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UNISON NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

**unison**

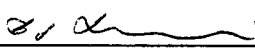
**CERTIFICATION ON FINANCIAL STATEMENTS, PERFORMANCE
MEASURES AND STATISTICS DISCLOSED BY LINE OWNERS
(OTHER THAN TRANSPower)**

We, Brian Martin and John Richard Palairé, Directors of Unison Networks Limited, certify that, having made all reasonable enquiry, to the best of our knowledge –

- a. The attached audited financial statements of Unison Networks 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 Unison Networks 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 as at 31 March 2005.

Declared at HASTINGS this 19TH day of August 2005



Director



Director

19. 8. 2005

Date

19. 8. 2005

Date

UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
For The Year Ended 31 March 2005

	Notes	2005 \$000	2004 \$000
Operating revenue	4	92,898	75,457
Discounts paid		-	35
Operating revenue		<u>92,898</u>	<u>75,422</u>
Operating surplus before non operating benefits/(costs)		<u>39,321</u>	<u>27,559</u>
Amortisation	18, 4	4,495	4,495
Non operating benefits/(costs)	4	-	-
Interest costs		12,787	13,701
Surplus before taxation		<u>22,039</u>	<u>9,363</u>
Taxation expense/(benefit)	3(a)	3,339	(1,614)
NET SURPLUS FOR THE YEAR		<u>18,700</u>	<u>10,977</u>

UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
For The Year Ended 31 March 2005

		2005 \$000	2004 \$000
Equity at beginning of year		<u>195,877</u>	<u>184,980</u>
Net surplus/(deficit)		18,700	10,977
Land and building revaluations		-	-
Revaluation of network assets	15	-	-
Total recognised revenues and expenses for the year		<u>18,700</u>	<u>10,977</u>
Dividends paid	16	3,038	80
Equity at end of year		<u>211,539</u>	<u>195,877</u>

The accompanying Statement of Significant Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with Electricity Information Disclosure Requirements pursuant to Section 57T of the Commerce Act 1986.

UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
As at 31 March 2005

	Notes	2005 \$000	2004 \$000
EQUITY			
Share capital	5	66,661	66,661
Asset revaluation reserve	15	112,166	112,166
Retained earnings	16	32,712	17,050
		<u>211,539</u>	<u>195,877</u>
Represented by:			
NON CURRENT ASSETS			
Property, plant and equipment	6	294,111	293,371
Goodwill arising on acquisition	18	79,054	83,549
Capital work in progress	19	9,805	3,338
Deferred tax	3e	-	1,543
		<u>382,970</u>	<u>381,801</u>
CURRENT ASSETS			
Receivables and prepayments	7	8,854	8,061
Inventories		1,418	1,467
Taxation refund	3c	2,735	1,818
		<u>13,007</u>	<u>11,346</u>
TOTAL ASSETS		<u>395,977</u>	<u>393,147</u>
NON CURRENT LIABILITIES			
Employee entitlements	17	1,121	665
Term debt	8	170,600	186,600
		<u>171,721</u>	<u>187,265</u>
CURRENT LIABILITIES			
Bank overdraft		4,011	2,520
Accounts payable and accruals	20	8,064	6,512
Taxation Payable	3	-	-
Employee entitlements	17	642	973
		<u>12,717</u>	<u>10,005</u>
TOTAL LIABILITIES		<u>184,438</u>	<u>197,270</u>
NET ASSETS EMPLOYED		<u>211,539</u>	<u>195,877</u>

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UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF CASH FLOWS
For The Year Ended 31 March 2005

	Notes	2005 \$000	2004 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		84,517	69,413
Contributions for capital works		7,443	4,588
Taxation refunds		687	253
GST		-	-
Interest received		143	97
		<u>92,790</u>	<u>74,351</u>
Cash was disbursed to:			
Payments to suppliers		31,610	30,412
Payments to employees		9,287	7,317
Interest paid on loans		12,695	13,682
Income taxes paid		3,400	357
GST		-	-
		<u>56,992</u>	<u>51,768</u>
Net cash flows from operating activities	12	<u>35,798</u>	<u>22,583</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		92	1,446
		<u>92</u>	<u>1,446</u>
Cash was applied to:			
Purchase and construction of property, plant and equipment		18,343	14,352
		<u>18,343</u>	<u>14,352</u>
Net cash flows from investing activities		<u>(18,251)</u>	<u>(12,906)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowings		2,500	600
		<u>2,500</u>	<u>600</u>
Cash was applied to:			
Settlement of borrowings		18,500	9,500
Payment of dividends		3,038	80
		<u>21,538</u>	<u>9,580</u>
Net cash flows from financing activities		<u>(19,038)</u>	<u>(8,980)</u>
Net increase/(decrease) in cash held		(1,491)	697
Cash balances at beginning of year		(2,520)	(3,217)
CASH BALANCES AT END OF YEAR		<u>(4,011)</u>	<u>(2,520)</u>

The accompanying Statement of Significant Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with Electricity Information Disclosure Requirements pursuant to Section 57T of the Commerce Act 1986.

**Unison Networks Limited – Lines Business
Statement of Significant Accounting Policies**

For the year ended 31 March 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

Unison Networks Limited (Unison) is registered as a Company under the Companies Act 1993, and is an Energy Company in terms of the Energy Companies Act 1992.

The financial statements have been prepared in accordance with the relevant provisions of these two Acts and the Financial Reporting Act 1993 and the Electricity Information Disclosure Requirements 2005.

- **Measurement System**

The general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis is followed by Unison, with the exception that certain property, plant and equipment have been revalued.

- **Specific Accounting Policies**

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

- a. *Property, Plant and Equipment***

Owned Assets

All owned items of property, plant and equipment are initially recorded at cost and, except for land, depreciated. These costs include the purchase consideration plus, where appropriate, site preparation costs, installation costs and all relevant overheads. Costs cease to be capitalised when substantially all the activities necessary to bring an asset to its intended location and condition are complete.

