



# New Zealand Gazette

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## NORTHPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

# Northpower

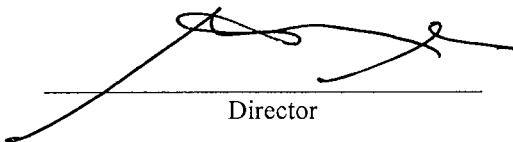
## **Certification of Financial Statements, Performance Measures, and Statistics Disclosed by Disclosing Entities (other than Transpower)**

We, Warren William Moyes and John Joseph Ward, Directors of Northpower Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:-

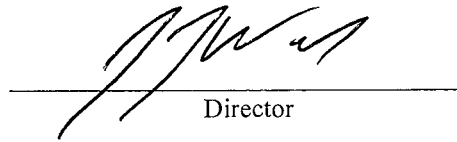
- (a) The attached audited financial statements of Northpower Limited, prepared for the purposes of Requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004, comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Northpower Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2006.

Dated this 23 day of November 2006



Director



Director

## **REPORT OF THE AUDITOR-GENERAL**

### **TO THE READERS OF THE FINANCIAL STATEMENTS OF NORTHPOWER LIMITED FOR THE YEAR ENDED 31 MARCH 2006**

We have audited the financial statements of Northpower Limited on pages 1 to 9 and 12 to 14. The financial statements provide information about the past financial performance of Northpower Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 1 to 3.

#### **Directors' Responsibilities**

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Northpower Limited as at 31 March 2006, and the results of its operations and cash flows for the year ended on that date.

#### **Auditor's Responsibilities**

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed F Caetano of Audit New Zealand to undertake the audit.

#### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Northpower Limited's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Northpower Limited.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been maintained by Northpower Limited as far as appears from our examination of those records; and
- the financial statements of Northpower Limited on pages 1 to 9 and 12 to 14:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of Northpower Limited's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
  - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 24 November 2006 and our unqualified opinion is expressed as at that date.



F Caetano  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

AUDIT NEW ZEALAND

**AUDITOR-GENERAL'S  
OPINION ON THE PERFORMANCE MEASURES OF NORTHPOWER LIMITED**

We have examined the information on pages 10, 17 and 18, being:

- a. the derivation table in requirement 15;
- b. the annual ODV reconciliation report in requirement 16;
- c. the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- d. the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1;

that were prepared by Northpower Limited and dated 24 November 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that the information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.



F Caetano  
On behalf of the Auditor-General  
Audit New Zealand  
Auckland, New Zealand  
24 November 2006

**NORTHPOWER LIMITED AND SUBSIDIARY****STATEMENT OF ACCOUNTING POLICIES**

For The Year Ended 31 March 2006

**Reporting Entity**

Northpower Limited is a company formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The group consists of Northpower Limited and its subsidiary Metro Power Limited.

The financial statements have been prepared in accordance with the Financial Reporting Act 1993 and Section 44 of the Energy Companies Act 1992.

**Measurement Base**

The general accounting policies recognised as appropriate for the measurement and reporting of results, cashflows and financial position under the historical cost method, as modified by the revaluation of land, buildings and the distribution system assets, have been followed in the preparation of these financial statements.

**Particular Accounting Policies**

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

(i) **Basis of Consolidation - Purchase Method**

The consolidated financial statements include the holding company and its subsidiary, accounted for using the purchase method. All significant intercompany transactions are eliminated on consolidation. In the parent company's financial statements, investments in the subsidiary are stated at cost.

(ii) **Operating Revenue**

Operating Revenue shown in the Statement of Financial Performance comprise the amounts received and receivable by the Company for goods and services supplied to customers in the ordinary course of business. Operating Revenue is stated exclusive of Goods and Services Tax collected from customers.

(iii) **Investments**

Investments are stated at cost and net realisable value. Any decreases are recognised in the Statement of Financial Performance.

(iv) **Properties Intended For Sale**

Properties intended for sale are classified as current assets if sale is expected within 1 year. Such properties are shown at carrying value unless this exceeds net realisable value.

(v) **Fixed Assets**

All fixed assets are initially recorded at historical cost except for land and buildings, and distribution system assets, which are valued as detailed below.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Company includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of production overhead. Costs cease to be capitalised as soon as the asset is ready for productive use.

Land and buildings have been revalued to fair value based on a valuation conducted by Telfer Young (Northland) Ltd, Registered Valuers of Whangarei, as at 31 March 2006.

Buildings on land not owned by the Company are recorded at cost less depreciation and are not revalued.

The farm land and buildings for the subsidiary, Metro Power Ltd, are stated at cost and not revalued.

Distribution system assets have been revalued to Depreciated Replacement Cost (DRC) as at 31 March 2004, based on a valuation conducted by PriceWaterhouseCoopers, Registered Valuers, as at 31 March 2004.

The results of the revaluation of land and buildings, and distribution system assets, are credited or debited to the appropriate revaluation reserve. Where this results in a debit balance in the asset revaluation reserve this balance is expensed in the Statement of Financial Performance.

Land and buildings, and distribution system assets, are revalued by independent registered valuers on a five-yearly basis. Valuations will be undertaken more regularly if necessary to ensure no individual item of property, plant and equipment within a class is included at a valuation that is not materially different from its fair value.

Additions between revaluations are recorded at cost.

(vi) **Depreciation**

Depreciation is charged on a straight line basis so as to write off the cost or valuation of the fixed assets to their estimated residual value over their expected economic lives. The estimated economic lives are as follows:-

Distribution system:

|                                |             |
|--------------------------------|-------------|
| Lines/transformers/substations | 45-70 years |
| Distribution switchgear        | 35-55 years |
| Meters/communication/SCADA     | 5-15 years  |
| Buildings – structural         | 50 years    |
| - electrical and mechanical    | 20 years    |
| - other                        | 10 years    |
| Motor vehicles                 | 5-15 years  |
| Plant and equipment            | 3-20 years  |

(vii) **Inventories**

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is principally determined on a weighted average basis.

(viii) **Accounts Receivable**

Accounts Receivable are stated at estimated realisable value after providing against debts where collection is doubtful.

(ix) **Work in Progress**

The value of work in progress is determined using the percentage of completion method. Profits are recognised only when the outcome of the contract can be reliably estimated. Foreseeable losses on a contract are recognised in the Statement of Financial Performance immediately.

(x) **Taxation**

The taxation charge against the profit for the year is the estimated liability in respect of that profit after allowance for permanent differences and timing differences not expected to reverse in future periods. This is the partial basis for the calculation of deferred taxation.

The Company follows the liability method of accounting for deferred taxation.

Future taxation benefits attributable to losses carried forward, or timing differences, are recognised in the financial statements only where there is virtual certainty of realisation.

(xi) **Research and Development Costs**

Research and development costs are normally expensed in the period incurred except that development costs are deferred where future benefits are expected to exceed these costs. Deferred development costs are amortised over future periods on a basis related to expected future revenue.

(xii) **Financial Instruments**

Northpower and its subsidiary are party to financial instrument arrangements as part of everyday operations. These instruments include bank accounts, accounts receivable, creditors, and short term deposits. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments are recognised in the Statement of Financial Position.

Northpower has limited its exposure to credit risk in respect of its investments by only investing in institutions with a high credit rating, and limiting the proportion that can be invested in any one institution. Northpower believes this policy reduces the risk of any loss which could arise from its investing activities.

(xiii) **GST**

These Financial Statements are prepared on a GST exclusive basis, with the exception of accounts receivable and accounts payable, which are GST inclusive. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense.

