



New Zealand Gazette

OF THURSDAY, 7 DECEMBER 2006

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POWERCO LIMITED

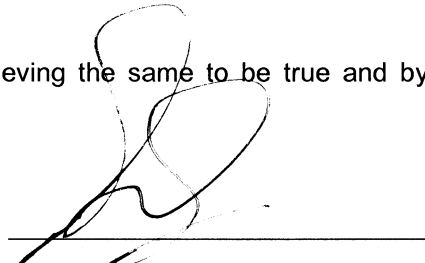
INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

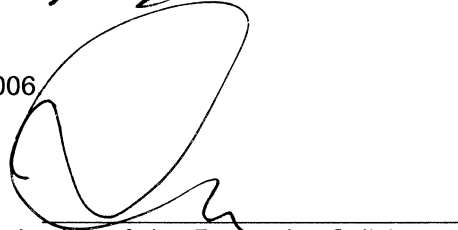
POWERCO LIMITED**ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004****STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION
SUPPLIED TO COMMERCE COMMISSION**

I, Sriyan Elanga Ekanayake, of New Plymouth, being a director of Powerco Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by Powerco Limited under the Commerce Commission's Electricity Information Disclosure Requirements 2004.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.



Declared at New Plymouth this 6th day of December 2006



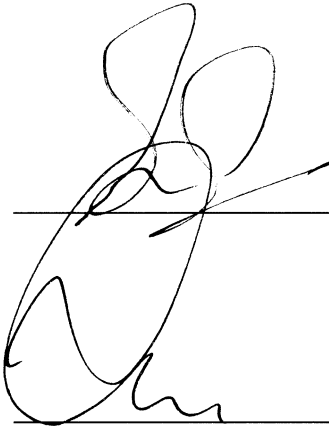
Justice of the Peace (or Solicitor or
other person authorised to take a
statutory declaration)

Nigel Barbour
Solicitor
New Plymouth

POWERCO LIMITED**ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004****CERTIFICATION OF VALUATION REPORT OF DISCLOSING ENTITIES**

We, Sriyan Elanga Ekanayake, director and Nigel Dickson Barbour, director of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge –

- (a) the attached valuation report of Powerco Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- (b) the replacement cost of the line business system fixed assets of Powerco Limited is 1,796,403,166 and
- (c) the depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$944,877,982; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Powerco Limited is \$944,877,982; and
- (e) the optimised deprival valuation of the line business system fixed assets of Powerco Limited is \$944,877,982; and
- (f) The values in (b) through (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 30 June 2006.



A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to be the name of one of the directors mentioned in the text above.

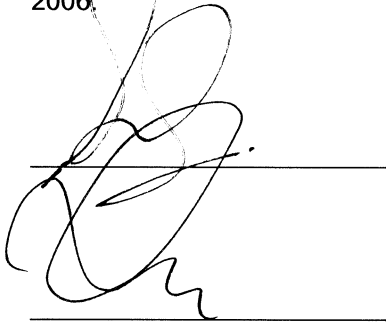
Date: 6 December 2006

POWERCO LIMITED**ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004****CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES OTHER THAN TRANSPower**

We, Sriyan Elanga Ekanayake, director, and Nigel Dickson Barbour, director of Powerco Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of Powerco Limited, prepared for the purposes of regulation 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 Powerco Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Regulations 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 30 June 2006.



A handwritten signature in black ink, appearing to be 'Sriyan Elanga Ekanayake', is written over a horizontal line. Below this line is another horizontal line, likely representing a second signature or a formal line.

6 December 2006

Deloitte

AUDIT REPORT TO THE READERS OF THE FINANCIAL STATEMENTS OF POWERCO LIMITED – ELECTRICITY DIVISION

We have audited the financial statements of Powerco Limited – Electricity Division. The financial statements provide information about the past financial performance of Powerco Limited – Electricity Division and its financial position as at 30 June 2006. This information is stated in accordance with the accounting policies.

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 Powerco Limited – Electricity Division as at 30 June 2006, and results of operations and cash flows for the year then ended.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

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 judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Powerco Limited – Electricity Division's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give 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 and provision of taxation and accounting advice, we have no relationship with or interests in Powerco Limited.

Qualified Opinion

Disclosure of Transition to New Zealand Equivalents to IFRS

New Zealand Equivalent to International Financial Reporting Standards 1 (NZ IFRS 1) "*First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards 1*" requires reconciliation of the entity's equity reported under previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to its equity under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) at the date of transition to NZ IFRS. This information has not been disclosed in the financial statements.

Compliance with Section 2.8(a) of the Commission Electricity Information Disclosure Handbook

Under section 2.8(a) of the Commerce Commission Electricity Information Disclosure Handbook an entity must not restate comparative information, even where this would result in a departure from Generally Accepted Accounting Practice (GAAP). The comparative period has been restated due to the transition to NZ IFRS which was undertaken during the year.

In these respects alone we have not obtained all the information and explanations that we have required.

In our opinion, except for adjustments that would have been necessary to comply with NZ IFRS 1 and section 2.8(a) of the Commerce Commission Electricity Information Disclosure Handbook:

- proper accounting records have been maintained by Powerco Limited – Electricity Division as far as appears from our examination of those records; and
- the financial statements referred to above-
 - a) comply with generally accepted accounting practice in New Zealand; and
 - b) give a true and fair view of the financial position of Powerco Limited – Electricity Division as at 30 June 2006 and the results of its operations and cash flows for the year then ended; and
 - c) comply with the Electricity Information Disclosure Requirements

Our audit was completed on 6th December 2006 and our qualified opinion is expressed as at that date.



