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UNISON NETWORKS LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986



unison

The Powerlines People


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

We, Brian Joseph Martin and John Richard Palairt, 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 are as at 31 March 2006.

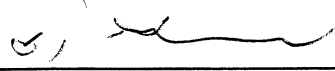
Declared at *Napier* this *17th* day of November 2006



Director

17-11-06

Date



Director

17-11-06

Date

UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 31 March 2006

	Notes	2006 \$000	2005 \$000
Operating revenue	4	94,333	92,898
Operating surplus before non operating benefits/(costs)		<u>36,883</u>	<u>39,321</u>
Amortisation	18, 4	4,495	4,495
Restatement of goodwill	18, 4	60,559	-
Interest costs		12,179	12,787
Surplus/(deficit) before taxation		<u>(40,350)</u>	<u>22,039</u>
Taxation expense/(benefit)	3(a)	1,430	3,339
Net surplus/(deficit) for year		<u><u>(41,780)</u></u>	<u><u>18,700</u></u>

UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
For the year ended 31 March 2006

		2006 \$000	2005 \$000
Equity at beginning of year		<u>211,539</u>	<u>195,877</u>
Net surplus/(deficit)		(41,780)	18,700
Revaluation of network assets	15	<u>135,844</u>	-
Total recognised revenues and expenses for the year		94,064	18,700
Dividends paid	16	4,600	3,038
Equity at end of year		<u><u>301,003</u></u>	<u><u>211,539</u></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 2006

	Notes	2006 \$000	2005 \$000
Equity			
Share capital	5	66,661	66,661
Asset revaluation reserve	15	248,010	112,166
Retained earnings	16	(13,668)	32,712
		<u>301,003</u>	<u>211,539</u>
Represented by:			
Non Current Assets			
Property, plant and equipment	6	447,424	294,111
Goodwill arising on acquisition	18	14,000	79,054
Capital work in progress	19	5,204	9,805
		<u>466,628</u>	<u>382,970</u>
Current Assets			
Receivables and prepayments	7	8,855	8,854
Inventories		2,386	1,418
Taxation refund	3c	4,105	2,735
		<u>15,346</u>	<u>13,007</u>
Total Assets		<u>481,974</u>	<u>395,977</u>
Non Current Liabilities			
Employee entitlements	17	725	1,121
Term debt	8	161,600	170,600
		<u>162,325</u>	<u>171,721</u>
Current Liabilities			
Bank overdraft		3,362	4,011
Accounts payable and accruals	20	14,102	8,064
Employee entitlements	17	1,181	642
		<u>18,645</u>	<u>12,717</u>
Total Liabilities		<u>180,970</u>	<u>184,438</u>
Net Assets Employed		<u>301,003</u>	<u>211,539</u>

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UNISON NETWORKS LIMITED - LINES BUSINESS
STATEMENT OF CASH FLOWS
For the year ended 31 March 2006

	Notes	2006 \$000	2005 \$000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		86,240	84,517
Contributions for capital works		7,989	7,443
Taxation refunds		-	687
Interest received		84	143
		<u>94,313</u>	<u>92,790</u>
Cash was disbursed to:			
Payments to suppliers		36,239	31,610
Payments to employees		9,377	9,287
Interest paid on loans		12,141	12,695
Income taxes paid		2,800	3,400
		<u>60,557</u>	<u>56,992</u>
Net cash flows from operating activities	12	<u>33,756</u>	<u>35,798</u>
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		43	92
		<u>43</u>	<u>92</u>
Cash was applied to:			
Purchase and construction of property, plant and equipment		24,051	18,343
		<u>24,051</u>	<u>18,343</u>
Net cash flows from investing activities		<u>(24,007)</u>	<u>(18,251)</u>
Cash flows from financing activities			
Cash was provided from:			
Borrowings		1,000	2,500
		<u>1,000</u>	<u>2,500</u>
Cash was applied to:			
Settlement of borrowings		10,000	18,500
Payment of dividends		100	3,038
		<u>10,100</u>	<u>21,538</u>
Net cash flows from financing activities		<u>(9,100)</u>	<u>(19,038)</u>
Net increase/(decrease) in cash held		649	(1,491)
Cash balances at beginning of year		(4,011)	(2,520)
Cash balance at end of year		<u>(3,362)</u>	<u>(4,011)</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 2006

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, the Financial Reporting Act 1993 and the Electricity Information Disclosure Requirements 2004.