(xiv) **Employee Entitlements**

Provision is made in respect of the group's liability for annual leave, long service leave and retirement gratuities. Annual leave has been calculated on an actual entitlement basis at current rates of pay, while the other provisions have been calculated on an actuarial basis at current rates of pay.

(xv) **Goodwill**

Goodwill may arise from the acquisition of a business. An assessment of the economic life of goodwill will be made on a case by case basis and it will be amortised over a period not exceeding five years.

(xvi) **Leases**

Northpower Group entities lease certain land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

(xvii) **Statement of Cash Flows**

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which Northpower invests as part of its day-to-day cash management.

*Operating activities* include all activities other than investing and financing activities. The cash inflows include all receipts from the sale of goods and services and other sources of revenue that support Northpower's operating activities. Cash outflows include payments made to employees, suppliers and for taxes.

*Investing activities* are those activities relating to the acquisition and disposal of current and non-current securities and any other non-current assets.

*Financing activities* are those activities relating to changes in equity and debt capital structure of Northpower and those activities relating to the cost of servicing Northpower's equity capital.

**Changes in Accounting Policies:**

There have been no changes in accounting policies. The policies have been applied on a basis consistent with previous years.



## NORTHPOWER LIMITED


## STATEMENT OF FINANCIAL POSITION - LINE BUSINESS

As At 31 March 2006

|                                  | Notes | 2006<br>\$000's  | 2005<br>\$000's  |
|----------------------------------|-------|------------------|------------------|
| <b>EQUITY:</b>                   |       |                  |                  |
| Share Capital                    | 6     | 27,739           | 27,739           |
| Asset Revaluation Reserve        | 7     | 109,844          | 107,939          |
| Retained Earnings                | 8     | 24,213           | 19,575           |
| <b>TOTAL EQUITY</b>              |       | <b>\$161,796</b> | <b>\$155,253</b> |
| <b>NON CURRENT LIABILITIES</b>   |       |                  |                  |
| Employee Entitlements            |       | 121              | 107              |
|                                  |       | <b>\$121</b>     | <b>\$107</b>     |
| <b>CURRENT LIABILITIES</b>       |       |                  |                  |
| Bank Overdraft                   |       | -                | -                |
| Sundry Creditors                 |       | 1,288            | 2,458            |
| GST Payable                      |       | 145              | 57               |
| Provision for Dividend           |       | 4,155            | 4,095            |
| Employee Entitlements            |       | 191              | 130              |
| <b>TOTAL CURRENT LIABILITIES</b> |       | <b>\$5,779</b>   | <b>\$6,740</b>   |
|                                  |       | <b>\$167,696</b> | <b>\$162,100</b> |
| <b>NON CURRENT ASSETS</b>        |       |                  |                  |
| Fixed Assets                     | 5     | 151,686          | 145,393          |
|                                  |       | <b>\$151,686</b> | <b>\$145,393</b> |
| <b>CURRENT ASSETS</b>            |       |                  |                  |
| Cash and Bank                    |       | 12,345           | 12,740           |
| Short Term Deposits              |       | -                | 100              |
| Accounts Receivable              |       | 3,072            | 2,955            |
| Inventory                        |       | 593              | 545              |
| Tax Refund Due                   |       | -                | 367              |
| <b>TOTAL CURRENT ASSETS</b>      |       | <b>\$16,010</b>  | <b>\$16,707</b>  |
|                                  |       | <b>\$167,696</b> | <b>\$162,100</b> |

  
 \_\_\_\_\_  
 DIRECTOR

Date:

  
 \_\_\_\_\_  
 DIRECTOR  
 Date: 23/11/06

The accompanying Notes and Accounting Policies form part of these financial statements.

## NORTHPOWER LIMITED

## STATEMENT OF CASH FLOWS - LINE BUSINESS

For the Year Ended 31 March 2006

|   | Notes | 2006<br>\$000's  | 2005<br>\$000's |
|---|-------|------------------|-----------------|
| Cash Flows from Operating Activities -            |       |                  |                 |
| Cash was provided from:                           |       |                  |                 |
| Receipts from Customers                           |       | 31,717           | 33,505          |
| Interest Received                                 |       | 106              | 196             |
| Cash was distributed to:                          |       |                  |                 |
| Payments to Suppliers                             |       | (19,185)         | (17,071)        |
| Payments to Employees                             |       | (2,394)          | (2,734)         |
| Interest Paid                                     |       | -                | -               |
| Income Tax Paid                                   |       | (2,082)          | (2,929)         |
| <b>Net Cash Inflow from Operating Activities</b>  | 9     | <b>\$8,162</b>   | <b>\$10,967</b> |
| Cash Flows from Investing Activities -            |       |                  |                 |
| Cash was provided from:                           |       |                  |                 |
| Term Receivable                                   |       | -                | -               |
| Sale of Assets                                    |       | -                | -               |
| Short Term Deposits Matured                       |       | 100              | 4,009           |
| Cash was applied to:                              |       |                  |                 |
| Short Term Deposits                               |       | -                | -               |
| Purchase of Fixed Assets                          |       | (4,562)          | (4,138)         |
| <b>Net Cash Inflow from Investing Activities</b>  |       | <b>(\$4,462)</b> | <b>(\$129)</b>  |
| Cash Flows from Financing Activities -            |       |                  |                 |
| Cash was applied to:                              |       |                  |                 |
| Dividends   |       | (4,095)          | (3,512)         |
| <b>Net Cash Outflow from Financing Activities</b> |       | <b>(4,095)</b>   | <b>(3,512)</b>  |
| Net Increase (Decrease) in Cash Held              |       | (395)            | 7,326           |
| Add Opening Cash Brought Forward                  |       | 12,740           | 5,414           |
| <b>Ending Cash Carried Forward</b>                |       | <b>\$12,345</b>  | <b>\$12,740</b> |

The accompanying Notes and Accounting Policies form part of these financial statements.

## NORTHPOWER LIMITED

## STATEMENT OF CASH FLOWS - LINE BUSINESS

For the Year Ended 31 March 2006

|   | Notes | 2006<br>\$000's  | 2005<br>\$000's |
|---|-------|------------------|-----------------|
| Cash Flows from Operating Activities -            |       |                  |                 |
| Cash was provided from:                           |       |                  |                 |
| Receipts from Customers                           |       | 31,717           | 33,505          |
| Interest Received                                 |       | 106              | 196             |
| Cash was distributed to:                          |       |                  |                 |
| Payments to Suppliers                             |       | (19,185)         | (17,071)        |
| Payments to Employees                             |       | (2,394)          | (2,734)         |
| Interest Paid                                     |       | -                | -               |
| Income Tax Paid                                   |       | (2,082)          | (2,929)         |
| <b>Net Cash Inflow from Operating Activities</b>  | 9     | <b>\$8,162</b>   | <b>\$10,967</b> |
| Cash Flows from Investing Activities -            |       |                  |                 |
| Cash was provided from:                           |       |                  |                 |
| Term Receivable                                   |       | -                | -               |
| Sale of Assets                                    |       | -                | -               |
| Short Term Deposits Matured                       |       | 100              | 4,009           |
| Cash was applied to:                              |       |                  |                 |
| Short Term Deposits                               |       | -                | -               |
| Purchase of Fixed Assets                          |       | (4,562)          | (4,138)         |
| <b>Net Cash Inflow from Investing Activities</b>  |       | <b>(\$4,462)</b> | <b>(\$129)</b>  |
| Cash Flows from Financing Activities -            |       |                  |                 |
| Cash was applied to:                              |       |                  |                 |
| Dividends   |       | (4,095)          | (3,512)         |
| <b>Net Cash Outflow from Financing Activities</b> |       | <b>(4,095)</b>   | <b>(3,512)</b>  |
| Net Increase (Decrease) in Cash Held              |       | (395)            | 7,326           |
| Add Opening Cash Brought Forward                  |       | 12,740           | 5,414           |
| <b>Ending Cash Carried Forward</b>                |       | <b>\$12,345</b>  | <b>\$12,740</b> |