Chartered Accountants
Hamilton, New Zealand

This audit report relates to the financial statements of Powerco Limited – Electricity Division for the year ended 30 June 2006 included on Powerco Limited's website. Powerco Limited's Board of Directors is responsible for the maintenance and integrity of Powerco Limited's website. We have not been engaged to report on the integrity of Powerco Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 6th December 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Deloitte

AUDITOR'S OPINION ON THE PERFORMANCE MEASURES OF POWERCO LIMITED – ELECTRICITY DIVISION

We have examined the following information, 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 Powerco Limited – Electricity Division and dated 6th December 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.



Deloitte
Hamilton
6th December 2006

This audit report relates to the financial statements of Powerco Limited – Electricity Division for the year ended 30 June 2006 included on Powerco Limited's website. Powerco Limited's Board of Directors is responsible for the maintenance and integrity of Powerco Limited's website. We have not been engaged to report on the integrity of Powerco Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 6th December 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



ELECTRICITY DIVISION

**Statement of Financial Position
As at 30 June 2006**

	Notes	30 June 2006 \$000	30 June 2005 \$000
Equity			
Share capital		431,359	431,359
Retained earnings		(4,778)	4,629
Reserves		(21,252)	(17,089)
		<u>405,329</u>	<u>418,899</u>
Non Current Liabilities			
Borrowings	1	512,293	373,767
Other financial liabilities	2	29,234	-
Deferred taxation		30,652	17,089
		<u>572,179</u>	<u>390,856</u>
Current Liabilities			
Borrowings		99,577	159,768
Accounts payable & accruals		22,480	32,947
Tax payable		5,304	16,380
		<u>127,361</u>	<u>209,095</u>
Total Equity and Liabilities		<u>1,104,869</u>	<u>1,018,850</u>
Non Current Assets			
Property, plant and equipment	4	966,886	942,684
Current account		115,859	53,345
		<u>1,082,745</u>	<u>996,029</u>
Current Assets			
Receivables		22,124	22,821
		<u>22,124</u>	<u>22,821</u>
Total Assets		<u>1,104,869</u>	<u>1,018,850</u>

The accompanying notes form part of these financial statements.



ELECTRICITY DIVISION

Statement of Financial Performance
For the year ended 30 June 2006

	Notes	30 June 2006 \$000	30 June 2005 \$000
Revenue	11	250,197	244,138
Cost of goods sold		59,984	61,804
Gross profit		190,213	182,334
Other income		(4,210)	-
Operating expenses		29,061	28,969
Administration expenses		25,213	28,423
Other expenses		38,901	37,067
Earnings before interest and taxation		101,247	87,875
Finance costs		39,856	38,239
Operating Surplus before taxation	12	61,392	49,636
Taxation expense	5	18,870	16,380
Operating Surplus Attributable to the Shareholders		42,522	33,256

The accompanying notes form part of these financial statements.



ELECTRICITY DIVISION

**Statement of Movements in Equity
For the year ended 30 June 2006**

	30 June 2006 \$000	30 June 2005 \$000
Opening Equity	418,899	427,186
Profit for the period	42,522	33,256
Total recognised income and expense	42,522	33,256
Dividends	(51,927)	(41,543)
Cashflow hedges - gain/(loss) taken to equity	(4,165)	-
Closing Balance	405,329	418,899

The accompanying notes form part of these financial statements.



ELECTRICITY DIVISION

Statement of Cash Flows
For the year ended 30 June 2006

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	30 June 2006 \$000	30 June 2005 \$000
Cash was provided from:			
Receipts from customers		250,503	238,089
Interest received		-	126
Net movement in GST		2,386	421
		252,890	238,635
Cash was applied to:			
Payments to suppliers and employees		126,722	132,721
Interest paid		42,362	8,030
Payments of income tax		16,382	28,113
		185,465	168,864
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	9	67,424	69,771
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of property, plant and equipment		63,102	55,869
		63,102	55,869
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		(63,102)	(55,869)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Issue of bonds		131,600	-
Issue of commercial paper		13,875	12,770
Issue of US dollar private placement		25,078	2,807
Movement in current account		-	15,265
Issue of bank debt		-	79,188
		170,553	110,031
Cash was applied to:			
Repayment of bank debt		71,438	-
Dividends paid		51,928	41,543
Movement in current account		62,517	-
Repayment of bonds		-	70,756
		185,883	112,299
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		(15,330)	(2,267)
NET INCREASE (DECREASE) IN CASH HELD		(11,008)	11,635
Opening cash brought forward		(4,891)	(16,526)
ENDING CASH CARRIED FORWARD		(15,899)	(4,891)

POWERCO LIMITED

Electricity Division

Statement of Accounting Policies for the Financial Statements for the Year ended 30 June 2006

Reporting Entity

Powerco Limited is a company registered under the Companies Act 1993. The group consists of Powerco Limited and its subsidiaries.

The following activities were the principal activities undertaken by Powerco Limited throughout the period:

- Distribution of electricity and value added services.
- Distribution of gas and value added services.

