



**New Jersey
Natural Gas**

QUARTERLY FINANCIAL STATEMENTS

FOR THE PERIOD ENDING DECEMBER 31, 2005

(Unaudited)



February 10, 2006

In the opinion of management, the following financial statements fairly present the financial position of New Jersey Natural Gas (a subsidiary of New Jersey Resources) as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the three months ended December 31, 2005 and 2004. These statements were prepared with accounting principles generally accepted in the United States of America and reflect all adjustments necessary for a fair presentation of interim periods.

Timothy C. Hearne
Senior Vice President and Treasurer

NEW JERSEY NATURAL GAS
STATEMENTS OF INCOME (Unaudited)

(Thousands)

Three Months Ended December 31,	2005	2004
OPERATING REVENUES	\$394,346	\$320,470
OPERATING EXPENSES		
Gas purchases	305,132	235,977
Operation and maintenance	19,867	20,229
Regulatory rider expenses	9,458	9,128
Depreciation and amortization	8,423	8,117
Energy and other taxes	18,019	15,223
Total operating expenses	360,899	288,674
OPERATING INCOME	33,447	31,796
Other income	825	826
Interest charges, net	3,784	3,632
INCOME BEFORE INCOME TAXES	30,488	28,990
Income tax provision	11,805	11,157
NET INCOME	\$ 18,683	\$ 17,833

See Notes to Condensed Unaudited Financial Statements

NEW JERSEY NATURAL GAS

STATEMENTS OF CASH FLOWS (Unaudited)

(Thousands)

Three Months Ended December 31,	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 18,683	\$ 17,833
Adjustments to reconcile net income to cash flows		
Depreciation and amortization	8,423	8,117
Amortization of deferred charges	75	75
Deferred income taxes	(2,834)	4,554
Manufactured gas plant remediation costs	(13,380)	(2,495)
Changes in:		
Working capital	(140,847)	(49,829)
Other non-current assets	13,842	(2,195)
Other non-current liabilities	763	2,239
Cash flows used in operating activities	(115,275)	(21,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale-leaseback transaction	4,090	4,904
Proceeds from long-term debt	35,800	-
Payments of long-term debt	(21,462)	(25,556)
Payments of common stock dividends	(9,366)	(9,016)
Net proceeds related to short-term debt	115,300	57,400
Cash flows from financing activities	124,362	27,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for		
Utility plant	(11,678)	(14,596)
Cost of removal	(777)	(837)
(Investment in) withdrawal from restricted cash construction fund	(12,500)	6,300
Cash flows used in investing activities	(24,955)	(9,133)
Net change in cash and temporary investments	(15,868)	(3,102)
Cash and temporary investments at September 30,	23,194	4,827
Cash and temporary investments at December 31,	\$ 7,326	\$ 1,725
CHANGES IN COMPONENTS OF WORKING CAPITAL		
Receivables	\$ (115,374)	\$(123,017)
Inventories	4,936	14,582
Underrecovered gas costs	18,278	10,501
Gas purchases payable	12,424	40,418
Prepaid and accrued taxes, net	11,274	17,042
Accounts payable and other	(19,636)	(3,081)
Restricted broker margin accounts	(53,429)	(16,232)
Other current assets	(2,491)	4,627
Other current liabilities	3,171	5,331
Total	\$ (140,847)	\$ (49,829)
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
Cash paid for		
Interest (net of amounts capitalized)	\$3,208	\$4,171
Income taxes	\$14,706	\$4,078

See Notes to Condensed Unaudited Financial Statements

NEW JERSEY NATURAL GAS
BALANCE SHEETS (Unaudited)

ASSETS

<i>(Thousands)</i>	December 31, 2005	December 31, 2004
PROPERTY, PLANT AND EQUIPMENT		
Utility plant, at cost	\$1,176,794	\$1,130,523
Construction work in progress	30,078	33,389
	1,206,872	1,163,912
Accumulated depreciation and amortization	(310,457)	(292,307)
Property, plant and equipment, net	896,415	871,605
CURRENT ASSETS		
Cash and temporary investments	7,326	1,725
Customer accounts receivable	97,033	117,467
Unbilled revenues	84,400	46,594
Allowance for doubtful accounts	(3,211)	(2,591)
Regulatory assets	16,618	59,793
Gas in storage, at average cost	123,383	78,843
Materials and supplies, at average cost	2,856	3,473
Prepaid taxes	6,045	2,778
Derivatives	92,191	20,993
Restricted broker margin accounts	-	9,853
Other	7,489	8,741
Total current assets	434,130	347,669
NONCURRENT ASSETS		
Regulatory assets	243,975	229,187
Derivatives	35	3,772
Restricted cash construction fund	12,500	1,500
Other	20,922	30,008
Total noncurrent assets	277,432	264,467
Total assets	\$1,607,977	\$1,483,741

