



# New Zealand Gazette

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## NORTHPOWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

# Northpower

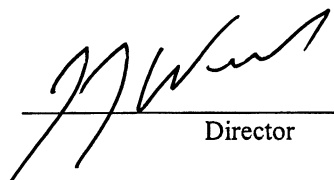
## **Certification of Financial Statements, Performance Measures, and Statistics Disclosed by Disclosing Entities (other than Transpower)**

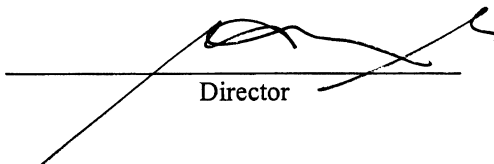
We, Warren William Moyes and John Joseph Ward, Directors of Northpower Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:-

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

The valuations on which those financial performance measures are based are as at 31 March 2005.

Dated this 21st day of July 2005

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director



## Audit New Zealand

### REPORT OF THE AUDITOR-GENERAL

#### TO THE READERS OF THE FINANCIAL STATEMENTS OF NORTHPOWER LTD AND SUBSIDIARY FOR THE YEAR ENDED 31 MARCH 2005

We have audited the financial statements of Northpower Limited on pages 1 to 10 and 12 to 14. The financial statements provide information about the past financial performance of Northpower Limited and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies set out on pages 1 to 3.

#### **Directors' Responsibilities**

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Northpower Limited as at 31 March 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 Regulation 30 of the Electricity (Information Disclosure) Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

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

#### **Basis of Opinion**

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

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

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

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

### Unqualified Opinion

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

In our opinion:

- ▲ proper accounting records have been maintained by Northpower Limited as far as appears from our examination of those records; and
- ▲ the financial statements of Northpower Limited's on pages 1 to 10 and 12 to 14:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of Northpower 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
  - comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 21 July 2005 and our unqualified opinion is expressed as at that date.



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



**NORTHPOWER LTD****STATEMENT OF ACCOUNTING POLICIES**

For The Year Ended 31 March 2005

**Reporting Entity**

Northpower Ltd is a company formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. It is a reporting entity for the purposes of the Financial Reporting Act 1993.

The financial statements have been prepared for the sole purpose of complying with the requirements of the Electricity Information Disclosure Requirements 2004.

**Measurement Base**

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

**Particular Accounting Policies**

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

**(i) Operating Revenue**

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

**(ii) Investments**

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

**(iii) Properties Intended For Sale**

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

**(iv) Cost of Fixed Assets**

All fixed assets are initially recorded at cost.

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

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

Land and buildings have been revalued to fair value based on a valuation conducted by Telfer Young (Northland) Ltd, Registered Valuers of Whangarei, as at 31 March 2003.

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

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

Additions between revaluations are recorded at cost.

(v) **Depreciation**

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

Distribution system:

Lines/transformers/substations	45-70 years
Distribution switchgear	35-55 years
Meters/communication/SCADA	15 years
Buildings - Structural	50 years
- Electrical and Mechanical	20 years
- Other	10 years
Motor vehicles	5-10 years
Plant and equipment	3-20 years

(vi) **Inventories**

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

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

(vii) **Accounts Receivable**

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

(viii) **Work in Progress**

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

(ix) **Taxation**

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

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

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

(x) **Research and Development Costs**

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

(xi) **Financial Instruments**

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

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

(xii) **GST**

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

(xiii) **Employee Entitlements**

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

(ix) **Statement of Cash Flows**

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

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

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

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

**Changes in Accounting Policies:**

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

## NORTHPOWER LIMITED

## STATEMENT OF FINANCIAL PERFORMANCE - LINE BUSINESS

For the Year Ended 31 March 2005

	Notes	2005 \$000's	2004 \$000's
Operating Revenue	1	<u>\$33,548</u>	<u>\$30,230</u>
Operating Surplus Before Taxation	2	10,885	8,926
Taxation Expense	4	(2,609)	(2,532)
Net Surplus After Taxation		<u>\$8,276</u>	<u>\$6,394</u>