These financial statements have been prepared to comply with the provisions of Section 44 of the Energy Companies Act 1992, the Companies Act 1993, and the Financial Reporting Act 1993.

Special purpose financial statements

These financial statements are made pursuant to Powerco's obligations under the Electricity Information Disclosure Regulations 2004.

The Lines Business is treated as the core business and corporate activities are accounted for through the Line and Other Business financial statements. Powerco has adopted the avoidable cost allocation methodology stipulated in the Electricity Information Disclosure Regulations.

There are various matters, which relate across the whole integrated business. These are shown specifically in the respective notes where relevant.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Company had adopted all of the applicable new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

- Accounting for Income Tax
- Financial Instruments

The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1.

Significant accounting policies

The financial statements have been prepared on the historical cost basis, except for certain borrowings and financial instruments. Financial derivatives are carried at fair value and borrowings which have effective fair value hedges are carried at amortised cost adjusted for the fair value of interest rate risk covered by the effective hedge. The principal accounting policies adopted are set out below.

a) Critical accounting estimates and judgements

In the process of applying the groups accounting policies management have made no judgements that have had a significant effect on the amounts recognised in the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at 30 June 2006, that have had a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in the balance sheet.

c) Property, Plant and Equipment

All items of property, plant and equipment are initially recognised at cost in the statement of financial position. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidised assets, and those costs directly attributable to bringing the item to working condition for its intended use.

Land and buildings are revalued from time to time for insurance purposes only. Optimised Deprival Value (ODV) is obtained from an independent registered valuer. Any impairment is recognised for accounting purposes and recognised in the Statement of Financial Performance.

d) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight-line basis for Network Systems and on diminishing value for all other assets, to write off the cost of the assets (other than land) over the life of the assets.

Depreciation rates based on remaining useful life, for major classes of asset are:

Land	Not Depreciated
Buildings	50 years
Plant and Equipment	5 to 10 years
Network Systems	10 to 65 years

e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their

intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

f) Financial assets

Financial assets are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in accordance with NZ IAS-27. Other financial assets are classified into one of four categories; financial assets at fair value through the profit or loss, held to maturity investments, available for sale financial assets or loan and receivables. At balance date the Company had the following classes of financial assets:

Loans and receivables

Trade receivables and other receivables are recorded at amortised cost less impairment.

g) Financial liabilities

Financial liabilities are recognised when the entity became party to the contractual provisions of the instrument.

h) Term Debt

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Subsequent to initial recognition, loans and borrowings are carried at amortised cost. Borrowing costs are recognised as an expense when incurred, except to the extent that they are capitalised in accordance with e) above.

All interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method which allocates the cost through the expected life of the borrowing. Amortised cost is calculated taking account of issue costs, and any discounts or premiums on draw down.

After initial recognition for those interest-bearing loans and borrowings where fair value hedge accounting is applied, the loan balance is adjusted for the change in the hedge risk only. The Company policy is to hedge the interest/foreign currency risk associated with term debt with financial instruments on matched terms.

Borrowings are classified as current liabilities (either advances and deposits or current portion of term debt) unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

i) Trade and other payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Subsequent to initial recognition, trade payables and other accounts payable are recorded at amortised cost. Given the nature of these liabilities amortised cost equals their notional principal.

j) Derivative Financial Instruments

Financial derivatives are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value on each balance sheet date, though the method of recognising the resulting gains and losses is dependent on whether hedge accounting is applied. When derivative contracts are entered into, the group designates them as either;

- Hedges of the fair value of recognised assets or liabilities (fair value hedge); or
- Hedges of forecast transactions or firm commitments (cash flow hedge) which hedge exposures to variability in cash flows; or
- Hedges of net investments in foreign entities; or
- Other derivative financial instruments not meeting hedge accounting criteria.

The fair values of financial derivatives are determined by reference to the market quoted rates input into valuation models for interest and currency swaps, forwards and options. Changes in fair value of derivatives are recognised:

- For fair value hedges which are highly effective, the movements are recorded in the income statement alongside any changes in the fair value of the hedged items;
- For cash flow hedges that are determined to be highly effective to the extent the hedges are effective, the movements are recognised in equity with the ineffective portion recognised in the income statement; and for those that are ineffective the movements are recognised in the income statement;
- For hedges of net investments in foreign entities that are highly effective, the effective portion of the movements is recorded in equity (currency translation reserve) and the ineffective portion is recognised in the income statement.
- All other movements in the fair value of derivative financial instruments are recorded in the income statement.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, if the forecast transaction is still expected to occur, any cumulative gain or loss on the hedging instrument is recognised in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

k) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

l) Defined Superannuation Plans

For Defined Contribution Superannuation Plans, the Group recognises and expenses the obligation during the period they arise.

There are a small number of employees that are part of a state Defined Benefit Superannuation plan. The Group has no legal or constructive obligation to pay future benefits, the Crown guarantees these benefits, as a result the plans are accounted for as a defined contribution plan.

m) Impairment

Intangible assets that have indefinite useful lives are not subject to amortisation and are assessed for impairment at each reporting date. If the estimated recoverable amount of an asset is less than its carrying amount, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the statement of financial performance.

A cash generating unit is the lowest group of assets for which there are separately identified cash flows.

