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SCANPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

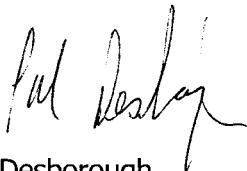
**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
SCANPOWER LIMITED**

We have examined the information on pages 18 and 22 to 24, 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 Scanpower Limited and dated 22 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 information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.



L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
22 November 2006

REPORT OF THE AUDITOR-GENERAL**TO THE READERS OF THE FINANCIAL STATEMENTS OF SCANPOWER LIMITED
FOR THE YEAR ENDED 31 MARCH 2006**

We have audited the financial statements of Scanpower Limited on pages 2 to 17. The financial statements provide information about the past financial performance of Scanpower Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 5 to 7.

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 Scanpower 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 L H Desborough 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 Scanpower 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.

In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out another audit assignment for Scanpower Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006. This assignment is compatible with those independence requirements. Other than this assignment we have no relationship with or interest in Scanpower Limited.

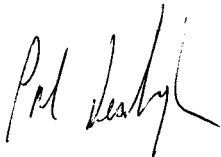
Unqualified opinion

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

In our opinion:

- proper accounting records have been maintained by Scanpower Limited as far as appears from our examination of those records; and
- the financial statements of Scanpower Limited on pages 2 to 17:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Scanpower 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 22 November 2006 and our unqualified opinion is expressed as at that date.



L H Desborough
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand

Scanpower Limited
Statement of Financial Performance
For the Year Ended 31 March 2006

	Notes	2006 \$'000	2005 \$'000
Revenue	1	6,436	6,134
Expense	1	(5,216)	(5,906)
Surplus before income tax		1,220	228
Less income tax expense	2	418	75
Net surplus after income tax		802	153

Scanpower Limited
Statement of Movements in Equity
For the Year Ended 31 March 2006

	Notes	2006 \$'000	2005 \$'000
EQUITY AT BEGINNING OF THE YEAR		19,422	19,299
SURPLUS AND REVALUATIONS			
Net surplus for the year		802	153
Revaluation of property, plant and equipment		0	0
Total recognised revenues and expenses for the year		802	153
OTHER MOVEMENTS			
Distribution to owners	3	75	30
EQUITY AT THE END OF THE YEAR		20,149	19,422

The accompanying notes and policies form an integral part of these Financial Statements

Scanpower Limited
Statement of Financial Position
As at 31 March 2006

	Notes	2006 \$'000	2005 \$'000
EQUITY			
7,500,000 Ordinary shares of \$1 fully paid		7,500	7,500
Retained earnings	3	(1,112)	(1,929)
Reserves	3	13,761	13,851
Shareholders' Equity		<u>20,149</u>	<u>19,422</u>
REPRESENTED BY:			
CURRENT ASSETS			
Cash and bank balances		169	374
Short term deposits	6	0	376
Receivables and prepayments	4	565	647
Tax provision		0	6
Inventories	5	143	131
Total Current Assets		<u>877</u>	<u>1,534</u>
NON CURRENT ASSETS			
Capital works in progress		938	304
Property, plant and equipment	7	21,389	20,003
Total Non-Current Assets		<u>22,327</u>	<u>20,307</u>
TOTAL ASSETS		<u>23,204</u>	<u>21,841</u>
CURRENT LIABILITIES			
Accounts payable	8	810	730
Employee entitlements		31	19
Tax provision		320	0
Total Current Liabilities		<u>1,161</u>	<u>749</u>
NON CURRENT LIABILITIES			
Deferred taxation	2	1,894	1,670
Total Non - Current Liabilities		<u>1,894</u>	<u>1,670</u>
TOTAL LIABILITIES		<u>3,055</u>	<u>2,419</u>
NET ASSETS		<u>20,149</u>	<u>19,422</u>

For and on behalf of the Board as at 22 November 2006

DIRECTOR:



DIRECTOR:



The accompanying notes and policies form an integral part of these Financial Statements