## STATEMENT OF MOVEMENTS IN EQUITY - LINE BUSINESS

For the Year Ended 31 March 2005

		2005 \$000's	2004 \$000's
Opening Equity		151,072	122,441
Net Surplus for Period		8,276	6,394
Revaluation of Assets	7	-	25,749
Dividends		(4,095)	(3,512)
Closing Equity		<u>\$155,253</u>	<u>\$151,072</u>

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



## NORTHPOWER LIMITED

## STATEMENT OF FINANCIAL POSITION - LINE BUSINESS

As At 31 March 2005

	Notes	2005 \$000's	2004 \$000's
<b>EQUITY:</b>			
Share Capital	6	27,739	27,739
Asset Revaluation Reserve	7	107,939	107,939
Retained Earnings	8	19,575	15,394
<b>TOTAL EQUITY</b>		<b>\$155,253</b>	<b>\$151,072</b>
<b>NON CURRENT LIABILITIES</b>			
Employee Entitlements		107	174
		<b>\$107</b>	<b>\$174</b>
<b>CURRENT LIABILITIES</b>			
Bank Overdraft		-	-
Sundry Creditors		2,458	3,455
GST Payable		57	56
Provision for Dividend		4,095	3,512
Employee Entitlements		130	127
<b>TOTAL CURRENT LIABILITIES</b>		<b>\$6,740</b>	<b>\$7,150</b>
		<b>\$162,100</b>	<b>\$158,396</b>
<b>NON CURRENT ASSETS</b>			
Fixed Assets	5	145,393	145,209
		<b>\$145,393</b>	<b>\$145,209</b>
<b>CURRENT ASSETS</b>			
Cash and Bank		12,740	5,414
Short Term Deposits		100	4,109
Accounts Receivable		2,955	3,108
Inventory		545	509
Tax Refund Due		367	47
<b>TOTAL CURRENT ASSETS</b>		<b>\$16,707</b>	<b>\$13,187</b>
		<b>\$162,100</b>	<b>\$158,396</b>

  
 \_\_\_\_\_  
 DIRECTOR

Date: 21 July 2005

  
 \_\_\_\_\_  
 DIRECTOR

Date: 21 July 2005

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

## NORTHPOWER LIMITED

## STATEMENT OF CASH FLOWS - LINE BUSINESS

For the Year Ended 31 March 2005

	Notes	2005 \$000's	2004 \$000's
Cash Flows from Operating Activities -			
Cash was provided from:			
Receipts from Customers		33,505	30,199
Interest Received		196	222
Tax Refund		-	-
Cash was distributed to:			
Payments to Suppliers		(17,071)	(14,053)
Payments to Employees		(2,734)	(2,338)
Interest Paid		-	-
Income Tax Paid		(2,929)	(2,334)
<b>Net Cash Inflow from Operating Activities</b>	9	<u><u>\$10,967</u></u>	<u><u>\$11,696</u></u>
Cash Flows from Investing Activities -			
Cash was provided from:			
Term Receivable		-	114
Sale of Assets		-	-
Short Term Deposits Matured		4,009	1,157
Cash was applied to:			
Short Term Deposits		-	-
Purchase of Fixed Assets		(4,138)	(4,290)
<b>Net Cash Inflow from Investing Activities</b>		<u><u>(\$129)</u></u>	<u><u>(\$3,019)</u></u>
Cash Flows from Financing Activities -			
Cash was applied to:			
Dividends		(3,512)	(3,264)
<b>Net Cash Outflow from Financing Activities</b>		<u><u>(3,512)</u></u>	<u><u>(3,264)</u></u>
Net Increase (Decrease) in Cash Held		7,326	5,413
Add Opening Cash Brought Forward		5,414	1
<b>Ending Cash Carried Forward</b>		<u><u>\$12,740</u></u>	<u><u>\$5,414</u></u>