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n) Share Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

p) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are declared.

p) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and rewards of ownership of the leased items, are included in the determination of profit before

taxation in equal instalments over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

q) Revenue Recognition

Revenue is recognised at the fair value of sales of goods and services, net of GST, rebates, discounts and capital contributions.

Revenue is recognised as follows:

- (a) **Rendering of Services**
Revenue from services is recognised in the accounting period in which the services are rendered based upon usage or volume throughput during that period.

r) Taxation

The amount recognised for current tax is based on the net profit for the period as adjusted for non-assessable and non-deductible items. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred income tax is provided, using the comprehensive balance sheet liability method, on all temporary differences at the balance sheet date between the tax base of the assets and liabilities and their carrying amounts in the consolidated financial statements.

The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and the temporary differences relating to investments in subsidiaries, where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax or current tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

s) Statement of Cash Flows

The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of financial performance. For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Operating activities include all transactions and other events that are not investing or financing activities.

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

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

t) Comparative information – financial instruments

The Company has elected not to restate comparative information for financial instruments within the scope of NZ IAS -32 'Financial Instruments: Disclosure and Presentation' and NZ IAS -39 'Financial Instruments: Recognition and Measurement', as permitted on the first time adoption of NZ IFRS.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1 a) to s). The following accounting policies were applied to accounting for financial instruments in the comparative financial year.

Receivables

Accounts receivable are valued at expected realisable value, after providing for doubtful debts. All known bad debts have been written off during the period under review.

Financial Instruments

The company has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in interest rates. Financial instruments as at 30 June 2005 consisted of interest rate swaps and cross currency swaps. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

For interest rate swap agreements entered into in connection with the management of interest rate exposure, the differential to be paid or received is accrued as interest rates change and is recognised as a component of interest income/expense over the life of the agreement.

	30 June 2005 NZ\$000	Effect on Adoption NZ\$000	1 July 2005 NZ\$000
Equity			
Issued capital	431,359		431,359
Retained earnings	(8,061)		(8,061)
Reserves	(4,399)	(4,938)	(9,337)
Total Equity	418,899	(4,938)	413,961
Non Current Liabilities			
Borrowings	373,767	(25,791)	347,976
Other financial liabilities	-	33,161	33,161
Deferred tax liability	-	(2,432)	(2,432)
Funding facility	17,089		17,089
	390,856	4,938	395,794
Current Liabilities			
Borrowings	159,768		159,768
Trade and other payables	32,947		32,947
Tax payable	16,380		16,380
	209,095	-	209,095
Total Equity and Liabilities	1,018,850	-	1,018,850
Non Current Assets			
Property, plant and equipment	942,684		942,684
Current account	53,345		53,345
	996,029	-	996,029
Current Assets			
Receivables	22,821		22,821
	22,821		22,821
Total Assets	1,018,850	-	1,018,850

The \$4.938 million adjustment shown above in equity represents the recognition of interest rate swaps and cross currency swaps at 30 June 2005 (\$33.161m), deferred tax on interest rate swaps (\$2.432m) and the adjustment to the carrying value of loans covered by fair value hedges (adjustment for the fair value of interest rate risk on loans hedges by fair value hedges \$25.791 m). This adjustment has been made to the hedging reserve as the hedges were effective hedges under the superseded accounting policies.

The \$33.161m adjustment above represents the fair value of hedges at 30 June 2005. This adjustment was done to record the derivatives as a separate class of liability. The \$25.791m adjustment represents the fair value adjustment to hedged loans. The \$2.432m relates to deferred tax on the hedges.

The following transitional provisions have an effect on future profits:

- The effectiveness of hedging relationships are assessed from 1 July 2005, no adjustment is made in relation to hedges under the superseded policies which were not highly effective before 1 July 2005.

The main adjustments necessary that would make the comparative financial statements comply with NZ IAS -32 and NZ IAS -39 are listed below. Similar adjustments were made at 1 July 2005 to restate the opening financial position of the company and consolidated entity to a position consistent with the accounting policies specified in note 1a) to s):

- The recognition and measurement of all derivatives (including any embedded derivatives) at fair value;
- The recognition in profit or loss of the movement in the fair value of derivatives which did not qualify for hedge accounting or were not designated as hedging instruments;
- The transfer of deferred hedging gains and losses recognised as assets and liabilities arising from a cash flow hedge of a forecast transaction to the hedging reserve;
- The deferral in equity of the effective portion of the movement in fair value of derivatives accounted for as a cash flow hedge;
- The recognition in profit or loss of the movement in fair value of derivatives accounted for as a fair value hedge and the fair valuing of hedge items;
- The adjustment to the carrying amount of items that would qualify as a fair value hedge under NZ IFRS and were designated as a hedge under previous GAAP for the lower of the cumulative change in fair value of the hedge item for the designated risk and the cumulative change in fair value of the hedging instrument;
- The recognition of any current or deferred taxes in relation to the adjustments described above.

It is not practicable for the company to detail the amounts of the adjustments to profit and loss and to opening retained earnings for the comparative period had the new accounting policies been applied from the beginning of the comparative period. In addition, it is not practicable for the company to detail for the current period, the amounts of the adjustments resulting to each financial statement line item as a consequence of applying the accounting policies specified elsewhere in note 1.

u) Standards, Amendments and Interpretations Issued But Not Yet Effective

The Company has not applied the following Standards, Amendments and Interpretations that have been issued but are not yet effective.