The accompanying Notes and Accounting Policies form part of these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2006

|   | Line Business   |                 |
|---|-----------------|-----------------|
|   | 2006<br>\$000's | 2005<br>\$000's |
| 1. Operating Revenue  |                 |                 |
| Line Charges  | 30,527          | 29,713          |
| Loss Rental Rebate  | 1,255           | 622             |
| Line Contributions  | 3,821           | 2,978           |
| Interest Received   | 106             | 196             |
| Sundry Income   | 52              | 39              |
|   | <u>\$35,761</u> | <u>\$33,548</u> |
| 2. Operating Surplus Before Tax After Charging:                                       |                 |                 |
| Bad Debts Written Off   | 6               | 14              |
| Depreciation - System Assets  | 3,566           | 3,538           |
| - Centralised Load Equipment  | 96              | 93              |
| - Computer Equipment  | 120             | 120             |
| - Plant and Equipment   | 119             | 100             |
| - Motor Vehicles  | 27              | 36              |
| - Buildings   | 67              | 67              |
| Directors' Fees   | 97              | 95              |
| Interest  | -               | -               |
| Rental and Operating Lease Costs  | -               | -               |
| Research and Development  | 8               | 1               |
| Donations   | -               | -               |
| (Gain) Loss on Sale of Assets   | (3)             | (150)           |
| 3. Auditors' Remuneration   |                 |                 |
| Auditing Financial Statements   | 26              | 24              |
| Other Services  | 10              | 7               |
| 4. Taxation   |                 |                 |
| Operating Surplus Before Taxation   | 11,242          | 10,885          |
| Prima Facie Taxation @ 33%  | 3,710           | 3,592           |
| Plus Tax Effect of Permanent Differences:-  |                 |                 |
| Permanent Differences   | (1,261)         | (983)           |
| Timing differences not recognised   | -               | -               |
| Prior Period Adjustment   | -               | -               |
| Deferred Tax Adjustment   | -               | -               |
| Tax on Profits for Year   | <u>\$2,449</u>  | <u>\$2,609</u>  |
| The Taxation Charge is Represented by:-   |                 |                 |
| Current Taxation  | 2,449           | 2,609           |
| Deferred Taxation   | -               | -               |
|   | <u>\$2,449</u>  | <u>\$2,609</u>  |
| A deferred tax liability of \$15,760,000 (2005: \$14,735,000) has not been recognised |                 |                 |
| Imputation Credit Account:  |                 |                 |
| Opening Balance   | 8,805           | 7,606           |
| Imputation Credits Attached to Dividends Paid   | (2,017)         | (1,730)         |
| Income Tax Payments During Year   | 2,082           | 2,929           |
|   | <u>\$8,870</u>  | <u>\$8,805</u>  |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

|   | Line Business    |                  |
|---|------------------|------------------|
|   | 2006             | 2005             |
|   | \$000's          | \$000's          |
| 5. Fixed Assets                           |                  |                  |
| System Assets - At Valuation              | 136,239          | 136,239          |
| - At Cost                                 | 12,787           | 5,138            |
| - Under Construction                      | 437              | 61               |
| Less Accumulated Depreciation             | (6,976)          | (3,538)          |
|   | <u>\$142,487</u> | <u>\$137,900</u> |
| Centralised Load Equipment - At Valuation | 2,089            | 2,089            |
| - At Cost                                 | 90               | 88               |
| Less Accumulated Depreciation             | (190)            | (93)             |
|   | <u>\$1,989</u>   | <u>\$2,084</u>   |
| Computer Equipment - At Cost              | 1,197            | 1,197            |
| Less Accumulated Depreciation             | (1,092)          | (1,042)          |
|   | <u>\$105</u>     | <u>\$155</u>     |
| Plant and Equipment - At Cost             | 1,973            | 1,964            |
| Less Accumulated Depreciation             | (1,294)          | (1,152)          |
|   | <u>\$679</u>     | <u>\$812</u>     |
| Motor Vehicles - At Cost                  | 128              | 267              |
| Less Accumulated Depreciation             | (54)             | (146)            |
|   | <u>\$74</u>      | <u>\$121</u>     |
| Buildings - At Valuation                  | 3,444            | 2,766            |
| - At Cost                                 | -                | 231              |
| Less Accumulated Depreciation             | (19)             | (145)            |
|   | <u>\$3,425</u>   | <u>\$2,852</u>   |
| Land - At Valuation                       | <u>\$2,927</u>   | <u>\$1,469</u>   |
| Total Fixed Assets                        | <u>\$151,686</u> | <u>\$145,393</u> |
| 6. Share Capital:                         |                  |                  |
| Authorised, issued and paid up capital    | 27,739           | 27,739           |
| Total Issued and Paid Up Capital          | <u>\$27,739</u>  | <u>\$27,739</u>  |
| 7. Asset Revaluation Reserve:             |                  |                  |
| Distribution System - Opening Balance     | 102,793          | 102,793          |
| - Revaluation                             | -                | -                |
| - Closing Balance                         | <u>\$102,793</u> | <u>\$102,793</u> |
| Buildings - Opening Balance               | 4,176            | 4,176            |
| - Revaluation                             | 447              | -                |
| - Closing Balance                         | <u>\$4,623</u>   | <u>\$4,176</u>   |
| Land - Opening Balance                    | 970              | 970              |
| - Revaluation                             | 1,458            | -                |
| - Closing Balance                         | <u>\$2,428</u>   | <u>\$970</u>     |
| 8. Retained Earnings:                     |                  |                  |
| Opening Balance                           | 19,575           | 15,394           |
| Net Surplus After Taxation                | 8,793            | 8,276            |
| Total Available for Appropriation         | 28,368           | 23,670           |
| Dividends                                 | (4,155)          | (4,095)          |
| Closing Balance                           | <u>\$24,213</u>  | <u>\$19,575</u>  |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)