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

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

	Line Business	
	2005 \$000's	2004 \$000's
1. Operating Revenue		
Line Charges	29,713	27,031
Loss Rental Rebate	622	1,097
Line Contributions	2,978	1,847
Interest Received	196	222
Sundry Income	39	33
	<u>\$33,548</u>	<u>\$30,230</u>
2. Operating Surplus Before Tax After Charging:		
Bad Debts Written Off	14	-
Depreciation - System Assets	3,538	3,134
- Centralised Load Equipment	93	108
- Computer Equipment	120	94
- Plant and Equipment	100	122
- Motor Vehicles	36	24
- Buildings	67	65
Directors' Fees	95	89
Interest	-	-
Rental and Operating Lease Costs	-	-
Research and Development	1	24
Donations	-	-
(Gain) Loss on Sale of Assets	(150)	1
3. Auditors' Remuneration		
Auditing Financial Statements	24	15
Other Services	7	3
4. Taxation		
Operating Surplus Before Taxation	10,885	8,926
Prima Facie Taxation @ 33%	3,592	2,946
Plus Tax Effect of Permanent Differences:-		
Permanent Differences	(983)	628
Timing differences not recognised	-	(1,004)
Prior Period Adjustment	-	(38)
Deferred Tax Adjustment	-	-
Tax on Profits for Year	<u>\$2,609</u>	<u>\$2,532</u>
The Taxation Charge is Represented by:-		
Current Taxation	2,609	2,532
Deferred Taxation	-	-
	<u>\$2,609</u>	<u>\$2,532</u>
Imputation Credit Account:		
Opening Balance	7,606	6,880
Imputation Credits Attached to Dividends Paid	(1,730)	(1,608)
Income Tax Payments During Year	2,929	2,334
	<u>\$8,805</u>	<u>\$7,606</u>

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

	Line Business	
	2005 \$000's	2004 \$000's
<b>5. Fixed Assets</b>		
System Assets - At Valuation	136,239	136,239
- At Cost	5,138	-
- Under Construction	61	1,054
Less Accumulated Depreciation	(3,538)	-
	<u>\$137,900</u>	<u>\$137,293</u>
Centralised Load Equipment - At Valuation	2,089	2,089
- At Cost	88	-
Less Accumulated Depreciation	(93)	-
	<u>\$2,084</u>	<u>\$2,089</u>
Computer Equipment - At Cost	1,197	1,085
Less Accumulated Depreciation	(1,042)	(1,016)
	<u>\$155</u>	<u>\$69</u>
Plant and Equipment - At Cost	1,964	1,903
Less Accumulated Depreciation	(1,152)	(1,152)
	<u>\$812</u>	<u>\$751</u>
Motor Vehicles - At Cost	267	249
Less Accumulated Depreciation	(146)	(204)
	<u>\$121</u>	<u>\$45</u>
Buildings - At Valuation	2,766	3,350
- At Cost	231	221
Less Accumulated Depreciation	(145)	(78)
	<u>\$2,852</u>	<u>\$3,493</u>
Land - At Valuation	<u>\$1,469</u>	<u>\$1,469</u>
<b>Total Fixed Assets</b>	<u>\$145,393</u>	<u>\$145,209</u>
<b>6. Share Capital:</b>		
Authorised, issued and paid up capital	<u>27,739</u>	<u>27,739</u>
Total Issued and Paid Up Capital	<u>\$27,739</u>	<u>\$27,739</u>
<b>7. Asset Revaluation Reserve:</b>		
Distribution System - Opening Balance	102,793	77,044
- Revaluation	-	25,749
- Closing Balance	<u>\$102,793</u>	<u>\$102,793</u>
Buildings - Opening Balance	4,176	4,176
- Revaluation	-	-
- Closing Balance	<u>\$4,176</u>	<u>\$4,176</u>
Land - Opening Balance	970	970
- Revaluation	-	-
- Closing Balance	<u>\$970</u>	<u>\$970</u>
<b>8. Retained Earnings:</b>		
Opening Balance	15,394	12,512
Net Surplus After Taxation	8,276	6,394
Total Available for Appropriation	23,670	18,906
Dividends	(4,095)	(3,512)
Closing Balance	<u>\$19,575</u>	<u>\$15,394</u>