• **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 independently valued at fair value based on Depreciated Replacement Cost (DRC).

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

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.

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.

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

For the year ended 31 March 2006

The carrying values of property, plant and equipment do not exceed their estimated recoverable value.

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.

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.

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.

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

For the year ended 31 March 2006

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 the increasing 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 leave is calculated on an entitlement basis at current rates.

Retirement gratuity liability and long service leave are 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.

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.

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

For the year ended 31 March 2006

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 2006

3 INCOME TAX

	2006 \$000	2005 \$000
a) Taxation		
Operating surplus/(deficit) before taxation	(40,350)	22,039
Prima facie tax @ 33%	(13,315)	7,273
Permanent differences	19,241	(777)
Timing differences not recognised	(4,716)	(3,353)
Prior period adjustments	220	196
Current taxation expense/(benefit)	1,430	3,339
Taxation expense/(benefit) is represented by:		
Current taxation	1,430	1,796
Deferred tax	-	1,543
	1,430	3,339
b) In respect of network assets there is a deferred tax liability for tax depreciation recoverable amounting to approximately \$31 million (2005: \$24.5million) which would crystallise if all network assets were disposed of at their carrying value.		
c) Taxation (Refund)/Payable		
Opening balance	(2,735)	(1,818)
Current year taxation expense/(benefit)	1,430	1,796
Taxation paid	(2,800)	(3,400)
Taxation refunded prior periods	-	687
Closing balance	(4,105)	(2,735)
d) Deferred Tax (Asset)/Liability		
Opening balance	-	(1,543)
Movement	-	1,543
Closing balance	-	-

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

4 SURPLUS BEFORE TAXATION

	2006 \$000	2005 \$000
Operating Revenue		
Interest revenue	84	143
Recovery of debt previously written off as bad	17	18
All other revenue	94,232	92,737
	94,333	92,898
Depreciation		
Electrical distribution system	11,656	11,187
Freehold buildings	140	148
Motor vehicles	235	295
Plant and equipment	147	178
Office furniture and equipment	57	72
Information technology	1,079	868
	13,316	12,748
Operating Expenses		
Audit New Zealand - audit services	79	79
Audit New Zealand - disclosure accounts	7	6
Remuneration paid to directors	270	232
Bad debts written off	17	5
Operating lease payments	76	79
Change in provision for doubtful debts	23	(31)
Loss on sale of properties, plant and equipment	4	16
All other expenses	43,658	40,443
	44,134	40,829
Other Costs		
Amortisation	4,495	4,495
Restatement of goodwill	60,559	-
Interest	12,179	12,787
	77,233	17,282
Surplus/(Deficit) Before Taxation	(40,350)	22,039

5 SHARE CAPITAL

	2006	2005
Number of ordinary fully paid shares on issue	64,000,000	64,000,000
	2006 \$000	2005 \$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 2006

6 PROPERTY PLANT AND EQUIPMENT

	2006 \$000	2005 \$000
Electrical Distribution Network		
33kV Subtransmission		
at valuation	23,774	16,839
additions at cost	-	809
less accumulated depreciation	-	1,142
	23,774	16,506
Zone Substation Structures and Equipment		
at valuation	31,044	20,151
additions at cost	-	1,323
less accumulated depreciation	-	1,765
	31,044	19,709
Distribution and Substation Transformers		
at valuation	78,806	44,868
additions at cost	-	11,294
less accumulated depreciation	-	3,940
	78,806	52,222
Distribution Switchgear		
at valuation	32,108	15,327
additions at cost	-	1,532
less accumulated depreciation	-	1,579
	32,108	15,280
11kV Lines and Cables		
at valuation	152,857	99,328
additions at cost	-	8,475
less accumulated depreciation	-	6,743
	152,857	101,060
LV Lines and Cables		
at valuation	79,087	61,677
additions at cost	-	4,170
less accumulated depreciation	-	4,931
	79,087	60,916
Other Distribution Equipment		
at valuation	40,245	18,772
additions at cost	-	1,579
less accumulated depreciation	-	1,538
	40,245	18,813
Net carrying value, Electricity Distribution Network	437,921	284,506

