anticipate the asset to be written off over its useful life, and are as follows:

| | |
|---------------------|--------|
| Website Development | 48% DV |
|---------------------|--------|

Differential Reporting

ETNZ qualifies for differential reporting because it is not publicly accountable and it is not large as defined under the Financial Reporting Framework of the Institute of Chartered Accountants of New Zealand. All differential reporting exemptions have been applied.

Good and Services Tax

The financial report has been prepared on a Goods and Services Tax exclusive basis.

Changes in Accounting Policies

There have been no changes in accounting policies, which materially affect the current year or are likely to affect future years.

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| | | | |
|----------|--------------------------------------|-------------|-------------|
| 2 | Cash at Bank | 2005 | 2004 |
| | The National Bank of New Zealand Ltd | \$41,739 | \$33,609 |

3 Taxation
 ETNZ is liable for tax only on income earned from entities or activities outside ETNZ and its members. ETNZ is exempt from tax on the first \$1,000 of such income.

| | | |
|------------------------------------|---------------|---------------|
| | 2005 | 2004 |
| | \$ | \$ |
| Interest Income | 3,030 | 1,141 |
| Less tax exemption | <u>-1,000</u> | <u>-1,000</u> |
| Taxable Income | <u>2,030</u> | <u>141</u> |
| | | |
| Provision for Income Tax at 33% | 670 | 47 |
| Less Resident Withholding Tax paid | <u>0</u> | <u>39</u> |
| Taxation Payable/Refund | <u>670</u> | <u>8</u> |

4 Annual Levy
 Members' subscriptions were readjusted upwards slightly in 2005, but only 75% of the levy was invoiced.

| | | | |
|----------|----------------------------------|-----------------|-----------------|
| 5 | Conference Fees received: | 2005 | 2004 |
| | May 2005 | \$14,497 | \$16,294 |
| | September 2005 | <u>\$12,463</u> | <u>\$14,475</u> |
| | | <u>\$26,960</u> | <u>\$30,769</u> |

| | | | | |
|----------|-----------------------------|-----------------|-----------------|-----------------|
| 6 | Conference Expenses: | | | |
| | May 2005 | \$13,466 | \$12,966 | |
| | September 2005 | <u>\$13,236</u> | <u>\$12,937</u> | <u>\$25,903</u> |

7 Contingent Liabilities and Capital Commitments:
 ETNZ has no contingent liabilities or capital commitments.

8 Plant Property & Equipment

| Depreciation Schedule | Cost | Accumulated Depreciation | Book Value |
|--------------------------|---------|--------------------------|------------|
| Website development 2005 | \$3,743 | \$1,952 | \$1,791 |
| Website development 2004 | \$3,743 | \$299 | \$3,444 |

The above information must be read subject to the Auditor's report attached.