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

	Line Business	
	2005	2004
	\$000's	\$000's
9. Reconciliation of Net Surplus After Taxation with Cash Inflow from Operating Activities:		
Net Surplus After Taxation	8,276	6,394
Add (less) Non Cash Items:		
Depreciation	3,954	3,547
Movements in Working Capital		
Increase (Decrease) in Creditors	(1,060)	1,392
(Increase) Decrease in Taxation Refund	(320)	198
(Increase) Decrease in Accounts Receivable	153	191
(Increase) Decrease in Inventory	(36)	(26)
Net Cash Flow from Operating Activities	<u>\$10,967</u>	<u>\$11,696</u>

## 10. Financial Instruments:

Financial Instruments which potentially subject the company to credit risk principally consist of cash bank balances, short term deposit, and accounts receivable. Northpower does not generally require collateral from customers.

Northpower places its cash and short term deposits with high credit quality financial institutions (A1 or better), and limits the amount of credit exposure to any one institution, in accordance with Company policy.

The fair value of all financial instruments is approximated by the carrying value recorded in the Statement of Financial Position.

## 11. Segment Information:

Northpower Ltd operates predominantly in the electricity network industry within the Northland area. Therefore, there is no segmental information.

## 12. Contingent Liabilities:

There are no contingent liabilities (2004 \$Nil)

## 13. Commitments:

	2005	2004
	-	0

## 14. Related Parties:

Provision has been made in the accounts for payment of a final dividend to Northpower Electric Power Trust of \$4,095,000 (2004 \$3,512,000) and as at 31 March 2005 the amount owing to the Trust is \$4,095,000 (2004 \$3,512,000). The Northpower Electric Power Trust is the sole shareholder. All related party transactions with the Northpower Electric Power Trust have been conducted on a commercial and arms length basis.

Northpower's Contracting Division provided the following services to the Network Division, for the full year, at cost, including overheads:-

	2005	2004
	\$000'S	\$000'S
(i) Maintenance of Assets	3,234	2,934
(ii) Consumer disconnections/reconnections	10	15
(iii) Other Services	787	853
Construction of New Assets:-		
(a) Subtransmission Assets	-	3
(b) Zone Substations	465	417
(c) Distribution Lines and Cables	443	748
(d) Medium Voltage Switchgear	29	7
(e) Distribution Transformers	169	288
(f) Distribution Substations	-	65
(g) Low Voltage Reticulation	105	18

Network Maintenance and Capital Works are charged in accordance with a Fixed Term Contract.

- No balance is outstanding at balance date.
- No amounts have been written off or forgiven during the year.
- No transactions have been made at nil or nominal value.