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

6 PROPERTY PLANT AND EQUIPMENT...continued

	2006 \$000	2005 \$000
Freehold Buildings		
at valuation	3,573	3,573
at cost	447	407
less accumulated depreciation	502	417
	<u>3,518</u>	<u>3,563</u>
Land and Additions to Land		
at valuation	479	479
at cost	205	205
	<u>684</u>	<u>684</u>
Motor vehicles		
at cost	2,716	2,416
less accumulated depreciation	1,844	1,773
	<u>872</u>	<u>643</u>
Plant and Equipment		
at cost	2,324	2,458
less accumulated depreciation	1,460	1,723
	<u>864</u>	<u>735</u>
Office Furniture and Equipment		
at cost	782	887
less accumulated depreciation	545	583
	<u>237</u>	<u>304</u>
Information Technology		
at cost	7,127	6,608
less accumulated depreciation	3,799	2,932
	<u>3,328</u>	<u>3,676</u>
Net Carrying Value, Other items of Property, Plant and Equipment	<u>9,503</u>	<u>9,605</u>
TOTAL NET CARRYING VALUE	<u><u>447,424</u></u>	<u><u>294,111</u></u>
Reconciliation:		
Balance at beginning of reporting period	294,111	293,371
Plus revaluations	135,844	-
Plus other property, plant and equipment additions	30,784	13,488
Less depreciation	13,316	12,748
Balance at end of reporting period	<u>447,424</u>	<u>294,111</u>
This is represented by:		
Property, plant and equipment at valuation	441,973	281,014
Property, plant and equipment at cost	13,601	42,163
Less accumulated depreciation	8,150	29,066
	<u>447,424</u>	<u>294,111</u>

7 RECEIVABLES AND PREPAYMENTS

	2006 \$000	2005 \$000
Trade debtors	8,878	8,865
Provision for doubtful debts	(48)	(24)
Prepayments	25	13
	<u>8,855</u>	<u>8,854</u>

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

8 BORROWINGS

	2006 \$000	2005 \$000
Term borrowings		
Maturing within 1 year	26,500	9,000
Maturing between 1 and 2 years	66,500	80,000
Maturing between 2 and 3 years	67,000	-
Maturing between 3 and 4 years	-	80,000
	<u>160,000</u>	<u>169,000</u>
Related party borrowings		
Maturing between 5 and 10 years	1,600	1,600
	<u>1,600</u>	<u>1,600</u>
Total borrowings	<u><u>161,600</u></u>	<u><u>170,600</u></u>

	2006 %	2005 %
Weighted average interest rate on term borrowings	7.35%	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. Unison complied with all covenants for the 2006 and 2005 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 a fixed interest rate of 6% per annum. During the year Unison paid \$96,000 in interest to the Hawke's Bay Power Consumers' Trust.

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

	2006 \$000	2005 \$000
Information Management Services Ltd/K Atkinson	3	11
Vectek Electronics Ltd/K Valentine	4	-

As at balance date the only amounts outstanding were \$270 (2005: \$660) to Information Services Limited and \$1,302 (2005:nil) to Vectek Electronics Ltd 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 Hawke's 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 2006 is estimated at \$3,096,038 (2005: \$7,147,346).

Unison has a perpetual contract with Siemens (N.Z.) Limited for the provision of maintenance and non-customer generated capital works over the electricity networks in the Taupo and Rotorua regions.

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

Operating lease commitments

	2006	2005
	\$000	\$000
Less than 1 year	32	79
1-2 years	10	33
2-5 years	-	13
	<u>42</u>	<u>125</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.