|   | Line Business  |                 |
|---|----------------|-----------------|
|   | 2006           | 2005            |
|   | \$000's        | \$000's         |
| 9. Reconciliation of Net Surplus After Taxation   |                |                 |
| with Cash Inflow from Operating Activities:   |                |                 |
| Net Surplus After Taxation  | 8,793          | 8,276           |
| Add (less) Non Cash Items:  |                |                 |
| Depreciation  | 3,995          | 3,954           |
| Capital Contributions   | (3,821)        |                 |
| Movements in Working Capital  |                |                 |
| Increase (Decrease) in Creditors  | (1,007)        | (1,060)         |
| (Increase) Decrease in Taxation Refund  | 367            | (320)           |
| (Increase) Decrease in Accounts Receivable  | (117)          | 153             |
| (Increase) Decrease in Inventory  | (48)           | (36)            |
| Net Cash Flow from Operating Activities   | <u>\$8,162</u> | <u>\$10,967</u> |
| 10. Financial Instruments:  |                |                 |
| Financial Instruments which potentially subject the company to credit risk principally consist of cash bank balances, short term deposit, and accounts receivable. Northpower does not generally require collateral from customers.   |                |                 |
| Northpower places its cash and short term deposits with high credit quality financial institutions (A1 or better), and limits the amount of credit exposure to any one institution, in accordance with Company policy.                |                |                 |
| The fair value of all financial instruments is approximated by the carrying value recorded in the Statement of Financial Position.  |                |                 |
| 11. Segment Information:  |                |                 |
| Northpower Ltd operates predominantly in the electricity network industry within the Northland area. Therefore, there is no segmental information.  |                |                 |
| 12. Contingent Liabilities:   |                |                 |
| There are no contingent liabilities (2005 \$Nil)  |                |                 |
| 13. Commitments:  | 2006           | 2005            |
| Commitments relate to purchase of Distribution equipment  | <u>286</u>     | <u>-</u>        |
| 14. Related Parties:  |                |                 |
| Provision has been made in the accounts for payment of a final dividend to Northpower Electric Power Trust of \$4,154,900 (2005 \$4,094,650) and as at 31 March 2006 the amount owing to the Trust is \$4,154,900 (2005 \$4,094,650). |                |                 |
| The Northpower Electric Power Trust is the sole shareholder. All related party transactions with the Northpower Electric Power Trust have been conducted on a commercial and arms length basis.                                       |                |                 |
| Northpower's Contracting Division provided the following services to the Network Division, for the full year, at cost, including overheads:-  | 2006           | 2005            |
|   | \$000'S        | \$000'S         |
| (i) Maintenance of Assets   | 5,545          | 3,234           |
| (ii) Consumer disconnections/reconnections  | 11             | 10              |
| (iii) Other Services  | 633            | 787             |
| Construction of New Assets:-  |                |                 |
| (a) Subtransmission Assets  | 325            | -               |
| (b) Zone Substations  | 1,021          | 465             |
| (c) Distribution Lines and Cables   | 624            | 443             |
| (d) Medium Voltage Switchgear   | 844            | 29              |
| (e) Distribution Transformers   | 454            | 169             |
| (f) Distribution Substations  | -              | -               |
| (g) Low Voltage Reticulation  | 52             | 105             |
| Network Maintenance and Capital Works are charged in accordance with a Fixed Term Contract.   |                |                 |
| - No balance is outstanding at balance date.  |                |                 |
| - No amounts have been written off or forgiven during the year.   |                |                 |
| - No transactions have been made at nil or nominal value.   |                |                 |

DISCLOSURE OF FINANCIAL PERFORMANCE MEASURES AND EFFICIENCY PERFORMANCE  
MEASURES PURSUANT TO PART 3 OF THE ELECTRICITY INFORMATION DISCLOSURE  
REQUIREMENTS 2004

| <b>1. Financial Performance Measures</b>        | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| (a) Return on Funds                             | 7.6%        | 7.5%        | 6.7%        | 7.3%        | 6.2%        |
| (b) Return on Equity                            | 5.7%        | 5.5%        | 4.8%        | 5.4%        | 4.2%        |
| (c) Return on Investment                        | 5.9%        | 5.7%        | 24.1%       | 5.5%        | 4.1%        |
| <b>2. Efficiency Performance Measures</b>       | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
| (a) Direct line cost per kilometre              | \$1,425     | \$1,099     | \$1,081     | \$1,041     | \$1,044     |
| (b) Indirect line cost per electricity customer | \$46        | \$57        | \$46        | \$38        | \$45        |

DISCLOSURE OF RECONCILIATION OF ODV VALUATION PURSUANT TO PART 8 OF THE  
ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

|                        | <b>2006</b>    | <b>2005</b>    | <b>2004</b>    | <b>2003</b>    | <b>2002</b>    |
|------------------------|----------------|----------------|----------------|----------------|----------------|
|                        | <b>\$000's</b> | <b>\$000's</b> | <b>\$000's</b> | <b>\$000's</b> | <b>\$000's</b> |
| ODV Valuation 1 April  | 136,693        | 135,098        | 111,626        | 111,840        | 110,934        |
| Additions for Year     | 8,651          | 5,226          | 4,290          | 3,187          | 4,124          |
| Disposals for Year     | -              | -              | -              | -              | -              |
| Annual Depreciation    | (3,662)        | (3,631)        | (3,242)        | (3,401)        | (3,218)        |
| Revaluations           | -              | -              | 22,424         | -              | -              |
| ODV Valuation 31 March | 141,682        | 136,693        | 135,098        | 111,626        | 111,840        |

DISCLOSURE OF ENERGY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS PURSUANT  
TO SCHEDULE 1, PART 4 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

| <b>1. Energy Delivery Efficiency Performance Measures</b>          | <b>2006</b>      | <b>2005</b>       | <b>2004</b>       | <b>2003</b>       | <b>2002</b>       |
|--|------------------|-------------------|-------------------|-------------------|-------------------|
| (a) Load Factor  | 76.20%           | 76.37%            | 77.87%            | 77.38%            | 74.85%            |
| (b) Loss Ratio   | 3.12%            | 3.22%             | 3.54%             | 3.13%             | 4.50%             |
| Loss Ratio Estimated   | *3.60%           | *3.60%            | *3.70%            | *3.70%            | *3.60%            |
| (c) Capacity Utilisation   | 33.19%           | 32.23%            | 31.82%            | 32.35%            | 32.70%            |
| * Estimated, based on distribution system configuration            |                  |                   |                   |                   |                   |
| <b>2. Statistics</b>   |                  |                   |                   |                   |                   |
| (a) System length, broken down by voltage:                         |                  |                   |                   |                   |                   |
| - 33 kV  | 231.0 km         | 235.0 km          | 235.0 km          | 230.4 km          | 229.6 km          |
| - 11 kV  | 3298.0 km        | 3,244.0 km        | 3,197.0 km        | 3,194.1 km        | 3,137.0 km        |
| - 400V   | 2057.0 km        | 1,940.0 km        | 1,873.0 km        | 2,006.0 km        | 1,970.0 km        |
| - Total  | <u>5586.0 km</u> | <u>5,419.0 km</u> | <u>5,305.0 km</u> | <u>5,430.5 km</u> | <u>5,336.6 km</u> |
| (b) Circuit length of overhead lines, broken down by voltage:      |                  |                   |                   |                   |                   |
| - 33 kV  | 215.0 km         | 219.0 km          | 219.0 km          | 213.0 km          | 213.0 km          |
| - 11 kV  | 3149.0 km        | 3,125.0 km        | 3,093.0 km        | 3,097.0 km        | 3,050.0 km        |
| - 400V   | 1582.0 km        | 1,562.0 km        | 1,557.0 km        | 1,733.0 km        | 1,716.0 km        |
| - Total  | <u>4946.0 km</u> | <u>4,906.0 km</u> | <u>4,869.0 km</u> | <u>5,043.0 km</u> | <u>4,979.0 km</u> |
| (c) Circuit length of underground cables broken down by voltage:   |                  |                   |                   |                   |                   |
| - 33 kV  | 16.0 km          | 16.0 km           | 16.0 km           | 17.4 km           | 16.6 km           |
| - 11 kV  | 149.0 km         | 119.0 km          | 104.0 km          | 97.1 km           | 87.0 km           |
| - 400V   | 475.0 km         | 378.0 km          | 316.0 km          | 273.0 km          | 254.0 km          |
| - Total  | <u>640.0 km</u>  | <u>513.0 km</u>   | <u>436.0 km</u>   | <u>387.5 km</u>   | <u>357.6 km</u>   |
| (d) Transformer capacity   | 433235kVA        | 419,982 kVA       | 414,440 kVA       | 406,685 kVA       | 397,445 kVA       |
| (e) Maximum demand   | 143,800kW        | 135,344 kW        | 131,880 kW        | 131,560 kW        | 129,978 kW        |
| (f) Total electricity entering the system - kWh                    | 959,899,374      | 905,439,718       | 899,598,208       | 891,815,703       | 852,225,151       |
| (g) Total electricity supplied from the system for other retailers |                  |                   |                   |                   |                   |
| - Meridian Energy  | 234,998,959      | 296,082,158       | 298,266,724       | 322,048,156       | 265,038,676       |
| - Trust Power  | 125,036,672      | 111,027,589       | 118,620,725       | 136,055,824       | 155,862,292       |
| - On Energy  | 0                | 0                 | 0                 | 2,359,302         | 181,022,296       |
| - Genesis  | 117,444,845      | 108,385,534       | 94,838,915        | 262,402,357       | 182,238,158       |
| - Energy Waikato   | 0                | 0                 | 0                 | 0                 | 6,678,958         |
| - Mighty River   | 347,980,217      | 310,011,324       | 305,675,711       | 113,104,961       | 15,016,205        |
| - Empower  | 0                | 0                 | 942,581           | 1,538,915         | 192,485           |
| - Contact Energy   | 929,935,552      | 50,803,828        | 49,375,781        | 26,420,176        | 7,758,292         |
| (h) Total Customers  | 50,753           | 49,820            | 48,852            | 47,785            | 46,712            |