The electrical distribution network is valued at fair value based on Optimised Depreciated Replacement Cost (ODRC) as independently determined by PricewaterhouseCoopers. These valuations were completed as at 31 March 2003.

Land and buildings not included in the electrical distribution network are stated at valuation determined by Telfer Young Ltd, of Napier, an independent registered valuation company, as at 31 March 2002 and have been adjusted for additions at cost and depreciation at appropriate rates. The basis of valuation was fair value as defined under the Financial Reporting Standard 3 – *Accounting for property, plant and equipment*.

All other items of property, plant and equipment are initially stated at cost and depreciated as outlined in note (b) below.

Revaluations

The electrical distribution network is revalued on a cyclical basis with no components being recognised at a valuation undertaken more than three years previously.

Unison Networks Limited – Lines Business
Statement of Significant Accounting Policies

For the year ended 31 March 2005

Land and buildings are revalued on a cyclical basis at no more than 5 yearly intervals.

Any revaluation surplus arising on the revaluation of a class of property, plant or equipment is transferred directly to the asset revaluation reserve. A revaluation deficit in excess of the asset revaluation reserve balance for the class of property, plant or equipment is recognised in the Statement of Financial Performance in the period it arises. Revaluation surpluses which reverse previous revaluation deficits recognised in the Statement of Financial Performance are recognised as revenue in the Statement of Financial Performance.

Disposal of Property, Plant and Equipment

When an item of property, plant or equipment is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the asset.

The carrying values of property, plant and equipment do not exceed their estimated recoverable value. On disposal of an item of property, plant or equipment, any revaluation surplus in respect of that class of asset is reduced or increased by the amount applicable to that item.

b. Depreciation

Depreciation is provided on a straight line basis on all tangible items of property, plant and equipment other than freehold land, at rates calculated to allocate the assets cost or valuation less any residual value, over their estimated useful lives.

The estimated useful lives of property, plant and equipment are as follows:

Electrical Distribution Network

33kV sub transmission.....	35 - 70 Years
Zone substations, structures and equipment	15 - 60 Years
Distribution transformers.....	40 - 55 Years
Distribution switchgear.....	35 - 40 Years
Overhead lines	35 - 70 Years
Underground cables	45 - 70 Years
Other distribution equipment.....	10 - 45 Years

Other Plant, Property and Equipment

Freehold buildings	60 - 100 Years
Land	Indefinite
Motor vehicles	5 - 10 Years
Plant and equipment.....	5 - 10 Years
Office furniture and equipment.....	4 - 10 Years
Information technology	3 - 10 Years

c. Investments

Investments are stated at the lower of cost or net realisable value.

d. Receivables

Receivables are stated at their estimated realisable value, after providing for doubtful debts.

Unison Networks Limited – Lines Business
Statement of Significant Accounting Policies

For the year ended 31 March 2005

e. *Inventories*

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

f. *Capital Work in Progress*

Capital work in progress includes the cost of materials and other direct and indirect costs incurred as at balance date.

g. *Income Tax*

Unison adopts the liability method of accounting for deferred taxation.

The taxation charge against the surplus for the period is the estimated liability in respect of that surplus after allowance for all the permanent differences and timing differences not expected to reverse in the foreseeable future. This is the partial basis for the calculation of deferred tax.

A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation. The subsequent realisation of such income tax benefits is subject to the requirements of income tax legislation being met.

h. *Financial Instruments*

Unison has financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates.

Financial instruments entered into as hedges of an underlying exposure are accounted for on the same basis as the underlying exposure. Accordingly, hedge gains and losses are included in the Statement of Financial Performance when the gains or losses arising on the underlying exposures are recognised in the Statement of Financial Performance.

Financial instruments such as bank balances, bank investments, receivables, accounts payable and term debt are included in the accounts at their estimated fair value.

i. *Capitalisation*

Capital expenditure is defined as all expenditure incurred in the creation of a new asset, replacement of an asset that has reached the end of its economic life, or increased service potential of an existing asset. Constructed assets are included in property, plant and equipment as each becomes operational and available for use.

j. *Cash Flows*

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held on call with banks, and investments in money market instruments.

k. *Employee Entitlements*

A liability for annual leave, long service leave and retirement gratuities is accrued and recognised in the Statement of Financial Position. Liabilities for annual and long service leave are calculated on an entitlement basis at current rates. Retirement gratuity liability is calculated using current rates and appropriate probabilities for all qualifying staff. The calculations are based on the net present value of the estimated future cashflow. A discount rate of 6.95% and an inflation factor of 2.5% were used.

Unison Networks Limited – Lines Business
Statement of Significant Accounting Policies

For the year ended 31 March 2005

l. Goodwill Arising on Acquisition

Goodwill arising on acquisition of subsidiaries/businesses/assets is amortised on a straight-line basis over the period of expected benefit or 20 years, whichever is the lesser. Goodwill is tested annually for impairment.

m. Borrowings

Borrowings are stated at face value less unamortised discounts, premiums and prepaid interest. Discounts, premiums and prepaid interest are amortised to interest expenses on a yield to maturity basis over the period of the borrowing.

n. Goods and Services Tax

The financial statements have been prepared with revenue and expense items exclusive of GST. In the statement of financial position, accounts receivable and accounts payable are inclusive of GST. All other assets and liabilities are exclusive of GST.

o. Operating Leases

Payments made under operating leases are recognised in the Statement of Financial Performance on a basis representative of the pattern of benefits expected to be derived from the leased assets.

Changes in Accounting Policies

There have been no changes to accounting policies.