- Amendments to NZ IFRS 4 and IFRS 4 Appendices C and D
- NZ IFRS 7 and IFRS 7 Financial Instruments: Disclosures and complementary amendments to NZ IAS 1 and IAS 1 Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1 January 2007)
- Amendments to NZ IFRS 7 and IFRS 7 Financial Instruments: Disclosures – Disclosure and Measurement of Day One Profit (effective for annual periods beginning on or after 1 January 2007)
- Amendment to NZ IAS 1 and IAS 1 Presentation of Financial Statements: Added disclosures about an entity's capital (effective for annual periods beginning on or after 1 January 2007)
- Amendment to the scope of NZ IAS 14 Segment Reporting
- Amendments to NZ IAS 19 and IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures; Actuarial Assumptions – Allowance for Taxes in Defined Benefit Plans.
- Amendments to NZ IAS 36 Impairment of Assets – Impairment of Non Cash Generating Assets by Public Benefit Entities.
- Amendments to NZ IAS 39 and IAS 39 Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions; The Fair Value Option
- Amendment to NZ IAS 39 and IAS 39 Financial Instrument: Recognition and Measurement and NZ IFRS 4 and IFRS 4 Insurance Contracts: Financial Guarantee Contracts
- NZ IFRIC 4 and IFRIC 4 Determining Whether an Arrangement Contains a Lease
- NZ IFRIC 5 and IFRIC 5 Rights to Interests Arising From Decommissioning, Restoration Environmental Rehabilitation Funds
- IFRIC 8 Scope of IFRS 2 (effective for annual reporting periods on or after 1 May 2006)
- IFRIC 9 Reassessment of Embedded Derivatives (effective for annual reporting periods on or after 1 June 2006)

All of these Standards, Amendments and Interpretations are effective for annual periods beginning on or after 1 January 2006, except where noted above.

Application of the Standards, Amendments and Interpretations is not expected to have a material impact on the financial statement account balances of the Group, but will require additional financial statement disclosures. In many cases, those relating to measurement that apply to the Group provide further options or restrict options which are not presently in use.

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

1 BORROWINGS

	30 June 06 NZ\$000	30 June 05 NZ\$000
Non-current liabilities at amortised cost		
Subordinated bonds	53,896	45,576
Guaranteed bonds	227,550	114,621
US Dollar private placement notes	141,591	137,949
Commercial bank debt	89,256	75,621
	<u>512,293</u>	<u>373,767</u>
Current liabilities at amortised cost		
Bank overdraft	15,899	4,891
Commercial paper facility	83,678	69,803
Commercial bank debt	-	85,074
	<u>99,577</u>	<u>159,768</u>
(a) Subordinated bonds		
	30 June 06 NZ\$000	30 June 05 NZ\$000
Subordinated bonds	55,785	47,265
Adjustment for the fair value of the interest rate risk	(297)	-
	<u>55,488</u>	<u>47,265</u>
Deferred funding costs	(1,592)	(1,689)
Carrying value of subordinated bonds	<u>53,896</u>	<u>45,576</u>

The Subordinated Bonds were issued on 15 April 2005 and are unsecured, subordinated debt obligations of Powerco Limited. They have a tenure of 5 years and have an interest rate of 7.64% p.a. fixed until expiry on 15 April 2010.

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

(b) Guaranteed Bonds	30 June 06 NZ\$000	30 June 05 NZ\$000
7 year guaranteed bonds	55,785	47,263
Adjustment for the fair value of the interest rate risk	(2,486)	-
9 year guaranteed bonds	55,785	47,263
Adjustment for the fair value of the interest rate risk	(2,486)	-
11 year guaranteed bonds	27,893	23,632
Adjustment for the fair value of the interest rate risk	(1,243)	-
7 year guaranteed bonds	72,521	-
12 year guaranteed bonds	27,893	-
	233,662	118,158
Deferred funding costs	(6,112)	(3,537)
Carrying value of guaranteed bonds	227,550	114,621

\$250 million of Guaranteed Bonds were issued on 29 March 2004 as unsecured debt obligations of Powerco Limited. The scheduled payments by Powerco Limited of interest and principal are guaranteed on an unsecured basis by US-based XL Capital Assurance Inc, a specialist financial guaranty organisation. The bonds expire on 29 March 2011 (7 year bonds), 29 March 2013 (9 year bonds) and 29 June 2015 (11 year bonds). The interest rates on the bonds are fixed until maturity.

7 year guaranteed bonds	6.22%
9 year guaranteed bonds	6.39%
11 year guaranteed bonds	6.53%

On 28 September 2005 a \$180 million issue of guaranteed bonds took place (of which \$100.4 million was allocated to the electricity division), as secured unsubordinated obligations of Powerco Limited. The scheduled payments of interest and principal payable by Powerco Limited were again guaranteed on an unsecured basis by XL Capital Assurance. The bonds expire on 28 September 2012 (7 year bonds) and 28 September 2017 (12 year bonds). The interest rates on the bonds are fixed until maturity.