DISCLOSURE OF INFORMATION RELATING TO FINANCIAL STATEMENTS UNDER THE  
ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 2

|  | 2006<br>\$000's | 2005<br>\$000's | 2004<br>\$000's | 2003<br>\$000's | 2002<br>\$000's |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>1. Current Assets</b>                                   |                 |                 |                 |                 |                 |
| (a) Cash and Bank Balances                                 | 12,345          | 12,740          | 5,414           | 1               | 169             |
| (b) Short Term Investments                                 |                 | 100             | 4,109           | 5,266           | -               |
| (c) Inventories  | 593             | 545             | 509             | 483             | 222             |
| (d) Accounts Receivable                                    | 3,072           | 2,955           | 3,108           | 3,299           | 3,045           |
| (e) Other Current Assets Not Listed in (a) to (d)          |                 | 367             | 47              | 245             | 19              |
| (f) Total Current Assets                                   | <u>16,010</u>   | <u>16,707</u>   | <u>13,187</u>   | <u>9,294</u>    | <u>3,455</u>    |
| <b>2. Fixed Assets</b>                                     |                 |                 |                 |                 |                 |
| (a) System Fixed Assets                                    | 144,039         | 139,923         | 138,328         | 111,667         | 112,126         |
| (b) Customer Billing and Information System Assets         | 105             | 155             | 69              | 163             | 285             |
| (c) Motor Vehicles   | 74              | 121             | 45              | 69              | 58              |
| (d) Office Equipment                                       | 61              | 70              | 99              | 99              | 109             |
| (e) Land and Buildings                                     | 6,352           | 4,321           | 4,962           | 4,910           | 4,871           |
| (f) Capital Works Under Construction                       | 437             | 61              | 1,054           | 1,074           | 203             |
| (g) Other Fixed Assets Not Listed in (a) to (f)            | 618             | 742             | 652             | 735             | 848             |
| (h) Total Fixed Assets                                     | <u>151,686</u>  | <u>145,393</u>  | <u>145,209</u>  | <u>118,717</u>  | <u>118,500</u>  |
| <b>3. Other Tangible Assets Not Listed Above</b>           |                 | -               | -               | 114             | 571             |
| <b>4. Total Tangible Assets</b>                            | <u>167,696</u>  | <u>162,100</u>  | <u>158,396</u>  | <u>128,125</u>  | <u>122,526</u>  |
| <b>5. Intangible Assets</b>                                |                 |                 |                 |                 |                 |
| (a) Goodwill   |                 | -               | -               | -               | -               |
| (b) Other intangibles not listed in (a)                    |                 | -               | -               | -               | -               |
| (c) Total Intangible Assets                                |                 | -               | -               | -               | -               |
| <b>6. Total Assets</b>                                     | <u>167,696</u>  | <u>162,100</u>  | <u>158,396</u>  | <u>128,125</u>  | <u>122,526</u>  |
| <b>7. Current Liabilities</b>                              |                 |                 |                 |                 |                 |
| (a) Bank Overdraft   |                 | -               | -               | -               | -               |
| (b) Short Term Borrowings                                  |                 | -               | -               | -               | -               |
| (c) Payables and Accruals                                  | 1,288           | 2,458           | 3,455           | 2,246           | 1,698           |
| (d) Provision for Dividend Payable                         | 4,155           | 4,095           | 3,512           | 3,264           | 1,608           |
| (e) Provision for Income Tax                               |                 | -               | -               | -               | -               |
| (f) Other Current Liabilities Not Listed in (a) to (e)     | 336             | 187             | 183             | -               | -               |
| (g) Total Current Liabilities                              | <u>5,779</u>    | <u>6,740</u>    | <u>7,150</u>    | <u>5,510</u>    | <u>3,306</u>    |
| <b>8. Non-current Liabilities</b>                          |                 |                 |                 |                 |                 |
| (a) Payables and Accruals                                  | 121             | 107             | 174             | 174             | 121             |
| (b) Borrowings   |                 | -               | -               | -               | -               |
| (c) Deferred Tax   |                 | -               | -               | -               | -               |
| (d) Other Non-current Liabilities Not Listed in (a) to (c) |                 | -               | -               | -               | -               |
| (e) Total Non-current Liabilities (sum of (a) to (d))      | <u>121</u>      | <u>107</u>      | <u>174</u>      | <u>174</u>      | <u>121</u>      |

DISCLOSURE OF INFORMATION RELATING TO FINANCIAL STATEMENTS UNDER THE ELECTRICITY  
INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1, PART 2  
Continued