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****3 INCOME TAX**

	2005	2004
	\$000	\$000
a) Taxation		
Operating Surplus Before Taxation	22,039	9,363
Prima Facie Tax @ 33%	7,273	3,090
Permanent differences	(777)	(108)
Timing Differences not recognised	(3,353)	(4,525)
Prior Period Adjustments	196	(71)
Current Taxation (Benefit)/Expense	3,339	(1,614)

Taxation Expense (Benefit) is represented by:

Current Taxation	1,796	(71)
Deferred Tax	1,543	(1,543)
	3,339	(1,614)

- b) In respect of network assets there is a deferred tax liability for tax depreciation recoverable amounting to approximately \$24.5 million (2004: \$20.9million) which would crystallise if all network assets were disposed of at their carrying value.

The deferred tax account includes a tax loss benefit of nil (2004: \$1.5 million). Subsequent realisation of this benefit is subject to the requirement of Income Tax Legislation being met.

c) Taxation (Refund)/Payable

Opening Balance	(1,818)	(1,643)
Current year taxation expense (benefit)	1,796	(71)
Taxation paid	(3,400)	(357)
Taxation Refunded Prior Periods	687	253
Closing Balance	(2,735)	(1,818)

d) Imputation Credit Account

Opening Balance	4,432	4,001
Prior Period Adjustment	-	366
Taxation Paid	3,400	357
Taxation Refund Received	(687)	(253)
Imputation Credits attached to Dividends Paid in the reporting period	(1,496)	(39)
Closing Balance	5,649	4,432

e) Deferred Tax (Asset)/Liability

Opening Balance	(1,543)	-
Movement	1,543	(1,543)
Closing Balance	-	(1,543)

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****4 SURPLUS BEFORE TAXATION**

	2005	2004
	\$000	\$000
Operating Revenue		
Interest revenue	143	97
Recovery of debt previously written off as bad	18	25
Gain on sale from properties intended for sale	-	131
All other revenue	92,737	75,204
	92,898	75,457
Depreciation		
Electrical Distribution System	11,187	10,439
Freehold Buildings	148	138
Motor Vehicles	295	152
Plant and Equipment	178	132
Office Furniture and Equipment	72	91
Information Technology	868	647
Total Depreciation	12,748	11,599
Operating Expenses		
Audit New Zealand - audit services	79	24
Audit New Zealand - disclosure accounts	6	3
Remuneration paid to directors	232	154
Bad debts written off	5	25
Operating lease payments	79	79
Change in provision for doubtful debts	(31)	(60)
Loss on sale of properties, plant and equipment	16	37
Loss on sale from properties intended for sale	-	21
All other expenses	40,443	35,980
	40,829	36,263
Non Operating (Benefits)/Costs		
Miscellaneous	-	-
Other Costs		
Amortisation	4,495	4,495
Discounts	-	35
Interest	12,787	13,701
	17,282	18,231
Surplus Before Taxation	22,039	9,363

5 SHARE CAPITAL

	2005	2004
Number of ordinary fully paid shares on issue	64,000,000	64,000,000
	2005	2004
	\$000	\$000
Issued and paid up value	66,661	66,661

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005

6 PROPERTY PLANT AND EQUIPMENT

	2005 \$000	2004 \$000
<i>Electrical Distribution Network</i>		
33kV Subtransmission		
at valuation	16,839	16,839
additions at cost	809	49
less accumulated depreciation	1,142	534
	<u>16,506</u>	<u>16,354</u>
Zone Substation Structures and Equipment		
at valuation	20,151	20,151
additions at cost	1,323	1,077
less accumulated depreciation	1,765	846
	<u>19,709</u>	<u>20,382</u>
Distribution and Substation Transformers		
at valuation	44,868	44,868
additions at cost	11,294	8,795
less accumulated depreciation	3,940	1,952
	<u>52,222</u>	<u>51,711</u>
Distribution Switchgear		
at valuation	15,327	15,327
additions at cost	1,532	713
less accumulated depreciation	1,579	704
	<u>15,280</u>	<u>15,336</u>
Overhead Lines		
at valuation	99,328	99,328
additions at cost	8,475	4,546
less accumulated depreciation	6,743	3,401
	<u>101,060</u>	<u>100,473</u>
Underground Cables		
at valuation	61,677	61,677
additions at cost	4,170	1,563
less accumulated depreciation	4,931	2,289
	<u>60,916</u>	<u>60,951</u>
Other Distribution Equipment		
at valuation	18,772	18,772
additions at cost	1,579	608
less accumulated depreciation	1,538	727
	<u>18,813</u>	<u>18,653</u>
Net carrying value, Electricity Distribution Network	<u>284,506</u>	<u>283,860</u>

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****6 PROPERTY PLANT AND EQUIPMENT...continued**

	2005 \$000	2004 \$000
Freehold Buildings		
at valuation	3,573	3,573
at cost	407	355
less accumulated depreciation	417	269
	<u>3,563</u>	<u>3,659</u>
Land and Additions to Land		
at valuation	479	479
at cost	205	205
	<u>684</u>	<u>684</u>
Motor vehicles		
at cost	2,416	2,611
less accumulated depreciation	1,773	1,751
	<u>643</u>	<u>860</u>
Plant and Equipment		
at cost	2,458	2,910
less accumulated depreciation	1,723	2,055
	<u>735</u>	<u>855</u>
Office Furniture and Equipment		
at cost	887	909
less accumulated depreciation	583	561
	<u>304</u>	<u>348</u>
Information Technology		
at cost	6,608	5,277
less accumulated depreciation	2,932	2,172
	<u>3,676</u>	<u>3,105</u>
Net Carrying Value, Other Items of Property, Plant and Equipment	<u>9,605</u>	<u>9,511</u>
TOTAL NET CARRYING VALUE	<u>294,111</u>	<u>293,371</u>
Reconciliation:		
Balance at beginning of reporting period	293,371	286,604
Plus revaluations	-	-
Plus other property, plant and equipment additions	13,488	18,366
Less depreciation	12,748	11,599
Balance at end of reporting period	<u>294,111</u>	<u>293,371</u>
This is represented by:		
Property, plant and equipment at valuation	281,014	281,014
Property, plant and equipment at cost	42,163	29,619
less accumulated depreciation	29,066	17,262
	<u>294,111</u>	<u>293,371</u>