7 year guaranteed bonds	6.59%
12 year guaranteed bonds	6.74%

Under the trust documents constituting the Guaranteed Bonds, Powerco Limited has covenanted to ensure that, if XLCA defaults on its obligations under the financial guaranty, Powerco Limited will procure sufficient of its subsidiaries to guarantee its obligations under the Guaranteed Bonds by signing a Subsidiary Guarantee so that at all times the total tangible assets of the Company and all guaranteeing subsidiaries exceeds 85% of the total tangible assets of the Group. As at 30 June 2006, no Subsidiary Guarantee had been executed.

The guarantee bonds are secured against the network assets of Powerco Limited through the Security Trust Deed.

c) US Dollar Private Placement	30 June 06 NZ\$000	30 June 05 NZ\$000
11 year USD private placement notes	52,531	44,506
12 year USD private placement notes	50,889	43,114
13 year USD private placement notes	60,738	51,459
Adjustment for fair value of the interest rate risk	(21,361)	-
Deferred funding costs	(1,206)	(1,130)
Carrying value of the US dollar private placement	141,591	137,949

The USD Private Placement note issue took place on 25 November 2003 to private US investors. The USD Private Placement notes are debt obligations of Powerco Limited. The coupon payments are semi-annual and the note issue expires 25 November 2014 (11 year), 25 November 2015 (12 year), and 25 November 2016 (13 year). The notes are secured against the network assets of Powerco Ltd through the Security Trust Deed.

The interest rates on the notes are fixed until maturity.

11 year USD private placement notes	5.47%
12 year USD private placement notes	5.57%
13 year USD private placement notes	5.67%

d) Commercial Paper Facility

Powerco Limited has established a commercial paper facility to enable Powerco Limited to borrow money from the capital market. The programme is supported by a cash advance facility of \$200 million with a syndicate of banks made up of the Commonwealth Bank of Australia, Westpac Banking Corporation and ANZ National Bank, which continues until 2 August 2007. The facility has the benefit of the Security Trust Deed dated 10 March 2005 as a Senior Secured debt Facility, and as such the principal is secured against the network assets of Powerco Limited. At 30 June 2006 a sum of \$150,000,000, which includes an interest portion of \$2,759,645 of 90 day bills at a weighted average interest of 7.52%, with varying maturity dates, had been drawn down under the commercial paper programme (2005: \$150,000,000 was drawn down under the commercial paper programme which included an interest portion of \$2,310,162 at weighted average interest rate of 7.08%). As at year end the carrying value approximates the fair value.

At year end the amount of the commercial paper facility allocated to the electricity division was \$83,677,887 (2005: \$69,803,000).

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

e) **Commercial Bank Debt**

As at 30 June 2006 the balance of Commercial Bank Debt of Powerco Limited was \$160 million which relates to a Term Loan Facility agreed and drawn in August 2004, expiring August 2009, which was used to refinance the remaining tranche of the Asset Purchase Facility used to fund the acquisition by Powerco Limited of United Networks Limited (UNL) assets. The Term Loan Facility is jointly provided through Commonwealth Bank of Australia, Westpac Banking Corporation and ANZ National Bank, each with an equal share. The interest rate on the \$160 million Term Loan Facility is currently 8.12%. The Term Loan Facility has the benefit of the Security Trust Deed, for the purposes of which it is designated as a Senior Secured Debt Facility and thus secured against the Network assets of Powerco Limited. As at 30 June 2005 a sum of \$160 million had been drawn. In the previous year the Group had \$180 million commercial bank debt which had an interest rate of 7.24%.

At year end the amount of the commercial bank debt facility allocated to the electricity division was \$89.256 million (2005: \$160.695 million).

As at the reporting date the carrying value approximates the fair value as interest rates are reset each quarter.

	30 June 06 NZ\$000	30 June 05 NZ\$000
Comprises:		
Current liabilities	-	85,074
Term liabilities	89,256	75,621
Total Commercial Bank debt	89,256	160,695

f) **Covenants**

Powerco Limited has covenanted with all counterparties to ensure certain financial criteria are met throughout the term of the debt agreements. There have been no covenant breaches to date.

g) **Financial liabilities**

The following tables detail the fair value of financial liabilities

	30 June 06 NZ\$000		30 June 05 NZ\$000	
	Carrying Amount NZ\$000	Fair Value NZ\$000	Carrying Amount NZ\$000	Fair Value NZ\$000
Subordinated bonds	53,896	53,896	45,576	45,576
Guaranteed bonds	227,550	227,550	114,621	114,621
US Dollar Private Placement Notes	141,591	141,591	137,949	137,949
Commercial Paper Facilities	83,678	83,678	69,803	69,803
Commercial Bank Debt	89,256	89,256	160,695	160,695
US Cross Currency Interest Rate Swap	21,357	21,357	-	28,966
Interest Rate Swap	8,268	8,268	-	14,100
	625,596	625,596	528,644	571,710

The fair value of financial assets and financial liabilities are determined as follows:

- For floating rate debt carrying value approximates fair value due to continuing interest rate reset.
- For fixed rate debt opposing floating rate derivative instruments matching tenor and term are used in offset position to calculate fair values. The movements in these derivatives approximate movements in market values.
- For derivative instruments fair value is based on quoted prices.

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

2 DERIVATIVE FINANCIAL INSTRUMENTS

- a) Powerco Limited enters into NZD floating to fixed interest rate swap agreements to reduce the impact of changes in floating interest rates on its borrowings and thus reduce variability in cash flows. Fixed to floating instruments are entered into in order to hedge the changes in fair value of fixed rate NZD debt. Powerco Limited also utilises Cross Currency interest swaps to hedge against the variations in interest costs and fair value of the USD Private placement debt.