12 RECONCILIATION OF REPORTED NET OPERATING SURPLUS AFTER TAX WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	2006	2005
	\$000	\$000
Net surplus/(deficit)	(41,780)	18,700
(Gain)/loss on sale of property, plant and equipment	(16)	16
Amortisation	4,495	4,495
Restatement of goodwill	60,559	
Depreciation	<u>13,316</u>	<u>12,748</u>
	36,574	35,959
(Increase)/decrease in receivables and prepayments	(1)	(793)
(Increase)/decrease in inventories	(968)	49
(Decrease)/increase in accounts payable, accruals and employee entitlements	(479)	(42)
(Decrease)/increase in taxation payable	<u>(1,370)</u>	<u>625</u>
Net cash inflow from operating activities	<u><u>33,756</u></u>	<u><u>35,798</u></u>

13 FINANCIAL INSTRUMENTS

Unison has a comprehensive treasury policy approved by the Board of Directors in respect of managing 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:

	2006	2006	2005	2005
	%	\$000	%	\$000
Maturing in less than 1 year	6.35	30,000	6.15	30,000
Maturing between 1 and 2 years	6.45	30,000	6.32	30,000
Maturing between 2 and 5 years	6.51	46,000	6.46	54,000
Maturing after 5 years	6.58	64,000	6.65	36,000
		<u>170,000</u>		<u>150,000</u>

Included in the 2006 notional swap amounts at 31 March 2006 are \$40 million of forward start swaps that have been transacted but only actively hedge floating interest rates from 1 November 2006. Of the forward start swaps \$10 million are maturing between 2 and 5 years and the remaining \$30 million are maturing after 5 years.

The market valuation of these hedges at 31 March 2006 is a \$136,843 gain (2005: \$2,177,608 gain).

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

13 FINANCIAL INSTRUMENTS ...continued

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. (2005: 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 66% 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.

d) Fair values

The methods and assumptions used are 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 (2005: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

	2006 \$000	2005 \$000
Asset Revaluation Reserve		
Balance at beginning of year	112,166	112,166
Revaluation of electrical distribution network	135,844	-
	<u>248,010</u>	<u>112,166</u>
Detailed As		
Land	278	278
Revaluation of electrical distribution network	247,732	111,888
	<u>248,010</u>	<u>112,166</u>

16 RETAINED EARNINGS

	2006 \$000	2005 \$000
Balance at beginning of year	32,712	17,050
Net surplus/(deficit)	(41,780)	18,700
Dividends paid	(4,600)	(3,038)
Balance at end of year	<u>(13,668)</u>	<u>32,712</u>

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

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

	2006 \$000	2005 \$000
Goodwill at cost	89,888	89,888
Restatement of goodwill	(60,559)	-
Accumulated amortisation	(15,329)	(10,834)
Balance at year end	<u>14,000</u>	<u>79,054</u>

Goodwill arising on acquisition was not established by a valuation but represents the difference between the purchase price paid for the Rotorua and Taupo electrical distribution networks in November 2002 and the subsequent Depreciated Replacement Cost values assigned to tangible assets for financial reporting purposes as at 31 March 2003.

Unison's Policy is to amortise goodwill over a twenty year useful life as well as assess the goodwill balance for any impairment. Any impairment is determined by comparing the economic value of the Taupo and Rotorua networks against its component values, being the tangible value of its assets and the intangible value reflected through goodwill. Any resulting impairment is deducted from the goodwill component.

The impairment test has been assessed assuming future cash inflows and outflows relating to the Taupo and Rotorua assets in existence at 31 March 2006. Cash inflows are based on line charge revenues calculated using the Commerce Commission's "Building Blocks" methodology and regional allocations in line with Unison's proposed new administrative settlement offer, which has yet to be agreed with the Commission. Cash outflows relate to operating and capital expenditure allocations using current best estimates and reflect expenditure essential to maintaining the assets at their current service capability. Note that any changes to these assumptions can have a material impact on the remaining goodwill balance and therefore the assessed goodwill adjustment.

The remaining unamortised goodwill balance after the impairment test is assessed to be \$14 million. However, the revaluation of the electrical distribution network assets as at 31 March 2006 results in a significant uplift in tangible asset values. In essence some of the Taupo and Rotorua Networks value previously reflected in Goodwill has been replaced by the uplift in the tangible value of the electrical distribution network.