** During the year a review of property, plant and equipment has resulted in some assets being reclassified to their correct class of assets. For comparative purposes, the 2004 amounts have also been reclassified in line with these changes.*

7 RECEIVABLES AND PREPAYMENTS

	2005 \$000	2004 \$000
Trade debtors	8,865	8,116
Provision for doubtful debts	(24)	(55)
Prepayments	13	-
	<u>8,854</u>	<u>8,061</u>

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****8 BORROWINGS**

	2005	2004
	\$000	\$000
Term borrowings		
Maturing within 1 year	9,000	25,000
Maturing between 1 - 2 years	80,000	-
Maturing between 2 and 3 years	-	80,000
Maturing between 3 and 4 years	80,000	-
Maturing between 4 and 5 years	-	80,000
	169,000	185,000
Related party borrowings		
Maturing within 1 year	-	-
Maturing 5 to 10 years	1,600	1,600
	1,600	1,600
Total borrowings	170,600	186,600

	2005	2004
	%	%
Weighted average interest rate on term borrowings	7.13%	7.13%
Effective interest rate related party	6.00%	6.00%

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. Unison utilises a multi tranche bank facility arrangement for a total of \$200m. Components of this facility will be routinely renewed on maturity date. For this reason all borrowings under this facility are reported as term borrowings.

The bank facility is unsecured and has the benefit of a negative pledge and cross guarantee. The facility is subject to various covenants such as limitations on long-term indebtedness, leverage and other ratios. The Company complied with all covenants for the 2005 and 2004 financial years.

The related party loan is from the Hawke's Bay Power Consumers' Trust and is unsecured. This loan is renewable on 01 June 2013.

9 RELATED PARTY TRANSACTIONS

The Hawke's Bay Power Consumers' Trust holds the shares of Unison on behalf of the consumers in their capacity as owners. Unison has issued a debt security to the Trust of \$1,600,000 repayable on 1 June 2013. The debt security carries an interest rate of 6% per annum. During the year Unison paid \$96,000 in interest to the HBPCT.

Unison operates a management contract for Centralines Limited, an electricity lines company based in Waipukurau. This contract provides for executive, financial and technical managerial services for Centralines Limited. For commercial reasons the value of this contract is not disclosed.

During the year the following entities, in which directors had an interest, provided services to Unison under normal commercial terms.

	2005	2004
	\$000	\$000
Information Management Services Ltd/K Atkinson	11	12
Chapman Tripp/F Miller	-	4
Vectek Electronics Ltd/K Valentine	-	28

As at balance date the only amount outstanding was \$660 (2004: \$9,214) which was payable to Information Management Services Limited under normal trading terms.

An operating lease agreement to supply backup generation facilities was entered into during the year on normal commercial terms between Unison and the Hawkes Bay District Health Board, of which Mrs H Walker and Mr K Atkinson are directors.

There were no other related party transactions.

10 COMMITMENTS

The value of contractual capital commitments as at 31 March 2005 is estimated at \$7,147,346 (2004: \$1,207,319).

Unison has entered into fixed term contracts with Siemens Limited for the provision of maintenance and non-customer generated capital works over the electricity networks in the Taupo and Rotorua regions. These contracts are for periods of up to 4 years.

Unison has entered into a contract with Transpower relating to Wairakei Transformers to improve the security of supply in the Taupo region. This contract has 9 years to run.

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****For The Year Ended 31 March 2005****Operating lease commitments**

	2005	2004
	\$000	\$000
Less than 1 year	79	77
1-2 years	33	51
2-5 years	13	28
	<u>125</u>	<u>156</u>

11 CONTINGENT LIABILITIES

Note 22 discloses potential implications for Unison's prices and asset carrying values as a result of the Commerce Commission's current inquiry. Unison has no other contingent liabilities. (2004: The Company was audited by the Inland Revenue Department for the tax year ending 31 March 2001. At balance Unison has not received any notification of intention to reassess the years under review.)

12 Reconciliation of Reported Net Operating Surplus After Tax With Net Cash Flows From Operating Activities

	2005	2004
	\$000	\$000
Net Surplus	18,700	10,977
(Loss)/gain on sale of property, plant and equipment	16	(95)
Amortisation	4,495	4,495
Depreciation	<u>12,748</u>	<u>11,599</u>
	35,959	26,976
(Increase)/decrease in receivables and prepayments	(793)	(1,228)
(Decrease)/increase in inventories	49	(580)
(Decrease)/increase in accounts payable, accruals and employee entitlements	(42)	(867)
(Increase)/decrease in taxation payable	<u>625</u>	<u>(1,718)</u>
Net cash inflow from operating activities	<u>35,798</u>	<u>22,583</u>

13 FINANCIAL INSTRUMENTS

Unison has a comprehensive treasury policy approved by the Board of Directors to manage the risks of financial instruments.

a) Interest rate risk

Unison manages interest rate exposure in accordance with treasury policy by hedging no less than 60% of all borrowings with interest rate hedge instruments.

The weighted average rates on interest rate swaps are as follows:

	2005	2005	2004*	2004
	%	\$000	%	\$000
Maturing in less than 1 year	6.15	30,000	6.11	24,000
Maturing between 1 and 2 years	6.32	30,000	6.15	30,000
Maturing between 2 and 5 years	6.46	54,000	6.41	84,000
Maturing after 5 years	6.65	36,000	6.65	36,000
		<u>150,000</u>		<u>174,000</u>

* The weighted average rates for 2004 were incorrectly stated in the 2004 Financial Statements and have hence been corrected.