|   | 2006<br>\$000's | 2005<br>\$000's | 2004<br>\$000's | 2003<br>\$000's | 2002<br>\$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>9. Equity</b>  |                 |                 |                 |                 |                 |
| (a) Shareholders' Equity:-  |                 |                 |                 |                 |                 |
| (i) Share capital   | 27,739          | 27,739          | 27,739          | 27,739          | 27,739          |
| (ii) Retained earnings  | 24,213          | 19,575          | 15,394          | 12,512          | 9,299           |
| (iii) Reserves  | 109,844         | 107,939         | 107,939         | 82,190          | 82,061          |
| (iv) Total Shareholders' Equity (sum of (i) to (iii))                       | 161,796         | 155,253         | 151,072         | 122,441         | 119,099         |
| (b) Minority Interests in Subsidiaries                                      | -               | -               | -               | -               | -               |
| (c) Total Equity (sum of (a) and (b))                                       | 161,796         | 155,253         | 151,072         | 122,441         | 119,099         |
| (d) Capital Notes   | -               | -               | -               | -               | -               |
| (e) Total Capital Funds (sum of (c) and (d))                                | 161,796         | 155,253         | 151,072         | 122,441         | 119,099         |
| <b>10. Total Equity and Liabilities (Total Assets)</b>                      | <b>167,696</b>  | <b>162,100</b>  | <b>158,396</b>  | <b>128,125</b>  | <b>122,526</b>  |
| <b>11. Operating Revenue</b>  |                 |                 |                 |                 |                 |
| (a) Revenue from line/access charges  | 31,782          | 30,335          | 28,128          | 27,524          | 26,953          |
| (b) Revenue from "Other" business (transfer payment)                        | -               | -               | -               | -               | -               |
| (c) Interest on Cash, Bank Balances and Short Term Investments              | 106             | 196             | 222             | 140             | 50              |
| (d) AC Loss-Rental Rebates  | 1,255           | 622             | 1,097           | 857             | 1,607           |
| (e) Other Operating Revenue Not Listed in (a) to (d)                        | 3,876           | 3,017           | 1,880           | 1,810           | 819             |
| (f) Total Operating Revenue   | 37,019          | 34,170          | 31,327          | 30,331          | 29,429          |
| <b>12. Operating Expenditure</b>  |                 |                 |                 |                 |                 |
| (a) Payment for Transmission Charges  | 10,251          | 10,067          | 9,659           | 9,376           | 9,003           |
| (b) Transfer Payments to the "other" business for:-                         |                 |                 |                 |                 |                 |
| (i) Asset maintenance   | 5,545           | 3,234           | 2,934           | 3,366           | 2,688           |
| (ii) Consumer disconnection/reconnection services                           | 11              | 10              | 15              | 15              | -               |
| (iii) Meter data  | -               | -               | -               | -               | -               |
| (iv) Consumer-based load control services                                   | -               | -               | -               | -               | -               |
| (v) Royalty and patent expenses   | -               | -               | -               | -               | -               |
| (vi) Avoided transmission charges on account of own generation              | -               | -               | -               | -               | -               |
| (vii) Other goods and services not listed in (i) to (vi)                    | 633             | 787             | 853             | 873             | 960             |
| (viii) Total transfer payment to the 'Other' business (sum of (i) to (vii)) | 6,189           | 4,031           | 3,802           | 4,254           | 3,648           |
| (c) Expense to Entities That Are Not Related Parties for:-                  |                 |                 |                 |                 |                 |
| (i) Asset maintenance   | 38              | 281             | 101             | 259             | 360             |
| (ii) Consumer disconnection/reconnection services                           | -               | -               | -               | -               | -               |
| (iii) Meter data  | -               | -               | -               | -               | -               |
| (iv) Consumer-based load control services                                   | -               | -               | -               | -               | -               |
| (v) Royalty and patent expenses   | -               | -               | -               | -               | -               |
| (vi) Total of specified expenses to non-related parties (sum of (i) to (v)) | 38              | 281             | 101             | 259             | 360             |
| (d) Employee Salaries, Wages and Redundancies                               | 2,469           | 2,656           | 2,408           | 1,879           | 2,011           |
| (e) Consumer Billing and Information System Expense                         | 125             | 127             | 111             | 113             | 294             |
| (f) Depreciation On:-   |                 |                 |                 |                 |                 |
| (i) System fixed assets   | 3,662           | 3,631           | 3,242           | 3,401           | 3,218           |
| (ii) Other assets not listed in (i)   | 333             | 323             | 305             | 430             | 588             |
| (iii) Total depreciation (sum of (i) and (ii))                              | 3,995           | 3,954           | 3,547           | 3,831           | 3,806           |

DISCLOSURE OF INFORMATION RELATING TO FINANCIAL STATEMENTS UNDER THE  
ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 2  
Continued

|   | 2006<br>\$000's | 2005<br>\$000's | 2004<br>\$000's | 2003<br>\$000's | 2002<br>\$000's |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>12. Operating Expenditure continued</b>                                  |                 |                 |                 |                 |                 |
| (g) Amortisation of:-   |                 |                 |                 |                 |                 |
| (i) Goodwill  | -               | -               | -               | -               | -               |
| (ii) Other intangibles  | -               | -               | -               | -               | -               |
| (iii) Total amortisation of intangibles (sum of (i) and (ii))               | -               | -               | -               | -               | -               |
| (h) Corporation and Administration  | 949             | 838             | 1,051           | 535             | 705             |
| (i) Human Resources Expenses  | 26              | 24              | 28              | -               | -               |
| (j) Marketing/Advertising   | 183             | 352             | 332             | 108             | 295             |
| (k) Merger and Acquisition Expenses   | -               | -               | -               | -               | -               |
| (l) Takeover Defence Expenses   | -               | -               | -               | -               | -               |
| (m) Research and Development Expenses                                       | 8               | 1               | 5               | 24              | 23              |
| (n) Consultancy and Legal Expenses  | 123             | 167             | 127             | 176             | 190             |
| (o) Donations   | -               | -               | -               | -               | -               |
| (p) Directors' Fees   | 97              | 95              | 89              | 84              | 82              |
| (q) Auditors' Fees  |                 |                 |                 |                 |                 |
| (i) Audit fees paid to principal auditors                                   | 26              | 24              | 15              | 12              | 12              |
| (ii) Audit fees paid to other auditors                                      | -               | -               | -               | -               | -               |
| (iii) Fees paid for other services provided by principal and other auditors | 10              | 7               | 3               | 3               | 3               |
| (iv) Total auditors' fees (sum of (i) to (iii))                             | 36              | 31              | 18              | 15              | 15              |
| (r) Cost of Offering Credit   |                 |                 |                 |                 |                 |
| (i) Bad debts written off   | 6               | 14              | -               | -               | -               |
| (ii) Increase in estimated doubtful debts                                   | -               | -               | -               | -               | -               |
| (iii) Total cost of offering credit (sum of (i) to (ii))                    | 6               | 14              | -               | -               | -               |
| (s) Local Authority Rates Expense   | 27              | 25              | 26              | 18              | 19              |
| (t) AC Loss-Rental Rebates (Distribution to Retailers/Customers) expense    | 1,255           | 622             | 1,097           | 857             | 1,609           |
| (u) Rebates to Consumers Due to Ownership Interest                          | -               | -               | -               | -               | -               |
| (v) Subvention Payments   | -               | -               | -               | -               | -               |
| (w) Unusual Expenses  | -               | -               | -               | -               | -               |
| (x) Other Expenditure Not Listed in (a) to (w)                              | -               | -               | -               | -               | -               |
| <b>13. Total Operating Expenditure (sum of 12 (a) to 12 (x))</b>            | <b>25,777</b>   | <b>23,285</b>   | <b>22,401</b>   | <b>21,529</b>   | <b>22,060</b>   |
| <b>14. Operating Surplus Before Interest and Income Tax</b>                 | <b>11,242</b>   | <b>10,885</b>   | <b>8,926</b>    | <b>8,802</b>    | <b>7,369</b>    |
| <b>15. Interest Expense</b>   |                 |                 |                 |                 |                 |
| (a) Interest expense on borrowings  | -               | -               | -               | 3               | 23              |
| (b) Financing charges related to finance leases                             | -               | -               | -               | -               | -               |
| (c) Other interest expense  | -               | -               | -               | -               | -               |
|   | -               | -               | -               | 3               | 23              |
| <b>16. Operating Surplus Before Income Tax (14 - 15 (d))</b>                | <b>11,242</b>   | <b>10,885</b>   | <b>8,926</b>    | <b>8,799</b>    | <b>7,346</b>    |
| <b>17. Income Tax</b>   | <b>(2,449)</b>  | <b>(2,609)</b>  | <b>(2,532)</b>  | <b>(2,322)</b>  | <b>(2,414)</b>  |
| <b>18. Net Surplus After Tax (16 - 17)</b>                                  | <b>8,793</b>    | <b>8,276</b>    | <b>6,394</b>    | <b>6,477</b>    | <b>4,932</b>    |