See Notes to Condensed Unaudited Financial Statements

NEW JERSEY NATURAL GAS**CAPITALIZATION AND LIABILITIES (Unaudited)**

<i>(Thousands)</i>	December 31, 2005	December 31, 2004
CAPITALIZATION		
Common stock equity	\$457,085	\$440,526
Long-term debt	310,415	294,871
Total capitalization	767,500	735,397
CURRENT LIABILITIES		
Current maturities of long-term debt	3,470	3,100
Short-term debt	115,300	165,000
Gas purchases payable	102,488	83,157
Accounts payable and other	28,014	29,356
Postretirement employee benefit liability	613	613
Accrued taxes	14,086	24,675
Derivatives	35,565	20,760
Restricted broker margin accounts	68,815	-
Clean energy program	6,953	5,899
Customers credit balances and deposits	25,605	24,309
Total current liabilities	400,909	356,869
NONCURRENT LIABILITIES		
Deferred income taxes	154,815	143,662
Deferred investment tax credits	8,077	8,398
Derivatives	73,807	29,134
Manufactured gas plant remediation	93,920	92,880
Postretirement employee benefit liability	1,968	6,809
Clean energy program	16,867	23,018
Regulatory liabilities	84,474	82,056
Other	5,640	5,518
Total noncurrent liabilities	439,568	391,475
Total capitalization and liabilities	\$ 1,607,977	\$ 1,483,741

See Notes to Condensed Unaudited Financial Statements

NEW JERSEY NATURAL GAS

STATEMENTS OF CAPITALIZATION (Unaudited)

<i>(Thousands)</i>	December 31, 2005	December 31, 2004
COMMON STOCK EQUITY		
Common stock, \$5 par value; authorized 4,750,000 shares; outstanding 3,214,923 shares	\$ 16,075	\$ 16,075
Premium on common stock	11,269	11,269
Contribution from parent	246,753	246,753
Accumulated other comprehensive income, net of tax	(9,760)	(10,042)
Retained earnings	192,748	176,471
Total Common stock equity	457,085	440,526
LONG-TERM DEBT		
<i>First mortgage bonds</i>	<i>Maturity date</i>	
5.38% Series W	August 1, 2023	-
6.27% Series X	November 1, 2008	30,000
6.25% Series Y	August 1, 2024	-
Variable Series AA	August 1, 2030	25,000
Variable Series BB	August 1, 2030	16,000
6.88% Series CC	October 1, 2010	20,000
Variable Series DD	September 1, 2027	13,500
Variable Series EE	January 1, 2028	9,545
Variable Series FF	January 1, 2028	15,000
Variable Series GG	April 1, 2033	18,000
5% Series HH	December 1, 2038	12,000
4.5% Series II	August 1, 2030	10,300
4.6% Series JJ	August 1, 2024	10,500
4.9% Series KK	October 1, 2040	2,500
4.77% Unsecured senior notes	March 15, 2014	60,000
Loan with state authority	December 1, 2038	-
Loan with state authority	October 1, 2040	12,500
Capital lease obligation Buildings	June 1, 2021	28,290
Capital lease obligation Meters	October 1, 2012	30,750
Less: Current maturities of long-term debt	(3,470)	(3,100)
Total Long-term debt	310,415	294,871
Total Capitalization	\$767,500	\$735,397

See Notes to Condensed Unaudited Financial Statements

NEW JERSEY NATURAL GAS
STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Thousands)

Three Months Ended December 31,	2005	2004
Net income	\$18,683	\$17,833
Other comprehensive income:		
Change in fair value of derivatives, net of tax of \$ (25) and \$(4)	36	5
Other comprehensive income	36	5
Comprehensive income	\$18,719	\$17,838

See Notes to Condensed Unaudited Financial Statements

NOTES TO CONDENSED UNAUDITED FINANCIAL STATEMENTS

1. GENERAL

New Jersey Natural Gas (NJNG) is a local natural gas distribution company that provides regulated retail natural gas service to more than 465,000 residential and commercial customers in central and northern New Jersey, and participates in the off-system sales and capacity release markets. NJNG is the principal subsidiary of New Jersey Resources (NJR). NJNG maintains its accounts in accordance with the Uniform System of Accounts as prescribed by the New Jersey Board of Public Utilities. As a result of the ratemaking process, the accounting principles applied by NJNG differ in certain respects from those applied by unregulated businesses.

These financial statements should be read in conjunction with the financial statements and the notes thereto included in NJR's 2005 Annual Report on Form 10-K, as well as the December 31, 2005, Quarterly Report on Form 10-Q that are filed with the Securities and Exchange Commission. Because of the seasonal nature of the NJNG's utility operations and other factors, the results of operations for the interim periods presented are not indicative of the results to be expected for the entire year.

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