Scanpower Limited
Statement of Cash Flows
For the Year Ended 31 March 2006

	Notes	2006 \$'000	2005 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Receipts from customers		6,071	5,883
Interest received		184	204
Taxes received		0	0
		6,255	6,087
<i>Cash was applied to:</i>			
Payments to employees and suppliers		4,088	5,151
Taxes paid		75	135
Interest paid		0	0
		4,163	5,286
Net cash inflows from operating activities	9	2,092	801
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Proceeds from disposal of property, plant and equipment		0	0
		0	0
<i>Cash was applied to:</i>			
Purchase and construction of property, plant and equipment		2,598	1,136
		2,598	1,136
Net cash outflows from investment activities		(2,598)	(1,136)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was applied to:</i>			
Loans repaid		0	0
Dividends paid		75	30
Net cash outflows from financing activities		(75)	(30)
NET INCREASE / (DECREASE) IN CASH HELD		(581)	(365)
Opening Cash Brought Forward		750	1,115
CASH AT END OF THE YEAR		169	750
REPRESENTED BY:			
Cash and bank balances		169	374
Short term deposits		0	376
		169	750

The accompanying notes and policies form an integral part of these Financial Statements

Scanpower Limited
Statement of Significant Accounting Policies
For the Year Ended 31 March 2006

Basis of Preparation

Scanpower Limited (Scanpower) is a public company registered under the Companies Act 1993. These financial statements have been prepared for the purposes of complying with the requirements of the Electricity Information Disclosure Requirements 2004.

The financial statements comprise separate a Statement of Financial Performance, Statement of Movements in Equity, Statement of Financial Position, and a Statement of Cash Flows for the Scanpower electricity distribution business. This business operates in the Southern Hawkes Bay area.

For general accounting purposes, the historic cost basis has been recognised as appropriate for the measurement and reporting of earnings and financial position, with the exception that certain fixed assets have been revalued.

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice. The policies that materially affect the measurement of financial performance, position and cash flows are set out below.

Operating Revenue

Revenue comprises amounts earned for the sale of the company's products and services net of returns, trade allowances and taxes paid. Interest income is accounted for as earned.

Taxation

The income tax expense is recognised on the operating surplus before taxation, adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the Statement of Financial Position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at the balance date. Future tax benefits are not recognised unless realisation of the asset is virtually certain.

Goods and Services Tax

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

Receivables

Receivables are carried at anticipated realisable value after providing for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

Inventories

Inventories are valued at the lower of weighted average cost and net realisable value.

Scanpower Limited
Statement of Significant Accounting Policies (Continued)
For the Year Ended 31 March 2006

Property, Plant and Equipment

Owned Assets

Property, Plant and Equipment is initially stated at cost and depreciated as outlined below. Initial cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. These costs include, where appropriate, site preparation costs, installation costs, borrowing costs and the cost of obtaining initial resource consents. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to the location and condition for its intended use are complete.

Leased Assets

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated initially at an amount equal to the future minimum lease payments, and are depreciated as described below.

Revaluations

The Network Distribution assets were revalued as at 31 March 2004 on the basis of the Commerce Commission's "Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Lines Businesses" issued 30 August 2004. The valuation was prepared by Mr J R Collins B Eng.(Elec.) MBA of Scanpower Limited and was reviewed by PricewaterhouseCoopers and Eddie Graham B.E.(Elec.) FIPENZ. The valuation is expressed on an optimised depreciated replacement cost (ODRC)/optimised deprival value (ODV) basis.

Land and Buildings are revalued to fair value with regard to highest and best use. Fixed assets within these classes are revalued on a cyclical basis with no asset being recognised at a valuation undertaken more than five years previously. The most recent Land and Building valuation was conducted by an independent registered valuer, Mr. I.R. Mollison ANZIV, of the firm Ian Mollison & Associates, Dannevirke, on 31 March 2002.

Depreciation

Depreciation of Property, Plant and Equipment, other than Freehold Land, is calculated on a straight line basis so as to expense the cost of the assets, or the revalued amounts, to their residual values over their useful lives. The useful economic lives used for depreciation purposes are as follows:

Distribution Assets	
Lines – wood	45
Lines – concrete	60
Lines – underground	45
Transformers	55
Substations	55
Switchgear	45
Air break switches	35
Customer connections	45

Scanpower Limited
Statement of Significant Accounting Policies (Continued)
For the Year Ended 31 March 2006

Circuit breakers	40
Sectionalisers	40
Ring main units	40
Voltage regulators	40 to 55
Non standard assets	15 to 60
Buildings and Fixtures	10 to 50
Motor Vehicles	3 to 10
Computer Equipment	3 to 5

Employee Entitlements

Employee Entitlements to salaries and wages, annual leave, long service leave and other benefits are accrued on an actual entitlement basis.