The market valuation of these hedges at 31 March 2005 is a \$2,177,608 gain (2004: \$2,363,309 loss).

b) Credit risk

Financial instruments which potentially subject Unison to credit risk principally consist of bank balances and accounts receivables. No collateral is held on these amounts. (2004: nil)

Maximum exposure to credit risk is the amount stated in the Financial Statements and is net of any recognised provision for losses on these financial instruments.

c) Concentration of credit risk

Unison has exposure to four electricity retailers that account for 69% of accounts receivable. To minimise this risk, the Company performs credit evaluations on all energy retailers in conjunction with the contractual requirements contained within the use of system agreements operating with these parties. A bond or bank undertaking may be required where deemed necessary. At balance date a bank guarantee of up to \$5.4 million is currently held by Unison in respect of one retailer.

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****13 FINANCIAL INSTRUMENTS ...continued****d) Fair values**

The methods and assumptions used are that carrying amounts in the Financial Statements reflect the estimated fair value of the financial instruments including receivables, bank and investments, accounts payable and term debt. There were no material investments at balance date.

e) Currency risk

Unison enters into forward exchange contracts for any significant transactions conducted in currency other than the New Zealand dollar to eliminate the effects of any currency fluctuations. At balance date no forward exchange contracts were in operation (2004:nil)

14 SEGMENT INFORMATION

Unison operates predominantly in one industry - the ownership, management and operation of electricity networks within the Hawke's Bay, Rotorua and Taupo regions

15 RESERVES

	2005	2004
	\$000	\$000
Asset Revaluation Reserve		
Balance at beginning of year	112,166	112,166
Revaluation of electrical distribution network	-	-
	112,166	112,166
Detailed As		
Land	278	278
Revaluation of electrical distribution network	111,888	111,888
	112,166	112,166

16 RETAINED EARNINGS

	2005	2004
	\$000	\$000
Balance at beginning of year	17,050	6,153
Net Surplus	18,700	10,977
Dividends Paid	3,038	80
Land and building revaluations	-	-
Balance at end of year	32,712	17,050

17 EMPLOYEE ENTITLEMENTS

Employee entitlements expected to be taken within the 12 months following Balance Date are recorded as Current Liabilities. All other Employee Entitlements are recorded as Term Liabilities.

18 GOODWILL ARISING FROM ACQUISITION

	2005	2004
	\$000	\$000
Goodwill at cost	89,888	89,888
Goodwill purchased during the year	-	-
Accumulated amortisation	(10,834)	(6,339)
Balance at year end	79,054	83,549

Goodwill arising on acquisition is the result of accounting allocations and represents the balance of the purchase price for the Rotorua and Taupo electrical distribution networks after assigning fair values for financial reporting purposes to the appropriate asset classes. The valuation assigned for financial reporting purposes to the most significant category of the purchase price (namely the electrical distribution network) has been established using an optimised depreciated replacement cost (ODRC) methodology on an individual component basis, in accordance with Financial Reporting Standard 3, Property, Plant and Equipment. The ODRC methodology has limitations as it takes minimal account of the integrated systemic value of the infrastructure in place, the value of consents, existing use rights, easements etc. These important elements of total system value remain under the generic heading "Goodwill arising on acquisition".

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****19 CAPITAL WORK IN PROGRESS**

	2005	2004
	\$000	\$000
Electrical distribution network	9,805	3,338
	9,805	3,338

20 ACCOUNTS PAYABLE AND ACCRUALS

	2005	2004
	\$000	\$000
Trade creditors	6,863	5,403
Interest payable	1,201	1,109
	8,064	6,512

21 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no significant reporting events subsequent to balance date.

22 OTHER MATTERS

Unison is subject to the Commerce Commission's Price and Quality Threshold Regime which applies to electricity lines businesses.

The Commerce Commission is currently undertaking a stage 1 post-breach inquiry, in terms of its published Assessment and Inquiry Guidelines, following breaches of the price and quality thresholds by Unison. The Commerce Commission has yet to determine whether it considers it appropriate to move to a stage 2 inquiry. The outcome of the Commerce Commission post breach inquiry could result in price control, and materially impact the carrying value of assets.

The summary of 2004 Information Disclosure Requirements, recently published by the Commerce Commission indicates that Unison's line charges are in the lower half of line charges for electricity line businesses in New Zealand. Unison believes that the Price and Quality Threshold Regime does not achieve its statutory purpose and, during the year, commenced proceedings for a judicial review of the Commerce Commission's regime in the High Court. The judicial review proceedings are yet to be heard.

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****23 MANDATORY SPECIFIC DISCLOSURE**

The following information is required to be disclosed in the financial statements under requirement 6 of the Commerce Act Electricity Information Disclosure Requirements 2004.