19 CAPITAL WORK IN PROGRESS

	2006 \$000	2005 \$000
Electrical distribution network	4,798	9,805
Other	406	-
	<u>5,204</u>	<u>9,805</u>

20 ACCOUNTS PAYABLE AND ACCRUALS

	2006 \$000	2005 \$000
Trade creditors	8,363	6,863
Final dividend payable	4,500	-
Interest payable	1,239	1,201
	<u>14,102</u>	<u>8,064</u>

21 EVENTS SUBSEQUENT TO BALANCE DATE

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

UNISON NETWORKS - LINES BUSINESS**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****For the year ended 31 March 2006****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 had published an intention to declare control of Unison's prices. This is based on a preliminary view that Unison's current level of charges result in excessive profits being earned and that the benefits of control outweigh the costs.

Unison has provided the Commerce Commission with an administrative settlement offer. The Commerce Commission is expected to consult on the administrative settlement offer during November 2006. In developing an administrative settlement offer, Unison has made, and the Commerce Commission has accepted an interim offer to reduce line charges in Taupo and Rotorua from 1 April 2006. This equates to a \$1.9 million reduction in revenues. The final settlement offer includes a further reduction in revenue of \$694 thousand on an annualised basis, to take effect from 1 December 2006, together with a rebalancing of tariffs between regions and customer groups. The Commerce Commission has announced that it has formed the view that the administrative settlement offer made by Unison should (subject to public consultation) be accepted. The formal outcome of this should be known in December.

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 31 March 2006

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)

	2006	2005
	\$000	\$000
Current assets		
(a) Cash and bank balances:	-	-
(b) Short-term investments:	-	-
(c) Inventories:	2,386	1,418
(d) Accounts receivable:	8,855	8,854
(e) Other current assets not listed in (a) to (d):	4,105	2,735
(f) Total current assets	15,346	13,007
Fixed assets		
(a) System fixed assets:	437,921	284,506
(b) Consumer billing and information system assets:	3,328	3,676
(c) Motor vehicles:	872	643
(d) Office equipment:	237	304
(e) Land and buildings:	4,202	4,247
(f) Capital works under construction:	5,204	9,805
(g) Other fixed assets not listed in (a) to (f):	864	735
(h) Total fixed assets	452,628	303,916
Other tangible assets not listed above	-	-
Total tangible assets	467,974	316,923
Intangible assets		
(a) Goodwill:	14,000	79,054
(b) Other intangibles not listed in (a) above:	-	-
(c) Total intangible assets	14,000	79,054
Total assets	481,974	395,977
Current liabilities		
(a) Bank overdraft:	3,362	4,011
(b) Short-term borrowings:	-	-
(c) Payables and accruals:	9,602	8,064
(d) Provision for dividends payable:	4,500	-
(e) Provision for income tax:	-	-
(f) Other current liabilities not listed in (a) to (e) above:	1,181	642
(g) Total current liabilities	18,645	12,717
Non-current liabilities		
(a) Payables and accruals:	-	-
(b) Borrowings:	161,600	170,600
(c) Deferred tax:	-	-
(d) Other non-current liabilities not listed in (a) to (c) above:	725	1,121
(e) Total non-current liabilities	162,325	171,721
Equity		
(a) Shareholders' equity:		
Share capital:	66,661	66,661
Retained earnings:	(13,668)	32,712
Reserves:	248,010	112,166
Total Shareholders' equity:	301,003	211,539
(b) Minority interests in subsidiaries:	-	-
(c) Total equity:	301,003	211,539
(d) Capital notes:	-	-
(e) Total capital funds:	301,003	211,539
Total equity and liabilities	481,974	395,977

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

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)