Financial Instruments

Financial Instruments carried on the Statement of Financial Position include cash and bank balances, receivables, and trade creditors. These financial assets and liabilities are, generally, carried at their estimated fair values except for loans and investments, which are recorded at cost. Where appropriate, particular recognition methods adopted are disclosed in the individual policy statements associated with them.

Statement of Cash Flows

The following are the definitions of the terms used in the Statement of Cash Flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, and of investments.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Cash is considered to be cash on hand and current accounts in banks, and short term deposits, net of bank overdrafts.

Changes in Accounting Policies

There has been no changes in accounting policies and all policies have been applied on a basis consistent with those used in the previous year.

Scanpower Limited
Notes to the Financial Statements
For the Year Ended 31 March 2006

Note 1. (i) Operating Revenue

	2006	2005
	\$'000	\$'000
OPERATING REVENUE		
Network line rentals	5,856	5,832
AC loss-rental rebates	146	98
Interest income	184	204
Newly identified assets	250	0
Total revenue	6,436	6,134

Note 1. (ii) Operating Expenses

Audit fees	44	37
Auditors fees for other services	7	5
Fees paid to other auditors	14	38
Bad debts written off	0	0
Depreciation:		
Distribution assets:		
Lines	452	472
Transformers	83	82
Substations	19	19
Switchgear	41	71
Air break switches	7	17
Customer connections	55	55
Circuit breakers	14	17
Sectionalisers	6	3
Ring main unit	1	1
Voltage regulators	2	3
Non standard assets	34	34
Freehold buildings & fixtures	1	1
Motor vehicles	28	11
Computer equipment	2	4
Total Depreciation	745	790
Directors remuneration & expenses	80	84
Change in provision for doubtful debts	0	0
Interest paid	0	0
Loss on sale of assets	83	55
Network discounts	1,878	2,181
Cost of sales & operating expenses	2,365	2,716
	5,216	5,906

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 2. Taxation

	2006	2005
	\$'000	\$'000
Taxation Reconciliation		
Accounting net operating surplus before taxation	1,220	228
Taxation at 33%	402	75
Plus tax effect of:		
Permanent differences	(83)	0
Prior year adjustment	0	0
Deferred tax adjustment	99	0
Tax expense / (Benefit)	<u>418</u>	<u>75</u>
Income tax charge for the year comprises:		
Current taxation (liability)	319	107
Deferred taxation	99	(32)
	<u>418</u>	<u>75</u>
Deferred Tax Asset / (Liability):		
Opening balance	(1,670)	(1,702)
Prior period adjustment:		
Underground deferred tax adjustment	0	0
Current year movement	(224)	32
Closing balance	<u>(1,894)</u>	<u>(1,670)</u>
Imputation Credit Account:		
Opening balance	618	529
Tax paid during the year	75	104
Tax refunds during the year	0	0
Resident withholding tax paid	0	0
Credits attached to dividends paid	(37)	(15)
Closing balance at end of the year	<u>656</u>	<u>618</u>

Note 3. Retained Earnings and Reserves

Retained Earnings		
Balance at beginning of the year	(1,929)	(2,121)
Net surplus for the year	802	153
Dividends paid and proposed	(75)	(30)
Movement in revaluation reserve	90	69
Balance at end of the year	<u>(1,112)</u>	<u>(1,929)</u>
Reserves		
Asset revaluation reserves:		
Freehold land	14	14
Freehold buildings & fixtures	32	32
Distribution assets	13,715	13,805
Balance at end of the year	<u>13,761</u>	<u>13,851</u>

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 4. Receivables and Prepayments

	2006	2005
	\$'000	\$'000
Trading debtors	501	489
Estimated doubtful receivables	0	0
GST clearing account	64	145
Miscellaneous prepayments	0	13
Accruals	0	0
	<u>565</u>	<u>647</u>

Note 5. Inventories

Network stocks	<u>143</u>	<u>131</u>
	<u>143</u>	<u>131</u>

Note 6. (i) Current Investments

Short term deposits held with registered banks	<u>0</u>	<u>376</u>
	<u>0</u>	<u>376</u>

Market fluctuations in interest rates affect the earnings on these investments and the company policy of placing deposits with high credit quality institutions minimises potential credit risk.