Derivative instruments are initially recognised at fair value on the contract date and subsequently measured at their fair value on each balance sheet. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (i) hedges of highly probable forecast transactions (cash flow hedges), or (ii) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

The Group documents, at the inception of the hedge transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and hedging strategy. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are transferred to the Income Statement in the same period in which the hedged item affects the Income Statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the Income Statement.

(ii) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged risk.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments are undertaken as hedges of economic exposures but do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the Income Statement.

The fair value of financial instruments are determined by reference to the market quoted rates.

All derivative instruments are carried on balance sheet at their fair values. Movements on the hedging reserve are shown in the Statement of Shareholders' Equity.

The Group holds the following financial instruments:

1 Interest rate swaps

The Group receives New Zealand fixed interest rates and pays New Zealand dollar floating interest rates. The hedge is a fair value hedge and was entered into on terms matched to the underlying obligation.

The nominal value of the hedge is \$252,000,000 (2005: \$252,000,000)

The fair value of the hedge is -\$6,426,693 (2005: -\$4,528,454)

2 US Cross Currency Interest rate swaps

The Group receives US dollar fixed interest and pays NZ dollar floating interest. The hedge is both a fair value hedge and hedges the movements in currency that would affect interest payments and final repayment at maturity, these were entered into at terms to match the underlying obligation.

The nominal value of the hedge is \$211,871,532 (2005: \$211,871,532)

The fair value of the hedge is -\$21,075,924 (2005: -\$28,966,452)

3 Interest rate swaps

The Group receives NZ dollar floating interest rates and pays NZ dollar fixed interest. The hedge is to fix the variable floating obligations efficiently as per the hedge policy and the treasury policy and is on matched terms. The hedge is a cash flow hedge.

The nominal value of the hedge is \$162,000,000 (2005: \$180,000,000)

The fair value of the hedge is -\$2,004,023 (2005: -\$4,503,380)

4 Interest rate swap

To swap back fixed New Zealand dollar debt converted to floating back to fixed debt. The swap is used to match the interest rate profile in accordance with the Board strategy and is on matched terms. Hedge accounting is not applied to these swaps.

The nominal value of the hedge is \$357,840,000 (2005: \$451,440,000)

The fair value of the hedge is \$926,822 (2005: -\$3,624,895)

5 Interest rate swap

To convert floating New Zealand debt from US dollar fixed debt to fixed New Zealand dollar debt. The swap is used to modify the debt profile in accordance with the Board strategy and is on matched terms. Hedge accounting is not applied to these swaps.

The nominal value of the hedge is \$399,600,000 (2005: \$66,960,000)

The fair value of the hedge is -\$188,886 (2005: \$233,618)

6 Interest rate swaps

To unwind floating to fixed swaps which existed when the hedging policy was changed. These are to cancel previous interest rate swaps and match the terms of those including termination date and rolls. Hedge accounting is not applied to these swaps.

The nominal value of the swap is \$57,600,000 (2005: \$169,200,000)

The fair value of the swap is -\$633,376 (2005: \$1,431,150)

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

7 Interest rate swaps

Historical swaps floating to fixed swaps which are cancelled by number six above on match term and rolls basis. Hedge accounting is not applied to these swaps.

The nominal value of the swap is \$57,600,000 (2005: \$169,200,000)

The fair value of the swap is \$168,371 (2005: -\$3,108,446)

Total notional principal of instruments recognised \$1,498,511,532 (2005: 1,500,671,532)

Total fair value of instruments recognised -\$29,233,710 (2005: -\$43,066,859)

All cash flow hedges above are on matched terms. The maturities are the same as the financial liabilities recorded in note 12. The Group's policy is to refloat any fixed rate debt, thus giving a totally floating portfolio, then re hedge as per parameters in the treasury policy. This has the effect that some fixed rate hedges are applied against floating rate hedges. In line with NZ IAS39 these are not hedge accountable and thus movements in the mark to market value of these is passed through to the Income Statement.

The Group's New Zealand Dollar (NZD) and foreign currency fixed rate debt is converted to floating NZD debt through the use of derivatives, with these exactly matching the term and nominal value of the debt. At the point of issue the nominal value of the bonds was equivalent to the fair value, and the fair value of the derivative was zero. The marking to market of the derivatives outlines movements in interest rates or currency rates.

Powerco bonds are able to be traded on the NZDX and an active secondary market exists. This valuation method assumes a constant credit rating.

b) Currency swaps

Under currency swap contracts, the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate (fixed for floating). Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates. The following table details the currency swaps outstanding as at reporting date.