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

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

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

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

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

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

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

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



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

Continued

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

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

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

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>1. Total Number of Interruptions</b>				
Class A - Planned - by Transpower	1	1	0	1
Class B - Planned - by Northpower	251	149	160	225
Class C - Unplanned - by Northpower	225	256	361	271
Class D - Unplanned - by Transpower	1	0	2	0
Total	<u>478</u>	<u>406</u>	<u>523</u>	<u>497</u>
<b>2. Interruption Targets for 2005/2006</b>				
Class B - Planned - by Northpower	180	180	200	210
Class C - Unplanned - by Northpower	220	240	240	240
<b>3. Average Interruption Targets for Next 5 Yrs</b>				
Class B - Planned - by Northpower	160	160	170	180
Class C - Unplanned - by Northpower	170	170	190	190
<b>4. Proportion of Class C Interruptions not restored within</b>				
3 Hrs	16.4%	15.5%	15.7%	14.4%
24 Hrs	0%	0%	0%	0%
<b>5. (a) Total No. of Faults per 100 circuit kilometres of prescribed voltage electric line</b>				
11 kV	6.72	7.79	10.74	8.54
33 kV	5.11	7.76	9.57	2.17
Total	<u>6.61</u>	<u>7.79</u>	<u>10.66</u>	<u>8.11</u>
<b>(b) Target for 2005/2006 Year</b>				
11 kV	7.30	7.30	7.50	7.50
33 kV	2.00	2.00	2.00	2.00
Total	<u>7.00</u>	<u>7.00</u>	<u>7.12</u>	<u>7.12</u>
<b>(c) Average Target for 2005/2006 to 2009/2010 years</b>				
11 kV	5	5	5	5
33 kV	2	2	2	2
Total	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>6. Total No. of Faults per 100 circuit kilometres of underground prescribed voltage electric line</b>				
11 kV	1.68	1.92	1.03	2.30
33 kV	0.00	0.00	0.00	0.00
Total	<u>1.48</u>	<u>1.67</u>	<u>0.88</u>	<u>1.92</u>
<b>7. Total No. of Faults per 100 circuit kilometres of overhead prescribed voltage electric line</b>				
11 kV	6.91	7.76	11.04	8.72
33 kV	5.48	7.79	10.33	2.35
Total	<u>6.82</u>	<u>7.79</u>	<u>11.00</u>	<u>8.31</u>
<b>8. The SAIDI for the total No. of Interruptions</b>	113.24	145.32	181.83	219.86
<b>9. SAIDI Targets for 2005/06</b>				
Class B - Planned - by Line Owners	30	30	30	30
Class C - Unplanned - by Line Owners	90	95	100	100
<b>10. Average SAIDI Target for 2005/6 to 2009/10 Yrs</b>				
Class B - Planned - by Line Owners	30	30	30	30
Class C - Unplanned - by Line Owners	85	85	85	85

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

Continued

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>11. SAIDI For Total No. of Interruptions within each Interruption Class</b>				
Class A - Planned - by Transpower	15.49	25.79	0	31.24
Class B - Planned - by Northpower	28.95	36.96	31.96	53.53
Class C - Unplanned - by Northpower	67.66	82.57	140.53	135.09
Class D - Unplanned - by Transpower	1.14	0	9.73	0
<b>12. SAIFI for the Total No. of Interruptions</b>	2.6	2.71	4.07	2.94
<b>13. SAIFI Targets for 2005/06</b>				
Class B - Planned - by Northpower	0.27	0.27	0.27	0.27
Class C - Unplanned - by Northpower	2.5	2.5	2.5	2.5
<b>14. Av. SAIFI target for 2005/06 to 2009/10 Yrs</b>				
Class B - Planned - by Northpower	0.27	0.27	0.27	0.27
Class C - Unplanned - by Northpower	2.5	2.5	2.5	2.5
<b>15. SAIFI for the Total No. of Interruptions within Each Interruption Class</b>				
Class A - Planned - by Transpower	0.06	0.08	0.00	0.08
Class B - Planned - by Northpower	0.21	0.21	0.21	0.37
Class C - Unplanned - by Northpower	1.90	2.42	3.57	2.49
Class D - Unplanned - by Transpower	0.42	0	0.29	0
<b>16. CAIDI for the Total No. of Interruptions</b>	43.6	53.7	44.7	74.8
<b>17. CAIDI Targets for 2005/06</b>				
Class B - Planned - by Northpower	110	110	110	110
Class C - Unplanned - by Northpower	36	38	40	40
<b>18. Av. CAIDI Target for 2005/06 to 2009/10 Yrs</b>				
Class B - Planned - by Northpower	110	110	110	110
Class C - Unplanned - by Northpower	34	34	34	34
<b>19. CAIDI for the Total No. of Interruptions within each Interruption Class</b>				
Class A - Planned - by Transpower	250.0	315.0	0.0	374.0
Class B - Planned - by Northpower	136.9	179.0	150.0	144.4
Class C - Unplanned - by Northpower	35.6	34.1	39.4	54.4
Class D - Unplanned - by Transpower	2.7	0	32.1	0