Note 6. (ii) Interest Rates

The range of interest rates obtained on investments was as follows:

Short term bank investments	<u>6.7 - 7.4%</u>	<u>5.25 - 6.7%</u>
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Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 7. Property, Plant and Equipment

	2006	2005
	\$'000	\$'000
Distribution assets		
At Valuation – 31 March 2004	19,451	19,541
At cost	3,311	1,093
Accumulated depreciation	(1,488)	(774)
Total carrying amount of distribution assets	<u>21,274</u>	<u>19,860</u>
Freehold land		
At valuation - 31 March 2002	26	26
Total carrying amount of freehold land	<u>26</u>	<u>26</u>
Freehold buildings & fixtures		
At valuation - 31 March 2002	64	64
At cost	0	0
Accumulated depreciation	(5)	(4)
Total carrying amount of freehold buildings	<u>59</u>	<u>60</u>
Motor vehicles		
At cost	69	69
Accumulated depreciation	(46)	(18)
Total carrying amount of motor vehicles	<u>23</u>	<u>51</u>
Computer equipment		
At cost	18	15
Accumulated depreciation	(11)	(9)
Total carrying amount of computer equipment	<u>7</u>	<u>6</u>
Total property, plant and equipment		
At valuation	19,541	19,631
At cost	3,398	1,177
Accumulated depreciation	(1,550)	(805)
Total carrying amount of property, plant and equipment	<u><u>21,389</u></u>	<u><u>20,003</u></u>

Note 8. Accounts Payable

Trade creditors	307	631
Other creditors & accruals	503	99
	<u>810</u>	<u>730</u>

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 9. Reconciliation of Cash Flow with Operating Surplus

	2006	2005
	\$'000	\$'000
Reported surplus after taxation	802	153
Add Non Cash Items		
Depreciation	745	790
Change in deferred tax provision	224	(32)
Newly identified assets	(250)	0
Changes in Working Capital		
Increase/(decrease) in accounts payable & accruals	80	231
(Increase)/decrease in accounts receivable	82	(200)
(Increase)/decrease in inventories	(12)	(168)
Increase/(decrease) in employee entitlements	12	0
Increase/(decrease) in provision for taxation	326	(28)
Items Classified as Investing Activities		
Net (surplus)/loss on disposal of property, plant & equipment	83	55
Net Cashflow from Operating Activities	<u>2,092</u>	<u>801</u>

Note 10. Analysis of Non-Cancelable Operating Lease Commitments

Payable not later than one year	9	9
Payable later than one year, not later than two years	5	5
Payable later than two years, not later than five years	0	5
Payable later than five years	0	0
	<u>14</u>	<u>19</u>

Note 11. Environmental Policy

Scanpower endeavours to adhere to a sustainable usage policy with a minimum of environmental disturbance. To date, Scanpower is unaware of any of its projects or operations that would not meet the above policy.

Note 12. Capital Commitments and Contingent Liabilities

As at 31 March 2006 the company had a capital commitment of \$295,000 for the purchase of the Ruahine Club (2005 : Nil). There were no contingent liabilities (2005: Nil).

Note 13. Segment Information

Scanpower operates primarily in the electricity distribution industry – the ownership, management and operation of the electricity network in the Dannevirke region.

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 14. Related Party Information

Scanpower Limited Customer Trust owns, through its nominees, all of the issued capital of Scanpower Limited.

Directors' transactions with the company were made under normal terms and conditions of supply and sale available to members of staff.

All transactions with other related parties were also made under normal terms and conditions of supply and sale. No related party debts were forgiven or written off during the year.

Contestable contracting services in asset construction and maintenance were provided by Scanpower's contracting division at cost, including overheads, and as detailed respectively here and in Note 16 12(b)(i) below.

	2006	2005
	\$'000	\$'000
Construction of subtransmission assets	0	0
Construction of zone substations	0	0
Construction of distribution lines and cables	647	285
Construction of medium voltage switchgear	691	303
Construction of distribution transformers	219	314
Construction of distribution substations	25	48
Construction of low voltage reticulation	269	167
Construction of other system fixed assets	366	19
Maintenance of assets	604	462
Consumer connections and disconnections	0	0

An imputed rental of \$16,766 (2005 - \$16,600) is included in Note 16 12(b)(vii) as being paid to the "other" business.

Note 15. Financial Instruments

Scanpower has no off balance sheet financing, other than those disclosed in these notes, nor any foreign exchange exposure. The fair value of financial instruments is approximated by the carrying amount disclosed in the Statement of Financial Position.

Concentrations of credit risk with respect to receivables in the Company's core activity are managed by adequate safeguards in the use of system agreements entered into with energy retailers. The large customer base of the other activities ensures little concentration of risk. No other form of security or collateral is required to support financial instruments with credit risk.