Statement of Financial Position Disclosure (Schedule 1, Part 2)

	2005	2004
	\$000	\$000
Current assets		
(a) Cash and bank balances:	-	-
(b) Short-term investments:	-	-
(c) Inventories:	1,418	1,467
(d) Accounts receivable:	8,854	8,061
(e) Other current assets not listed in (a) to (d):	2,735	1,818
(f) Total current assets	13,007	11,346
Fixed assets		
(a) System fixed assets:	284,506	283,860
(b) Consumer billing and information system assets:	3,676	3,105
(c) Motor vehicles:	643	860
(d) Office equipment:	304	348
(e) Land and buildings:	4,247	4,343
(f) Capital works under construction:	9,805	3,338
(g) Other fixed assets not listed in (a) to (f):	735	2,398
(h) Total fixed assets	303,916	298,252
Other tangible assets not listed above	-	-
Total tangible assets	316,923	309,598
Intangible assets		
(a) Goodwill:	79,054	83,549
(b) Other intangibles not listed in (a) above:	-	-
(c) Total intangible assets	79,054	83,549
Total assets	395,977	393,147
Current liabilities		
(a) Bank overdraft:	4,011	2,520
(b) Short-term borrowings:	-	-
(c) Payables and accruals:	8,064	7,485
(d) Provision for dividends payable:	-	-
(e) Provision for income tax:	-	-
(f) Other current liabilities not listed in (a) to (e) above:	642	-
(g) Total current liabilities	12,717	10,005
Non-current liabilities		
(a) Payables and accruals:	-	-
(b) Borrowings:	170,600	186,600
(c) Deferred tax:	-	-
(d) Other non-current liabilities not listed in (a) to (c) above:	1,121	665
(e) Total non-current liabilities	171,721	187,265
Equity		
(a) Shareholders' equity:		
Share capital:	66,661	66,661
Retained earnings:	32,712	17,050
Reserves:	112,166	112,166
Total Shareholders' equity:	211,539	195,877
(b) Minority interests in subsidiaries:	-	-
(c) Total equity:	211,539	195,877
(d) Capital notes:	-	-
(e) Total capital funds:	211,539	195,877
Total equity and liabilities	395,977	393,147

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****23 MANDATORY SPECIFIC DISCLOSURE...continued**

The following information is required to be disclosed in the financial statements under requirement 6 of the Commerce Act Electricity Information Disclosure Requirements 2004.

Statement of Financial Performance Disclosure (Schedule 1, Part 2)

		2005	2004
		\$000	\$000
Operating revenue			
(a)	Revenue from line/access charges:	89,956	72,598
(b)	Revenue from "Other" business for services carried out by the line business (transfer payment):	-	-
(c)	Interest on cash, bank balances and short term investments:	143	97
(d)	AC loss-rental rebates:	2,779	2,632
(e)	Other revenue not listed in (a) to (d):	20	130
(f)	Total operating revenue pre Discounts	92,898	75,457

		2005	2004
		\$000	\$000
Operating expenditure			
(a)	Payment for Transmission Charges	19,877	18,239
(b)	Transfer payments to the "other" business for:	19,877	18,239
(i)	Asset maintenance:	-	-
(ii)	Consumer disconnection/reconnection services:	-	-
(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) above	-	-
(viii)	Total transfer payment to the "Other" business	-	-
(c)	Expense to entities that are not related parties for:		
(i)	Asset maintenance:	4,136	5,021
(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))	4,136	5,021
(d)	Employee salaries, wages and redundancies	7,997	5,838
(e)	Consumer billing and information system expense	-	-
(f)	Depreciation on:		
(i)	System fixed assets:	11,187	10,439
(ii)	Other assets not listed in (i)	1,561	1,160
(iii)	Total depreciation	12,748	11,599
(g)	Amortisation of:		
(i)	Goodwill:	4,495	4,495
(ii)	Other intangibles:	-	-
(iii)	Total amortisation of intangibles	4,495	4,495
(h)	Corporate and administration:	2,456	1,809
(i)	Human resource expenses:	381	82
(j)	Marketing/advertising:	153	438
(k)	Merger and acquisition expenses:	-	-
(l)	Takeover defense expenses:	-	-
(m)	Research and development expenses:	-	44
(n)	Consultancy and legal expenses:	613	1,111
(o)	Donations:	-	-
(p)	Directors' fees:	232	154
		3,835	3,638

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For The Year Ended 31 March 2005****23 MANDATORY SPECIFIC DISCLOSURE...continued**

The following information is required to be disclosed in the financial statements under requirement 6 of the Commerce Act Electricity Information Disclosure Requirements 2004.

		2005 \$000	2004 \$000
(q)	Auditors' fees:		
(i)	Audit fees paid to principal auditors:	85	27
(ii)	Audit fees paid to other auditors:	-	-
(iii)	Fees paid for other services provided by principal and other auditors:	-	-
(iv)	Total auditors' fees:	85	27
(r)	Costs of offering credit:		
(i)	Bad debts written off:	5	25
(ii)	Increase in estimated doubtful debts:	(31)	(60)
(iii)	Total cost of offering credit:	(26)	(35)
(s)	Local authority rates expense:	88	104
(t)	AC loss-rentals (distribution to retailers/customers) expense:	2,779	2,634
(u)	Rebates to consumers due to ownership interest:	-	35
(v)	Subvention payments:	-	-
(w)	Unusual expenses:	-	-
(x)	Other expenditure not listed in (a) to (w)	2,058	798
		4,925	3,571
	Total operating expenditure	58,072	52,393
	Operating surplus before Interest and income tax	34,826	23,064
	Interest expense		
(a)	Interest expense on borrowings	12,787	13,701
(b)	Financing charges related to finance leases	-	-
(c)	Other interest expense	-	-
	Total interest expense	12,787	13,701
	Operating surplus before income tax	22,039	9,363
	Income tax	3,339	(1,614)
	Net Surplus after Tax	18,700	10,977

UNISON NETWORKS LIMITED - LINES BUSINESS**ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004****Requirement 14 (Schedule 1, Part 3)****Disclosure by line owners of financial and efficiency performance measures**

Financial Measures	2005	2004	2003	2002
Return On Funds	13.20%	10.10%	6.67%	0.23%
Return On Equity	19.82%	20.04%	6.13%	0.93%
Return On Investment	10.67%	33.41%	17.74%	0.74%

The regulatory calculation for ROI adds revaluations into the Operating Surplus. ROI percentages excluding revaluations from the operating surplus are as follows: 2005: 10.67% (2004: 9.02%, 2003: 6.13% 2002: 0.74%).