DISCLOSURE OF RELIABILITY PERFORMANCE MEASURES UNDER THE ELECTRICITY INFORMATION  
DISCLOSURE REQUIREMENTS 2004

|  |             | <u>2006</u> | <u>2005</u> | <u>2004</u>  | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|-------------|--------------|-------------|-------------|
| <b>1. Total Number of Interruptions</b>  |             |             |             |              |             |             |
| Class A - Planned - by Transpower  |             | 0           | 1           | 1            | 0           | 1           |
| Class B - Planned - by Northpower  |             | 211         | 251         | 149          | 160         | 225         |
| Class C - Unplanned - by Northpower  |             | 290         | 225         | 256          | 361         | 271         |
| Class D - Unplanned - by Transpower  |             | 1           | 1           | 0            | 2           | 0           |
| Total  |             | <u>502</u>  | <u>478</u>  | <u>406</u>   | <u>523</u>  | <u>497</u>  |
| <b>2. Interruption Targets for 2006/2007</b>   |             |             |             |              |             |             |
| Class B - Planned - by Northpower  |             | 180         | 180         | 180          | 200         | 210         |
| Class C - Unplanned - by Northpower  |             | 220         | 220         | 240          | 240         | 240         |
| <b>3. Average Interruption Targets for Next 5 Yrs</b>  |             |             |             |              |             |             |
| Class B - Planned - by Northpower  |             | 160         | 160         | 160          | 170         | 180         |
| Class C - Unplanned - by Northpower  |             | 170         | 170         | 170          | 190         | 190         |
| <b>4. Proportion of Class C Interruptions not restored within</b>  |             |             |             |              |             |             |
| 3 Hrs  | 16.8%       | 16.4%       | 15.5%       | 15.7%        | 14.4%       |             |
| 24 Hrs   | 0%          | 0%          | 0%          | 0%           | 0%          |             |
| <b>5. (a) Total No. of Faults per 100 circuit kilometres of prescribed voltage electric line</b>         |             |             |             |              |             |             |
| 11 kV  | 8.52        | 6.72        | 7.79        | 10.74        | 8.54        |             |
| 33 kV  | 5.63        | 5.11        | 7.76        | 9.57         | 2.17        |             |
| Total  | <u>8.33</u> | <u>6.61</u> | <u>7.79</u> | <u>10.66</u> | <u>8.11</u> |             |
| <b>(b) Target for 2006/2007 Year</b>   |             |             |             |              |             |             |
| 11 kV  | 7.30        | 7.30        | 7.30        | 7.50         | 7.50        |             |
| 33 kV  | 2.00        | 2.00        | 2.00        | 2.00         | 2.00        |             |
| Total  | <u>7.00</u> | <u>7.00</u> | <u>7.00</u> | <u>7.12</u>  | <u>7.12</u> |             |
| <b>(c) Average Target for 2006/2007 to 2010/2011 years</b>   |             |             |             |              |             |             |
| 11 kV  | 5           | 5           | 5           | 5            | 5           |             |
| 33 kV  | 2           | 2           | 2           | 2            | 2           |             |
| Total  | <u>5</u>    | <u>5</u>    | <u>5</u>    | <u>5</u>     | <u>5</u>    |             |
| <b>6. Total No. of Faults per 100 circuit kilometres of underground prescribed voltage electric line</b> |             |             |             |              |             |             |
| 11 kV  | 2.01        | 1.68        | 1.92        | 1.03         | 2.30        |             |
| 33 kV  | 0.00        | 0.00        | 0.00        | 0.00         | 0.00        |             |
| Total  | <u>1.82</u> | <u>1.48</u> | <u>1.67</u> | <u>0.88</u>  | <u>1.92</u> |             |
| <b>7. Total No. of Faults per 100 circuit kilometres of overhead prescribed voltage electric line</b>    |             |             |             |              |             |             |
| 11kV   | 8.83        | 6.91        | 7.76        | 11.04        | 8.72        |             |
| 33 kV  | 6.05        | 5.48        | 7.79        | 10.33        | 2.35        |             |
| Total  | <u>8.65</u> | <u>6.82</u> | <u>7.79</u> | <u>11.00</u> | <u>8.31</u> |             |
| <b>8. The SAIDI for the total No. of Interruptions</b>   |             |             |             |              |             |             |
|  | 119.23      | 113.24      | 145.32      | 181.83       | 219.86      |             |
| <b>9. SAIDI Targets for 2006/07</b>  |             |             |             |              |             |             |
| Class B - Planned - by Line Owners   | 30          | 30          | 30          | 30           | 30          |             |
| Class C - Unplanned - by Line Owners   | 87          | 90          | 95          | 100          | 100         |             |
| <b>10. Average SAIDI Target for 2006/7 to 2010/11 Yrs</b>  |             |             |             |              |             |             |
| Class B - Planned - by Line Owners   | 30          | 30          | 30          | 30           | 30          |             |
| Class C - Unplanned - by Line Owners   | 85          | 85          | 85          | 85           | 85          |             |

DISCLOSURE OF RELIABILITY PERFORMANCE MEASURES UNDER THE ELECTRICITY  
INFORMATION DISCLOSURE REQUIREMENTS 2004

Continued

|  | 2006  | 2005  | 2004  | 2003   | 2002   |
|--|-------|-------|-------|--------|--------|
| <b>11. SAIDI For Total No. of Interruptions<br/>within each Interruption Class</b>     |       |       |       |        |        |
| Class A - Planned - by Transpower  | 0     | 15.49 | 25.79 | 0      | 31.24  |
| Class B - Planned - by Northpower  | 27.57 | 28.95 | 36.96 | 31.96  | 53.53  |
| Class C - Unplanned - by Northpower  | 89.46 | 67.66 | 82.57 | 140.53 | 135.09 |
| Class D - Unplanned - by Transpower  | 2.2   | 1.14  | 0     | 9.73   | 0      |
| <b>12. SAIFI for the Total No. of Interruptions</b>                                    | 2.47  | 2.6   | 2.71  | 4.07   | 2.94   |
| <b>13. SAIFI Targets for 2006/07</b>   |       |       |       |        |        |
| Class B - Planned - by Northpower  | 0.27  | 0.27  | 0.27  | 0.27   | 0.27   |
| Class C - Unplanned - by Northpower  | 2.5   | 2.5   | 2.5   | 2.5    | 2.5    |
| <b>14. Av. SAIFI target for 2006/07 to 2010/11 Yrs</b>                                 |       |       |       |        |        |
| Class B - Planned - by Northpower  | 0.27  | 0.27  | 0.27  | 0.27   | 0.27   |
| Class C - Unplanned - by Northpower  | 2.5   | 2.5   | 2.5   | 2.5    | 2.5    |
| <b>15. SAIFI for the Total No. of Interruptions<br/>within Each Interruption Class</b> |       |       |       |        |        |
| Class A - Planned - by Transpower  | 0     | 0.06  | 0.08  | 0.00   | 0.08   |
| Class B - Planned - by Northpower  | 0.17  | 0.21  | 0.21  | 0.21   | 0.37   |
| Class C - Unplanned - by Northpower  | 2.19  | 1.90  | 2.42  | 3.57   | 2.49   |
| Class D - Unplanned - by Transpower  | 0.11  | 0.42  | 0     | 0.29   | 0      |
| <b>16. CAIDI for the Total No. of Interruptions</b>                                    | 48.3  | 43.6  | 53.7  | 44.7   | 74.8   |
| <b>17. CAIDI Targets for 2006/07</b>   |       |       |       |        |        |
| Class B - Planned - by Northpower  | 110   | 110   | 110   | 110    | 110    |
| Class C - Unplanned - by Northpower  | 35    | 36    | 38    | 40     | 40     |
| <b>18. Av. CAIDI Target for 2006/07 to 2010/11 Yrs</b>                                 |       |       |       |        |        |
| Class B - Planned - by Northpower  | 110   | 110   | 110   | 110    | 110    |
| Class C - Unplanned - by Northpower  | 34    | 34    | 34    | 34     | 34     |
| <b>19. CAIDI for the Total No. of Interruptions<br/>within each Interruption Class</b> |       |       |       |        |        |
| Class A - Planned - by Transpower  | 0     | 250.0 | 315.0 | 0.0    | 374.0  |
| Class B - Planned - by Northpower  | 161.6 | 136.9 | 179.0 | 150.0  | 144.4  |
| Class C - Unplanned - by Northpower  | 40.9  | 35.6  | 34.1  | 39.4   | 54.4   |
| Class D - Unplanned - by Transpower  | 19.7  | 2.7   | 0     | 32.1   | 0      |