The interest rates on the company's deposits are presented in Note 6.

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

Note 16. Electricity Information Disclosure Requirements 2006 (Part 2, Requirements 5 and 6)

	2006	2005
	\$'000	\$'000
1 Current Assets		
a Cash and bank balances	169	374
b Short-term investments	0	376
c Inventories	143	131
d Accounts receivable	565	634
e Other current assets not listed in (a) to (d)	0	19
f Total current assets	877	1,534
2 Fixed Assets		
a System fixed assets	21,274	19,860
b Consumer billing and information system assets	7	6
c Motor vehicles	24	51
d Office equipment	0	0
e Land and buildings	84	86
f Capital works under construction	938	304
g Other fixed assets not listed in (a) to (f)	0	0
h Total fixed assets	22,327	20,307
3 Other tangible assets not listed above	0	0
4 Total tangible assets	23,204	21,841
5 Intangibles		
a Goodwill	0	0
b Other intangibles not listed in (a) above	0	0
c Total intangibles	0	0
6 Total assets	23,204	21,841
7 Current liabilities		
a Bank overdraft	0	0
b Short-term borrowings	0	0
c Payables and accruals	810	730
d Provision for dividends payable	0	0
e Provision for income tax	320	0
f Other current liabilities not listed in (a) to (e) above	31	19
g Total current liabilities	1,161	749
8 Non-current liabilities		
a Payables and accruals	0	0
b Borrowings	0	0
c Deferred tax	1,894	1,670
d Other non-current liabilities not listed in (a) to (c) above	0	0
e Total non-current liabilities	1,894	1,670

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

		2006	2005
		\$'000	\$'000
9	Equity		
a	Shareholders' equity		
(i)	Share capital	7,500	7,500
(ii)	Retained earnings	(1,112)	(1,929)
(iii)	Reserves	13,761	13,851
(iv)	Total shareholders' equity	20,149	19,422
b	Minority interests in subsidiaries	0	0
c	Total equity	20,149	19,422
d	Capital notes	0	0
e	Total capital funds	20,149	19,422
10	Total equity and liabilities	23,204	21,841
11	Operating revenue		
a	Revenue from line/access charges	5,856	5,832
b	Revenue from "Other" business for services carried out by the line business (transfer payment)	0	0
c	Interest on cash, bank balances and short term investments:	184	204
d	AC loss-rental rebates	146	98
e	Other revenue not listed in (a) to (d)	250	0
f	Total operating revenue	6,436	6,134
12	Operating expenditure		
a	Payment for transmission charges	1,206	1,762
b	Transfer payments to the "Other" business for:		
(i)	Asset maintenance	604	462
(ii)	Consumer disconnection/reconnection services	0	0
(iii)	Meter data	0	0
(iv)	Consumer-based load control services	0	0
(v)	Royalty and patent expenses	0	0
(vi)	Avoided transmission charges on account of own generation	0	0
(vii)	Other goods and services not listed in (i) to (vi) above	17	17
(viii)	Total transfer payment to the "Other" business	621	479
c	Expense to entities that are not related parties for		
(i)	Asset maintenance	0	0
(ii)	Consumer disconnection/reconnection services	0	0
(iii)	Meter data	7	7
(iv)	Consumer-based load control services	0	0
(v)	Royalty and patent expenses	0	0

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

	2006	2005
	\$'000	\$'000
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	<u>7</u>	<u>7</u>
d Employee salaries, wages and redundancies	280	268
e Consumer billing and information system expense	12	12
f Depreciation on:		
(i) System fixed assets	714	774
(ii) Other assets not listed in (i)	<u>31</u>	<u>16</u>
(iii) Total depreciation	745	790
g Amortisation of:		
(i) Goodwill	0	0
(ii) Other intangibles	<u>0</u>	<u>0</u>
(iii) Total amortisation of intangibles	0	0
h Corporate and administration	127	113
i Human resource expenses	3	0
j Marketing/advertising	29	39
k Merger and acquisition expenses	0	0
l Takeover defence expenses	0	0
m Research and development expenses	0	0
n Consultancy and legal expenses	74	30
o Donations	0	0
p Directors' fees	80	84
q Auditors' fees		
(i) Audit fees paid to principal auditors	44	37
(ii) Audit fees paid to other auditors	14	38
(iii) Fees paid for other services provided by principal and other auditors	<u>7</u>	<u>5</u>
(iv) Total auditors' fees	65	80
r Costs of offering credit		
(i) Bad debts written off	0	0
(ii) Increase in estimated doubtful debts	<u>0</u>	<u>0</u>
(iii) Total cost of offering credit	0	0
s Local authority rates expense	6	6
t AC loss-rentals (distribution to retailers/customers) expense	146	98
u Rebates to consumers due to ownership interest	1,732	2,083
v Subvention payments	0	0
w Unusual expenses	0	0
x Other expenditure not listed in (a) to (w)	<u>83</u>	<u>55</u>
13 Total operating expenditure	5,216	5,906