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	10,885				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	10,885				
Interest on cash, bank balances, and short-term investments (ISTI)	196				
OSBIIT minus ISTI	10,689	a	10,689		10,689
Net surplus after tax from financial statements	8,276				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	8,276	n		8,276	
Amortisation of goodwill and amortisation of other intangibles	0	g	add	add	add
Subvention payment	0	s	add	add	add
Depreciation of SFA at BV (x)	3,631				
Depreciation of SFA at ODV (y)	3,631				
ODV depreciation adjustment	0	d	add	add	add
Subvention payment tax adjustment	0	s <sup>t</sup>	deduct	deduct	deduct
Interest tax shield	-65	q			deduct
Revaluations	0	r			add
Income tax	2,609	p			deduct
Numerator			OSBIIT <sup>adj</sup> = a + g + s + d	NSAT <sup>adj</sup> = n + g + s - s <sup>t</sup> + d	OSBIIT <sup>adj</sup> = a + g - q + r + s + d - p - s <sup>t</sup>
Fixed assets at end of previous financial year (FA <sub>0</sub> )	145,209				
Fixed assets at end of current financial year (FA <sub>1</sub> )	145,393				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	-21				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	855				
Average total funds employed (ATFE)	145,718 (or regulation 33 time-weighted average)	c	145,718		145,718
Total equity at end of previous financial year (TE <sub>0</sub> )	151,072				
Total equity at end of current financial year (TE <sub>1</sub> )	155,253				
Average total equity	153,163 (or regulation 33 time-weighted average)	k		153,163	
WUC at end of previous financial year (WUC <sub>0</sub> )	1,054				
WUC at end of current financial year (WUC <sub>1</sub> )	61				
Average total works under construction	558 (or regulation 33 time-weighted average)	e	558	558	558

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Revaluations	0	r			
Half of revaluations	0	r/2			deduct
Intangible assets at end of previous financial year (IA <sub>0</sub> )	0				
Intangible assets at end of current financial year (IA <sub>1</sub> )	0				
Average total intangible asset (or regulation 33 time-weighted average)	0	m		add	0
Subvention payment at end of previous financial year (S <sub>0</sub> )	0				
Subvention payment at end of current financial year (S <sub>1</sub> )	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 <sub>book</sub> )	138,328				
System fixed assets at end of current financial year at book value (SFA <sub>book</sub> )	139,923				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	139,126	f	deduct	deduct	139,126
System Fixed assets at year beginning at ODV value (SFA <sub>odv</sub> )	135,098				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv</sub> )	136,683				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	135,896	h	add	add	135,896
Denominator			141,931 ATFE <sup>ADJ</sup> = c - e - f + h	149,375 Ave TE <sup>ADJ</sup> = k - e - m + v - f + h	141,931 ATFE <sup>ADJ</sup> = c - e - 1/2r - f + h
Financial Performance Measure:			ROF = OSBIT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	ROE = NSAT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100	ROI = OSBIT <sup>ADJ</sup> /ATE <sup>ADJ</sup> x 100

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

# Northpower

## Certification of Valuation Report of Disclosing Entities

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


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

These valuations are as at 31 March 2004.

Dated this 21<sup>st</sup> day of July 2005.



Director



Director



## Audit New Zealand

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

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

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

that were prepared by Northpower Limited and dated 21 July 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.

F Caetano  
Audit New Zealand  
On behalf of the Auditor-General  
Whangarei, New Zealand  
21 July 2005