		2006	2005
		\$000	\$000
Operating revenue			
(a)	Revenue from line/access charges:	82,474	89,956
(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:	84	143
(d)	AC loss-rental rebates:	3,671	2,779
(e)	Other revenue not listed in (a) to (d):	8,104	20
(f)	Total operating revenue pre Discounts	94,333	92,898
		2006	2005
		\$000	\$000
Operating expenditure			
(a)	Payment for Transmission Charges	20,083	19,877
		20,083	19,877
(b)	Transfer payments to the "other" business for:		
(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:	5,490	4,136
(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))	5,490	4,136
(d)	Employee salaries, wages and redundancies	7,725	7,997
(e)	Consumer billing and information system expense	-	-
(f)	Depreciation on:		
(i)	System fixed assets:	11,656	11,187
(ii)	Other assets not listed in (i)	1,660	1,561
(iii)	Total depreciation	13,316	12,748
(g)	Amortisation of:		
(i)	Goodwill:	65,054	4,495
(ii)	Other intangibles:	-	-
(iii)	Total amortisation of intangibles	65,054	4,495
(h)	Corporate and administration:	1,759	2,456
(i)	Human resource expenses:	797	381
(j)	Marketing/advertising:	338	153
(k)	Merger and acquisition expenses:	-	-
(l)	Takeover defence expenses:	-	-
(m)	Research and development expenses:	-	-
(n)	Consultancy and legal expenses:	3,315	613
(o)	Donations:	-	-
(p)	Directors' fees:	270	232
		6,479	3,835

UNISON NETWORKS - LINES BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2006

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.

	2006 \$000	2005 \$000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	86	85
(ii) Audit fees paid to other auditors:		-
(iii) Fees paid for other services provided by principal and other auditors:		-
(iv) Total auditors' fees:	86	85
(r) Costs of offering credit:		
(i) Bad debts written off:	17	5
(ii) Increase in estimated doubtful debts:	23	(31)
(iii) Total cost of offering credit:	40	(26)
(s) Local authority rates expense:	104	88
(t) AC loss-rentals (distribution to retailers/customers) expense:	3,671	2,779
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	456	2,058
	4,231	4,925
Total operating expenditure	122,504	58,072
Operating surplus/(deficit) before interest and income tax	(28,171)	34,826
Interest expense		
(a) Interest expense on borrowings	12,179	12,787
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
Total interest expense	12,179	12,787
Operating surplus before income tax	(40,350)	22,039
Income tax	1,430	3,339
Net surplus/(deficit) after tax	(41,780)	18,700

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	2006	2005	2004	2003
Return On Funds	12.19%	13.20%	10.10%	6.67%
Return On Equity	17.18%	19.82%	20.04%	6.13%
Return On Investment	10.39%	10.67%	33.41%	17.74%

The regulatory calculation for ROI adds revaluations into the Operating Surplus. ROI percentages excluding revaluations from the operating surplus are as follows: (2006: 10.39%, 2005: 10.67%, 2004: 9.02%, 2003: 5.80%).

Efficiency Measures	2006	2005	2004	2003
Direct Line Cost Per Kilometre	\$1,138	\$1,326	\$1,030	\$1,055
Indirect Line Cost Per Customer	\$94	\$57	\$58	\$45

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)	-28,171,057				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	-28,171,057	a			
Interest on cash, bank balances, and short-term investments (ISTI)	84,070				
OSBIT minus ISTI	-28,255,127		-28,255,127		-28,255,127
Net surplus after tax from financial statements	-41,779,745	n		-41,779,745	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	-41,779,745				
Amortisation of goodwill and amortisation of other intangibles					
Subvention payment	65,054,000	g	add	65,054,000	add
Depreciation of SFA at BV (x)	0	s	add	0	add
Depreciation of SFA at ODV (y)	11,655,895				
ODV depreciation adjustment	11,655,895				
Subvention payment tax adjustment	0	d	add	0	add
Interest tax shield	0	s ^t	deduct	0	deduct
Revaluations	3,991,280	q	deduct	0	deduct
Income tax	0	r			
Income tax	1,430,021	p			
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
Fixed assets at end of previous financial year (FA ₀)	303,709,000				
Fixed assets at end of current financial year (FA ₁)	452,628,232				
Adjusted net working capital at end of previous financial year (ANWC ₀)	1,566				
Adjusted net working capital at end of current financial year (ANWC ₁)	-4,042,000				
Average total funds employed (ATFE)	376,148,399 (or regulation 33 time-weighted average)	c	376,148,399		376,148,399
Total equity at end of previous financial year (TE ₀)	211,539,372				
Total equity at end of current financial year (TE ₁)	301,003,255				
Average total equity	256,271,313 (or regulation 33 time-weighted average)	k		256,271,313	
WUC at end of previous financial year (WUC ₀)	9,805,000				
WUC at end of current financial year (WUC ₁)	5,204,000				
Average total works under construction	7,504,500 (or regulation 33 time-weighted average)	e	deduct	7,504,500	deduct
			7,504,500	7,504,500	7,504,500