Scanpower Limited
Notes to the Financial Statements (Continued)
For the Year Ended 31 March 2006

	2006	2005
	\$'000	\$'000
14 Operating surplus before interest and income tax	1,220	228
15 Interest expense		
a Interest expense on borrowings	0	0
b Financing charges related to finance leases	0	0
c Other interest expense not listed in (a) or (b)	0	0
d Total interest expense	0	0
16 Operating surplus before income tax	1,220	228
17 Income tax	418	75
18 Net surplus after tax	802	153

Scanpower Limited
Performance Measures
For the Year Ended 31 March 2006

Part 3. Requirement 14 (Financial and Efficiency Performance Measures)

Ref		Description	2006	2005	2004	2003	2002
1	a	Return on Funds	4.61%	0.16%	0.12%	-1.10%	-0.60%
	b	Return on Equity	3.62%	0.83%	-0.10%	-1.20%	-1.46%
	c	Return on Investments	2.87%	0.12%	21.63%	-1.56%	-1.79%
2	a	Direct Line Cost per Kilometre	\$1,063	\$890	\$887	\$938	\$1,057
	b	Indirect Line Cost per Consumer	\$56	\$52	\$47	\$75	\$65

Part 4. Requirement 20 (Energy Efficiency Performance Measures and Statistics)

Ref		Description	2006	2005	2004	2003	2002
1	a	Load Factor	67.30%	67.88%	69.80%	70.43%	67.80%
1	b	Loss Ratio	6.77%	6.76%	7.14%	6.96%	6.80%
1	c	Capacity Utilisation	26.95%	27.98%	26.00%	26.65%	26.80%
2	a	System Length					
		11KV	749	746	747	758	758
		400V	116	115	114	115	114
		Total	865	861	861	873	872
2	b	Circuit Length of Overhead System					
		11KV	744	741	743	755	758
		400V	69	70	71	73	74
		Total	813	811	814	828	832
2	c	Circuit Length of Underground System					
		11KV	5	5	4	3	0
		400V	47	45	43	42	40
		Total	52	50	47	45	40
2	d	Transformer Capacity	60,666	58,871	58,553	56,632	55,627
2	e	Maximum Demand (kW)	16,352	16,470	15,226	15,092	14,902
2	f	Total Electricity Supplied Into Systems (Before Losses) kWh	96,405,629	97,938,093	93,351,418	93,107,850	88,472,013
2	g	Electricity Carried on Behalf of Other Entities (After Losses) kWh					
		Retailer 1	50,595,855	61,496,766	62,018,549	63,646,375	67,938,098
		Retailer 2	26,309,510	15,177,246	15,723,792	16,386,678	7,889,162
		Retailer 3	7,599,901	7,456,947	6,130,911	6,037,242	4,156,761
		Retailer 4	4,888,241	6,771,118	2,448,434	474,096	1,964,022
		Retailer 5	482,259	417,907	364,441	80,859	418,294

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2006

Ref	Description	2006	2005	2004	2003	2002
	Retailer 6	0	0	0	0	90,095
	Retailer 7	0	0	0	0	0
	Total	89,875,766	91,319,985	86,686,126	86,625,250	82,456,432
2	h Total Consumers (Average for the Year)	6,694	6,753	6,719	6,638	6,615

Part 5. Requirement 21 (Reliability Performance Measures)

Sub Requirement 1. Total Number of Interruptions by Class

Year	A	B	C	D	E	F	G	TOTAL
Total Interruptions 2006	0.00	67.00	52.00	0.00	0.00	0.00	0.00	119.00
Total Interruptions 2005	0.00	86.00	60.00	0.00	0.00	0.00	0.00	146.00
Total Interruptions 2004	0.00	97.00	129.00	0.00	0.00	0.00	0.00	226.00
Total Interruptions 2003	1.00	82.00	65.00	0.00	0.00	0.00	0.00	148.00
Total Interruptions 2002	1.00	102.00	65.00	1.00	0.00	0.00	0.00	169.00