SCHEDULE 1 - PART 7  
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

| Derivation Table  | Input and Calculations                              | Symbol in formula | ROF                                  | ROE  | ROI   |
|---|---|-------------------|--------------------------------------|--|---|
| Operating surplus before interest and income tax from financial statements                  | 11,242  |                   |                                      |  |   |
| Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT) | 11,242  |                   |                                      |  |   |
| Interest on cash, bank balances, and short-term investments (ISTI)                          | 106   |                   |                                      |  |   |
| OSBIT minus ISTI  | 11,136  | a                 | 11,136                               |  | 11,136  |
| Net surplus after tax from financial statements   | 8,793   |                   |                                      |  |   |
| Net surplus after tax adjusted pursuant to regulation 18 (NSAT)                             | 8,793   | n                 |                                      | 8,793  |   |
| Amortisation of goodwill and amortisation of other intangibles                              | 0   | g                 | add                                  | add  | add   |
| Subvention payment  | 0   | s                 | add                                  | add  | add   |
| Depreciation of SFA at BV (x)   | 3,662   |                   |                                      |  |   |
| Depreciation of SFA at ODV (y)  | 3,662   |                   |                                      |  |   |
| ODV depreciation adjustment   | 0   | d                 | add                                  | add  | add   |
| Subvention payment tax adjustment   | 0   | s <sup>t</sup>    | deduct                               | deduct   | deduct  |
| Interest tax shield   | 35  | q                 |                                      |  | 35  |
| Revaluations  | 0   | r                 |                                      |  | 0   |
| Income tax  | 2,449   | p                 |                                      |  | 2,449   |
| <b>Numerator</b>  |   |                   | OSBIT <sup>ADJ</sup> = a + g + s + d | NSAT <sup>ADJ</sup> = n + g + s - s <sup>t</sup> + d | OSBIT <sup>ADJ</sup> = a + g - q + r + s + d - p - s <sup>t</sup> |
| Fixed assets at end of previous financial year (FA <sub>0</sub> )                           | 145,393   |                   |                                      |  |   |
| Fixed assets at end of current financial year (FA <sub>1</sub> )                            | 151,686   |                   |                                      |  |   |
| Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )         | 855   |                   |                                      |  |   |
| Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )          | 2,041   |                   |                                      |  |   |
| Average total funds employed (ATFE)   | 149,988<br>(or regulation 32 time-weighted average) | c                 | 149,988                              |  | 149,988   |
| Total equity at end of previous financial year (TE <sub>0</sub> )                           | 155,253   |                   |                                      |  |   |
| Total equity at end of current financial year (TE <sub>1</sub> )                            | 161,796   |                   |                                      |  |   |
| Average total equity  | 158,525<br>(or regulation 32 time-weighted average) | k                 |                                      | 158,525  |   |
| WUC at end of previous financial year (WUC <sub>0</sub> )                                   | 61  |                   |                                      |  |   |
| WUC at end of current financial year (WUC <sub>1</sub> )                                    | 437   |                   |                                      |  |   |
| Average total works under construction  | 249<br>(or regulation 32 time-weighted average)     | e                 | deduct<br>249                        | deduct<br>249  | deduct<br>249   |

SCHEDULE 1 - PART 7  
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

| Derivation Table   | Input and Calculations                   | Symbol in formula | ROF                                       | ROE                                     | ROI   |
|--|--|-------------------|---|---|---|
| Revaluations   | 1,905                                    | r                 |   |   |   |
| Half of revaluations   | 953                                      | r/2               |   |   | deduct 953                                  |
| Intangible assets at end of previous financial year ( $I_{A_0}$ )                      | 0  |                   |   |   |   |
| Intangible assets at end of current financial year ( $I_{A_1}$ )                       | 0  |                   |   |   |   |
| Average total intangible asset   | 0  | m                 |   | add 0                                   |   |
|  | (or regulation 32 time-weighted average) |                   |   |   |   |
| Subvention payment at end of previous financial year ( $S_0$ )                         | 0  |                   |   |   |   |
| Subvention payment at end of current financial year ( $S_1$ )                          | 0  |                   |   |   |   |
| Subvention payment tax adjustment at end of previous financial year                    | 0  |                   |   |   |   |
| Subvention payment tax adjustment at end of current financial year                     | 0  |                   |   |   |   |
| Average subvention payment & related tax adjustment                                    | 0  | v                 |   | add 0                                   |   |
|  |  |                   |   |   |   |
| System fixed assets at end of previous financial year at book value ( $SFA_{b_{v0}}$ ) | 139,923                                  |                   |   |   |   |
| System fixed assets at end of current financial year at book value ( $SFA_{b_{v1}}$ )  | 144,039                                  |                   |   |   |   |
| Average value of system fixed assets at book value                                     | 141,981                                  | f                 | deduct 141,981                            | deduct 141,981                          | deduct 141,981                              |
|  | (or regulation 32 time-weighted average) |                   |   |   |   |
| System Fixed assets at year beginning at ODV value ( $SFA_{odv0}$ )                    | 136,693                                  |                   |   |   |   |
| System Fixed assets at end of current financial year at ODV value ( $SFA_{odv1}$ )     | 141,682                                  |                   |   |   |   |
| Average value of system fixed assets at ODV value                                      | 139,188                                  | h                 | add 139,188                               | add 139,188                             | add 139,188                                 |
|  | (or regulation 32 time-weighted average) |                   |   |   |   |
| <b>Denominator</b>   |  |                   | $ATFE^{ADJ} = c - e - f + h$              | $Ave TE^{ADJ} = k - e - m + v - f + h$  | $ATFE^{ADJ} = c - e - \frac{1}{2}f - f + h$ |
| <b>Financial Performance Measure:</b>  |  |                   | $ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$ | $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$ | $ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$   |
|  |  |                   | 7.6                                       | 5.7                                     | 5.9   |

t = maximum statutory income tax rate applying to corporate entities  
 subscript '1' = end of the current financial year      ROF = return on funds      bv = book value      ave = average      odv = optimised deprival valuation      subscript '0' = end of the previous financial year  
 ROI = return on investment      ROE = return on equity

# Northpower

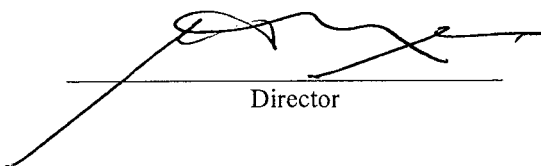
## Certification of Valuation Report of Disclosing Entities

We, Warren William Moyes and John Joseph Ward, Directors of Northpower Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:-

- (a) The attached Valuation Report of Northpower Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Regulations 2004, complies with those Requirements; and
- (b) The Replacement Cost of the line business system fixed assets of Northpower Limited is \$283,377,000; and
- (c) The Depreciated Replacement cost of the line business system fixed assets of Northpower Limited is \$140,922,000; and
- (d) The Optimised Depreciated Replacement Cost of the line business fixed assets of Northpower Limited is \$135,098,000; and
- (e) The Optimised Deprival Valuation of the line business system fixed assets of Northpower Limited is \$135,098,000; and
- (f) The values in (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosures Requirements 2004).

These valuations are as at 31 March 2004.

Dated this 23rd day of November 2006.

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director