Efficiency Measures	2005	2004	2003	2002
Direct Line Cost Per Kilometre	\$1,326	\$1,030	\$1,055	\$1,293
Indirect Line Cost Per Customer	\$57	\$58	\$45	\$48

The information for the year ending 31 March 2003 has been time-weighted to reflect the acquisition of Taupo and Rotorua distribution assets from United Networks Limited.

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 (OSBIT)	34,826,000				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	34,826,000				
Interest on cash, bank balances, and short-term investments (ISTI)	143,000				
OSBIT minus ISTI	34,683,000	a	34,683,000		34,683,000
Net surplus after tax from financial statements	18,699,950			18,699,950	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	18,699,950	n			
Amortisation of goodwill and amortisation of other intangibles					
Subvention payment	4,494,600	g	add	add	add
Depreciation of SFA at BV (x)	0	s	add	0	0
Depreciation of SFA at ODV (y)	11,187,000			4,494,600	4,494,600
ODV depreciation adjustment	11,187,000	d	add	0	0
Subvention payment tax adjustment	0	s ^t	deduct	0	0
Interest tax shield	4,172,520	q			4,172,520
Revaluations	0	r			0
Income tax	3,338,705	p			3,338,705
Numerator			OSBIT ^{ROF} = a + g + s + d	NSAT ^{ROE} = n + g + s - s ^t + d	OSBIT ^{ROI} = a + g - q + r + s + d - p - s ^t
			39,177,600	23,194,550	31,666,375
Fixed assets at end of previous financial year (FA ₀)	296,709,000				
Fixed assets at end of current financial year (FA ₁)	303,916,000				
Adjusted net working capital at end of previous financial year (ANWC ₀)	2,043,000				
Adjusted net working capital at end of current financial year (ANWC ₁)	1,566,000				
Average total funds employed (ATFE)	302,117,000 (or regulation 33 time-weighted average)	c	302,117,000		302,117,000
Total equity at end of previous financial year (TE ₀)	195,877,422				
Total equity at end of current financial year (TE ₁)	211,539,372				
Average total equity	203,708,397 (or regulation 33 time-weighted average)	k		203,708,397	
WUC at end of previous financial year (WUC ₀)	3,338,000				
WUC at end of current financial year (WUC ₁)	9,805,000				
Average total works under construction	6,571,500 (or regulation 33 time-weighted average)	e	deduct	deduct	deduct
			6,571,500	6,571,500	6,571,500

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations	0	r			
Half of revaluations	0	r/2			deduct
Intangible assets at end of previous financial year (I_{A_0})	83,549,000				
Intangible assets at end of current financial year (I_{A_1})	79,054,000				
Average total intangible asset	81,301,500 (or regulation 33 time-weighted average)	m		deduct	
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	
System fixed assets at end of previous financial year at book value ($SFA_{b,0}$)	283,860,439				
System fixed assets at end of current financial year at book value ($SFA_{b,1}$)	284,508,439				
Average value of system fixed assets at book value	284,183,439 (or regulation 33 time-weighted average)	f	deduct	deduct	deduct
System Fixed assets at year beginning at ODV value ($SFA_{od,0}$)	285,044,313				
System Fixed assets at end of current financial year at ODV value ($SFA_{od,1}$)	285,688,313				
Average value of system fixed assets at ODV value	285,366,313 (or regulation 33 time-weighted average)	h	add	add	add
Denominator					
Financial Performance Measure:			ROF = $OSBIT^{ADJ}/ATE^{ADJ} \times 100$	ROE = $NSAT^{ADJ}/ATE^{ADJ} \times 100$	ROI = $OSBIT^{ADJ}/ATE^{ADJ} \times 100$
			13.20	19.82	10.87
			ROF = $OSBIT^{ADJ}/ATE^{ADJ} \times 100$	ROE = $NSAT^{ADJ}/ATE^{ADJ} \times 100$	ROI = $OSBIT^{ADJ}/ATE^{ADJ} \times 100$
			296,728,374 $ATE^{ADJ} = c - e - f + h$	117,018,271 $ATE^{ADJ} = k - e - m + v - f + h$	296,728,374 $ATE^{ADJ} = c - e - \frac{1}{2}r - f + h$

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

NOTE: System fixed assets at the end of the previous financial year at book value have been amended due to a calculation error

UNISON NETWORKS LIMITED - LINES BUSINESS**ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004****Requirement 16 (Schedule 1, Part 8)****Annual Valuation Reconciliation Report****For The Year Ending 31 March 05:**

2005	2004
\$000	\$000

System fixed assets at ODV - end of the previous financial year	285,044	223,393
Add system fixed assets acquired during the year at ODV	11,831	17,348
Less system fixed assets disposed of during the year at ODV	-	-
Less depreciation on system fixed assets at ODV	(11,187)	(11,107)
Add revaluation of system fixed assets	-	55,410
Equals system fixed assets at ODV - end of financial year	285,688	285,044

Requirement 21 (Schedule 1, Part 5)
RELIABILITY PERFORMANCE MEASURES
YEAR ENDED 31 MARCH 2005

Interruptions	2006/09 Target	2006 Target	2005 Actual	2004	2003	2002
Total Interruptions	1,000	1,000	983	1,012	583	476
a) Planned Interruptions (Class B)	500	500	463	490	324	281
b) Unplanned Interruptions (Class C)	500	500	520	522	259	195
Unplanned Interruptions not restored within:						
a) 3 Hours (%)			26.00%	43.00%	29.00%	29.70%
b) 24 Hours (%)			0.96%	1.72%	0.39%	1.00%