Sub Requirement 2. (a) & (b) Interruption Targets for the Following Year

Target Description	2007	2006	2005	2004	2003
Planned Interruption Target (Class B)	80	80	100	90	100
Unplanned Interruption Target (Class C)	60	60	62	70	100

Sub Requirement 3. Average Interruption Targets for the Following and Subsequent 4 years

Target Description	2007/2011	2006/2010	2005/2009	2004/2008	2003/2007
Planned Interruption Target (Class B)	80	80	100	90	100
Unplanned Interruption Target (Class C)	60	60	62	70	100

Sub Requirement 4. (a) & (b) Percentage Proportion of Total Number of Class C Interruptions by Time

Restoration Time	2006	2005	2004	2003	2002
3 Hours	5.8%	6.7%	32.6%	18.5%	4.6%
24 Hours	0.0%	0.0%	3.9%	0.0%	0.0%

Sub Requirement 5. (a) (b) (c) & (d) Faults per 100 Circuit Kilometres (Actual and Target)

Line Voltage	2006	2005	2004	2003	2002
11kV	6.94	8.04	17.27	8.58	8.58

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2006

Line Voltage / Target	2007	2007/2011
11kV	8.00	8.00

Sub Requirement 6. Faults per 100 Circuit Kilometres (Underground)

Line Voltage	2006	2005	2004	2003	2002
11kV Underground	0	0	0	0	0

Sub Requirement 7. Faults per 100 Circuit Kilometres (Overhead)

Line Voltage	2006	2005	2004	2003	2002
11kV Overhead	6.94	8.04	17.27	5.59	8.58

Sub Requirement 8. 9. 10. 11. SAIDI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2006 SAIDI	0.00	32.31	36.28	0.00	0.00	0.00	0.00	68.59
2005 SAIDI	0.00	38.82	32.49	0.00	0.00	0.00	0.00	71.31
2004 SAIDI	0.00	33.96	151.24	0.00	0.00	0.00	0.00	185.20
2003 SAIDI	28.44	24.80	57.23	0.00	0.00	0.00	0.00	110.47
2002 SAIDI	56.12	60.03	32.21	17.00	0.00	0.00	0.00	165.36

Class / Target	2007	2007/2011
SAIDI Class B	30.00	30.00
SAIDI Class C	45.00	45.00

Sub Requirement 12. 13. 14. 15. SAIFI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2006 SAIFI	0.00	0.29	0.69	0.00	0.00	0.00	0.00	0.98
2005 SAIFI	0.00	0.29	0.54	0.00	0.00	0.00	0.00	0.83
2004 SAIFI	0.00	0.26	1.41	0.00	0.00	0.00	0.00	1.67
2003 SAIFI	0.24	0.18	0.56	0.00	0.00	0.00	0.00	0.98
2002 SAIFI	0.23	0.46	0.67	0.57	0.00	0.00	0.00	1.93

Class / Target	2007	2007/2011
SAIFI Class B	0.25	0.25
SAIFI Class C	0.60	0.60

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2006

Sub Requirement 16. 17. 18.19. CAIDI Results by Class and Targets

Class	A	B	C	D	E	F	G	TOTAL
2006 CAIDI	0.00	111.41	52.58	0.00	0.00	0.00	0.00	69.99
2005 CAIDI	0.00	133.86	60.17	0.00	0.00	0.00	0.00	85.92
2004 CAIDI	0.00	130.62	107.26	0.00	0.00	0.00	0.00	110.90
2003 CAIDI	118.50	137.77	102.20	0.00	0.00	0.00	0.00	112.72
2002 CAIDI	239.83	131.07	48.15	29.82	0.00	0.00	0.00	85.63

Class / Target	2007	2007/2011
CAIDI Class B	120.00	120.00
CAIDI Class C	75.00	75.00

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2006

Part 7. Requirement 15 (Form for the Derivation of Financial Performance Measures)