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			
Intangible assets at end of previous financial year (I_{A_0})	79,054,000				
Intangible assets at end of current financial year (I_{A_1})	14,000,000			deduct	
Average total intangible asset (or regulation 33 time-weighted average)	46,527,000	m		46,527,000	
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 ($SFA_{bv(t)}$)	284,506,439				
System fixed assets at end of current financial year at book value ($SFA_{bv(1)}$)	437,921,000				
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	361,213,720	f	deduct	361,213,720	deduct
System Fixed assets at year beginning at ODV value ($SFA_{odv(t)}$)	285,688,313				
System Fixed assets at end of current financial year at ODV value ($SFA_{odv(1)}$)	303,260,003				
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	294,474,158	h	add	294,474,158	add
Denominator					
Financial Performance Measure:					
			ROF = $\frac{OSBIT^{ADJ}}{ATFE^{ADJ}} \times 100$	ROE = $\frac{NSAT^{ADJ}}{ATE^{ADJ}} \times 100$	ROI = $\frac{OSBIT^{ADJ}}{ATFE^{ADJ}} \times 100$
			12.19	17.18	10.39
			$ATFE^{ADJ} = c - e - f + h$	$ATE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year
 subscript '1' = end of the current financial year 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 2006**

	2006	2005
	\$000	\$000
System fixed assets at ODV - end of the previous financial year	285,688	285,044
Add system fixed assets acquired during the year at ODV	29,228	11,831
Less system fixed assets disposed of during the year at ODV	-	-
Less depreciation on system fixed assets at ODV	(11,656)	(11,187)
Add revaluation of system fixed assets	-	-
Equals system fixed assets at ODV - end of financial year	<u>303,260</u>	<u>285,688</u>

Requirement 21 (Schedule 1, Part 5)**Reliability Performance Measures**

Year ended 31 March 2006

Interruptions	2007/10 Target	2007 Target	2006	2005	2004	2003
Total interruptions			869	983	1,012	583
a) Planned interruptions (Class B)			432	463	490	324
b) Unplanned interruptions (Class C)			437	520	522	259
Unplanned interruptions not restored within:						
a) 3 Hours (%)			25.23%	26.00%	43.00%	29.00%
b) 24 Hours (%)			0.46%	0.96%	1.72%	0.39%

Faults	2007/10 Target	2007 Target	2006	2005	2004	2003
Faults/100km						
a) Total No. of faults	9.80	9.80	8.92	9.36	10.67	8.96
b) Next year targets						
c) Next 5 year average target						
d) i) 33kV line voltage						
a) Total no. of faults			9.82	5.63	5.17	3.58
b) Next year target						
c) Next 5 year target						
ii) 11kV line voltage						
a) Total no. of faults			8.84	9.71	11.20	8.89
b) Next year target						
c) Next 5 year target						
Faults/100km of underground line						
a) Total	7.30	7.30	6.60	8.82	7.22	10.06
b) 33kV			16.81	-	*6.60	-
c) 11kV			6.61	9.28	7.59	10.06
Faults/100km of overhead line						
a) Total	10.00	10.00	9.10	9.44	11.18	12.52
b) 33kV			9.22	6.08	5.06	3.20
c) 11kV			9.20	9.78	11.81	9.31