Faults	2006/09 Target	2006 Target	2005 Actual	2004	2003	2002
Faults/100km						
a) Total No. of faults			9.36	10.67	8.96	7.51
b) Next year targets		10.55				
c) Next 5 year average target	9.80					
d) 33kV Line Voltage						
a) Total no. of faults			5.63	5.17	3.58	2.57
b) Next year target		6.34				
c) Next 5 year target	4.75					
ii) 11kV Line Voltage						
a) Total no. of faults			9.71	11.20	8.89	7.91
b) Next year target		10.95				
c) Next 5 year target	10.29					
Faults/100km of Underground Line						
a) Total			8.82	7.22	10.06	11.65
b) 33kV			-	*6.60	-	-
c) 11kV			9.28	7.59	10.06	11.46
Faults/100km of Overhead Line						
a) Total			9.44	11.18	12.52	6.73
b) 33kV			6.08	5.06	3.20	2.82
c) 11kV			9.78	11.81	9.31	7.21

*2 substation equipment faults are now classed as underground 33kV faults

RELIABILITY MEASURES	2006/09 Target	2006 Target	2005 Actual	2004	2003	2002
TOTAL SAIDI (Classes B & C)	153	153	156	202	97	102
SAIDI						
a) Planned Interruptions (Class B)	68	68	25	30	25	32
b) Unplanned Interruptions (Class C)	85	85	130	171	72	69
c) Unplanned Interruptions Transpower (Class D)	-	-	5	-	-	-
TOTAL SAIFI (Classes B & C)	2.39	2.39	3.21	2.38	2.02	2.14
SAIFI						
a) Planned Interruptions (Class B)	0.75	0.75	0.16	0.21	0.22	0.25
b) Unplanned Interruptions (Class C)	1.64	1.64	3.05	2.17	1.80	1.89
c) Unplanned Interruptions Transpower (Class D)	-	-	0.20	-	-	0.39
Total CAIDI (Classes B & C)	64	64	48	85	67	47
CAIDI						
a) Planned Interruptions (Class B)	91	91	154	141	172	127
b) Unplanned Interruptions (Class C)	52	52	43	79	56	37
c) Unplanned Interruptions Transpower (Class D)	-	-	22	-	-	2

Requirement 20 (Schedule 1, Part 4)
YEAR ENDED 31 MARCH 2005

Energy Delivery Efficiency Performance Measures	2005	2004	2003	2002
a) Load Factor	63.45	65.81	59.11	58.62
b) Loss Ratio	5.82%	4.52%	5.17%	5.50%
c) Capacity Utilisation	31.28%	29.44%	29.96%	30.30%

Energy Delivery Efficiency Performance Measures	2005	2004	2003	2002
a) Systems Length (kms)				
~ 33kV	427	426	337	271
~ 11kV	4,475	4,477	3,145	2,325
~ 230/400V	4,363	4,270	2,561	1,307
Total	9,264	9,173	6,043	3,903
b) Circuit Length (Overhead) (kms)				
~ 33kV	394	395	312	248
~ 11kV	3,866	3,869	2,692	1,941
~ 230/400V	1,639	1,646	675	480
Total	5,899	5,910	3,679	2,669
c) Circuit Length (Underground) (kms)				
~ 33kV	32	31	25	24
~ 11kV	610	608	453	384
~ 230/400V	2,724	2,624	1,886	826
Total	3,366	3,263	2,364	1,234
d) Transformer Capacity (kVA)	965,439	940,500	727,931	557,000
e) Maximum Demand (kW)	302,014	276,884	218,070	168,896
f) Total Electricity entering the network (before losses) (kWh)	1,678,730,000	1,596,108,000	1,170,556,066	867,332,224
g) Total electricity supplied for each Retailer (kWh)	1,581,079,000	1,523,885,000	1,110,069,995	819,612,086
Contact Retailer A	550,648,000	578,884,000	599,690,446	546,396,753
Mercury Retailer B	86,037,000	48,441,000	17,748,204	15,398,575
Meridian Retailer C	137,490,000	145,489,000	91,845,438	79,612,884
Transalta Retailer D	-	-	-	96,928,433
Trustpower Retailer E	407,285,000	434,831,000	192,679,424	17,108,509
Genesis Retailer F	220,718,000	188,639,000	148,798,871	49,694,020
Waikato Retailer G	-	-	-	8,842,173
Empower Retailer H	-	-	-	-
Phoenix Retailer I	-	-	-	-
Todd Retailer K	9,804,000	9,342,000	14,244,296	3,410,362
Energy Online Retailer J	169,098,000	118,259,000	45,063,316	2,220,377
h) Total customers	103,347	102,299	76,469	58,070

Note:

- a) The information for the year ending 31 March 2003 has been time-weighted to reflect the acquisition of Taupo and Rotorua distribution assets from United Networks Limited.
- b) 2002 and 2003 have been restated for f) and g) to align with definitions of energy pre and post distribution losses.



Audit New Zealand

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

We have examined the information on pages 20 to 23, 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 Unison Networks Limited and dated 19 August 2005 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.

Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
19 August 2005



Audit New Zealand

REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF UNISON NETWORKS LIMITED FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Unison Networks Limited on pages 2 to 19. The financial statements provide information about the past financial performance of Unison Networks Limited and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 5 to 8.

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 Unison Networks Limited as at 31 March 2005, 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 Rudie Tomlinson 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 Unison Networks 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 Unison Networks Limited.

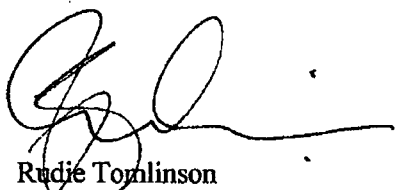
Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Unison Networks Limited as far as appears from our examination of those records; and
- the financial statements of Unison Networks Limited on pages 2 to 19:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Unison Networks Limited's financial position as at 31 March 2005 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 19 August 2005 and our unqualified opinion is expressed as at that date.



Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