Description	Input	Symbol	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	1,220				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	1,220				
Interest on cash, bank balances, and short-term investments (ISTI)	184				
OSBIT minus ISTI	1,036	a	1,036		1,036
Net surplus after tax from financial statements	802				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	802	n		802	
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)	714				
Depreciation of SFA at ODV (y)	806				
ODV depreciation adjustment	(92)	d	Add	add	add
Subvention payment tax adjustment	0	s*t		deduct	deduct
Interest tax shield	(61)	q			deduct
Revaluations	0	r			add
Income tax	418	p			deduct
Numerator			944	710	587
			$\text{OSBIT}^{(ADJ)} = a + g + s + d$ $\text{NSAT}^{(ADJ)} = n + g + s - s^*t + d$ $\text{OSBIT}^{(ADJ)} = a + g + q + r + s + d - p - s^*t$		
Fixed assets at end of previous financial year (FA ₀)	20,003				
Fixed assets at end of current financial year (FA ₁)	21,389				
Adjusted net working capital at end of previous financial year (ANWC ₀)	35				
Adjusted net working capital at end of current financial year (ANWC ₁)	(133)				

Description	Input	Symbol	ROF		ROE		ROI	
Average total funds employed (ATFE)	20,647	c		20,647				20,647
Total equity at end of previous financial year (TE ₀)	19,422							
Total equity at end of current financial year (TE ₁)	20,149							
Average total equity	19,786	k				19,786		
WUC at end of previous financial year (WUC ₀)	304							
WUC at end of current financial year (WUC ₁)	938							
Average total works under construction	621	e	Deduct	621	deduct	621	deduct	621
Revaluations	0	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA ₀)	0							
Intangible assets at end of current financial year (IA ₁)	0							
Average total intangible asset	0	m			add	0		
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 _{bv0})	19,860							
System fixed assets at end of current financial year at book value (SFA _{bv1})	21,274							
Average value of system fixed assets at book value	20,567	f	Deduct	20,567	deduct	20,567	deduct	20,567
System Fixed assets at year beginning at ODV value (SFA _{odv0})	20,352							
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	21,680							
Average value of system fixed assets at ODV value	21,016	h	Add	21,016	add	21,016	add	21,016
Denominator				20,475		19,614		20,475
			ATFE ^{ADJ} = c - e - f + h		Ave TE ^{ADJ} = k - e - m + v - f + h		ATFE ^{ADJ} = c - e - 1/2r - f + h	
Financial Performance Measure:			ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100		ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100		ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	

Scanpower Limited
Performance Measures Continued
For the Year Ended 31 March 2006

Part 8. Requirement 16 (Annual Valuation Reconciliation Report)

	2006	2005
	\$000	\$000
System fixed assets at ODV at end of previous financial year	20,352	19,541
ADD system fixed assets acquired during the year at ODV ¹	2,212	1,632
LESS system fixed assets disposed of during the year at ODV	78	55
LESS depreciation on system fixed assets at ODV	806	766
ADD revaluation of system fixed assets	0	0
EQUALS system fixed assets at ODV at end of the financial year	21,680	20,352

Note 1: The value of system fixed assets acquired during the year includes capitalised expenditure on replacement and refurbishment of system fixed assets.



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CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Scanpower Limited and dated 2 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$19,540,725, have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

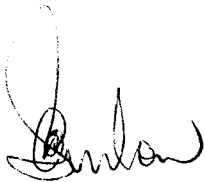
A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'. Below the signature is a long, horizontal, slightly curved line.

PricewaterhouseCoopers
Chartered Accountants
Auckland
2 December 2004

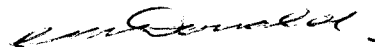
**CERTIFICATION OF VALUATION REPORT OF
SCANPOWER LIMITED**

We, Allan Benbow and Christine Donald, Directors of Scanpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge-

- (a) the attached valuation report of Scanpower Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- (b) the replacement cost of the line business system fixed assets of Scanpower Limited is **\$40,581,674**; and
- (c) the depreciated replacement cost of the line business system fixed assets of Scanpower Limited is **\$19,557,084**; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Scanpower Limited is **\$19,540,725**; and
- (e) the optimised deprival valuation of the line business system fixed assets of Scanpower Limited is **\$19,540,725**; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.



Allan Benbow
22 November 2006



Christine Donald
22 November 2006

**CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE
MEASURES, AND STATISTICS DISCLOSED BY
SCANPOWER LIMITED**

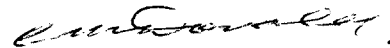
We, Allan Benbow and Christine Donald, Directors of Scanpower Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

- (a) The attached audited financial statements of Scanpower Limited prepared for 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 Scanpower 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 31 March 2004.



Allan Benbow
22 November 2006



Christine Donald
22 November 2006