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

Reliability Measures	2007/10 Target	2007 Target	2006	2005	2004	2003
Total SAIDI (Classes B & C)	153	153	134	156	202	97
SAIDI						
a) Planned interruptions (Class B)	38	38	28	25	30	25
b) Unplanned interruptions (Class C)	115	115	106	130	171	72
c) Unplanned interruptions Transpower (Class D)			0.03	5	-	-
Total SAIFI (Classes B & C)	2.40	2.40	2.83	3.21	2.38	2.02
SAIFI						
a) Planned Interruptions (Class B)	0.20	0.20	0.18	0.16	0.21	0.22
b) Unplanned interruptions (Class C)	2.20	2.20	2.65	3.05	2.17	1.80
c) Unplanned interruptions Transpower (Class D)			0.01	0.20	-	-
Total CAIDI (Classes B & C)	243	243	47	48	85	67
CAIDI						
a) Planned interruptions (Class B)	191	191	160	154	141	172
b) Unplanned interruptions (Class C)	52	52	40	43	79	56
c) Unplanned interruptions Transpower (Class D)			3	22	-	-

Requirement 20 (Schedule 1, Part 4)

Year ended 31 March 2006

Energy Delivery Efficiency Performance Measures	2006	2005	2004	2003
a) Load Factor	62.92	63.45	65.81	59.11
b) Loss Ratio	6.33%	5.82%	4.52%	5.17%
c) Capacity Utilisation	31.56%	31.28%	29.44%	29.96%

Energy Delivery Efficiency Performance Measures	2006	2005	2004	2003
a) Systems Length (kms)				
~ 33kV	429	427	426	337
~ 11kV	4,457	4,475	4,477	3,145
~ 230/400V	4,431	4,363	4,270	2,561
Total	9,317	9,264	9,173	6,043
b) Circuit Length (Overhead) (kms)				
~ 33kV	389	394	395	312
~ 11kV	3,836	3,866	3,869	2,692
~ 230/400V	1,632	1,639	1,646	675
Total	5,856	5,899	5,910	3,679
c) Circuit Length (Underground) (kms)				
~ 33kV	40	32	31	25
~ 11kV	621	610	608	453
~ 230/400V	2,800	2,724	2,624	1,886
Total	3,461	3,366	3,263	2,364
d) Transformer Capacity (kVA)	975,000	965,439	940,500	727,931
e) Maximum Demand (kW)	307,724	302,014	276,884	218,070
f) Total Electricity entering the network (before losses) (kWh)	1,696,095,881	1,678,730,000	1,596,108,000	1,170,556,066
g) Total electricity supplied for each Retailer (kWh)	1,588,683,182	1,581,079,000	1,523,885,000	1,110,069,995
Retailer A	555,579,599	550,648,000	578,884,000	599,690,446
Retailer B	146,121,137	86,037,000	48,441,000	17,748,204
Retailer C	95,283,713	137,490,000	145,489,000	91,845,438
Retailer D		-	-	-
Retailer E	404,508,895	407,285,000	434,831,000	192,679,424
Retailer F	208,556,826	220,718,000	188,639,000	148,798,871
Retailer G		-	-	-
Retailer H		-	-	-
Retailer I		-	-	-
Retailer J	178,633,012	169,098,000	118,259,000	45,063,316
Retailer K	17,841,992	9,804,000	9,342,000	14,244,296
h) Total customers	104,578	103,347	102,299	76,469

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) 2003 has been restated for f) and g) to align with definitions of energy pre and post distribution losses.

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 2006**

We have audited the financial statements of Unison Networks Limited on pages 2 to 20. The financial statements provide information about the past financial performance of Unison Networks Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 5 to 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 2006, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

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

The Auditor-General has appointed 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.

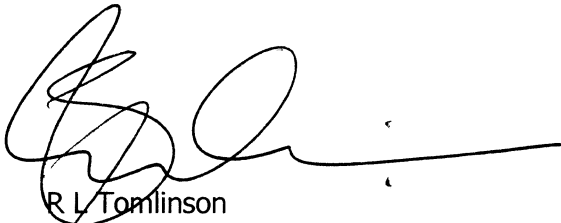
Unqualified opinion

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 20:
 - (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 2006 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 17 November 2006 and our unqualified opinion is expressed as at that date.



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

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

We have examined the information on pages 21 to 24, being –

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

that were prepared by Unison Networks Limited and dated 17 November 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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



R. J. Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
17 November 2006