	Average interest rate NZ\$000	Average exchange rate NZ\$000	Contract Value NZ\$000	Fair Value NZ\$000
Outstanding contracts as at 30 June 2006				
Over five years	BKBM + 88 basis points	0.5947	211,872	(21,357)
Outstanding contracts as at 30 June 2005				
Over five years	BKBM + 88 basis points	0.5947	211,872	(28,966)



c) Interest rate swap contracts

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year. The following tables details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	30 June 2006				30 June 2005				
	Average contracted fixed interest rate	Notional principal amount	Fair value	Average contracted fixed interest rate	Notional principal amount	Fair value	Average contracted fixed interest rate	Notional principal amount	Fair value
Floating to fixed contracts:									
Less than 1 year	6.51%	123,120	673	6.38%	290,160	(1,115)			
1 to 2 years	6.38%	209,520	1,716	6.55%	123,120	358			
2 to 3 years	6.49%	28,800	233	6.53%	36,720	38			
3 to 4 years	6.94%	28,800	12	6.62%	21,600	(120)			
4 to 5 years	6.71%	28,800	116	6.94%	28,800	(492)			
5 years +	6.83%	558,000	(3,863)	6.87%	367,200	(9,672)			
Fixed to floating contracts:									
Less than 1 year	-	-	-	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-	-	-	-
2 to 3 years	-	-	-	-	-	-	-	-	-
3 to 4 years	7.45%	86,400	(499)	7.45%	86,400	(930)			
4 to 5 years	6.22%	72,000	(2,323)	6.45%	334,800	(2,167)			
5 years +	6.47%	151,200	(4,332)						
Total interest rate swaps									
Total cross currency swaps			(b)						
Total swaps			(a)						
					1,286,640	(8,267)		1,288,800	(14,100)
					211,872	(21,357)		211,872	(28,966)
					1,498,512	(29,624)		1,500,672	(43,066)

d) Fair value hedges

The following fair value hedges have been recorded in the income statement
Interest expense on fair value hedge loans

No items have been reclassified as measured at cost or amortised cost during the period.

	Group 30 June 06 NZ\$000	Group 30 June 05 NZ\$000
	(5,626)	-
	40,355	50,694



e) Maturity profile of financial instruments

The following table details the exposure to interest rate risk as at 30 June 2006. This table uses repricing dates and as such does not reflect the actual maturity of any floating rate debt or other debt that is repriced prior to maturity.

	Weighted average effective interest rate %	Variable interest rate NZ\$000	Maturity dates					Non interest bearing NZ\$000	Total NZ\$000
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years		
Financial assets:									
Trade and other receivables		-	-	-	-	-	22,124	22,124	
Financial liabilities:									
Trade and other payables		-	-	-	-	-	22,480	22,480	
Bank overdraft	7.40%	15,899	-	-	-	-	-	15,899	
Subordinated bonds	7.64%	-	-	-	53,896	-	-	53,896	
Guaranteed bonds	6.47%	-	-	-	-	53,299	-	227,550	
US Dollar private placement notes	5.56%	-	-	-	-	-	174,251	141,591	
Commercial paper facility	7.52%	-	-	-	-	-	141,591	83,678	
Commercial bank debt	7.41%	-	-	-	-	-	-	-	
Interest rate swaps		-	-	-	-	-	8,266	8,266	
US cross currency interest rate swaps		-	-	-	-	-	21,357	21,357	
		15,899	-	-	53,896	53,299	315,842	574,716	

The carrying value of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables, bank overdraft and employee entitlements is equivalent to the fair value of these assets and liabilities.

The following table details the exposure to interest rate risk as at 30 June 2005:

	Weighted average effective interest rate %	Variable interest rate NZ\$000	Maturity dates					Non interest bearing NZ\$000	Total NZ\$000
			Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years		
Financial assets:									
Trade and other receivables		-	-	-	-	-	22,821	22,821	
Financial liabilities:									
Trade and other payables		-	-	-	-	-	32,947	32,947	
Bank overdraft	6.90%	4,891	-	-	-	-	-	4,891	
Subordinated bonds	7.64%	-	-	-	-	45,576	-	45,576	
Guaranteed bonds	6.47%	-	-	-	-	-	114,621	114,621	
US Dollar private placement notes	5.56%	-	-	-	-	-	137,949	137,949	
Commercial paper facility	7.08%	-	-	-	-	-	69,803	69,803	
Commercial bank debt	7.36%	-	-	-	-	-	160,695	160,695	
		4,891	-	-	-	45,576	252,570	566,482	

The carrying value of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables, bank overdraft and employee entitlements is equivalent to the fair value of these assets and liabilities.



ELECTRICITY DIVISION

(f) Financial Instruments**Risk Management**

The Group engages in business in Australia and New Zealand and has currency expenses relating to the Australian dollar and US dollar. In the normal course of events the Group is exposed to loss through

- (a) Market risk
- (b) Credit risk
- (c) Liquidity risk.

The Group's risk programme recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects of market movements. The Group uses derivative financial instruments for this purpose, but does not engage in holding instruments for trading or speculation.

Management of this risk is performed in accordance with the policies approved by the Board of Directors. These cover both detailed policies and specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk as well as the use of derivatives and appropriateness of counter parties.

(a) Market Risk**(i) Foreign Exchange Exposures**

The Group operates in New Zealand and Australia and has foreign exchange exposures arising from US dollar denominated debt and investments in Australian operations. This exposes the Group to potential gains and losses arising from currency movements.

The Group policy relating to US dollar denominated debt is to minimise the exchange rate exposure by use of matching hedges taken out at the time the loans were drawn down. With regards to the independent foreign subsidiary, Powerco Australian Group Pty Limited, there is no net investment hedging.

(ii) Interest Rate Exposures

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The Company's short-term borrowings are on a floating daily interest rate. Non-current debt is funded by the fixed coupon bonds and Powerco's commercial paper program based on 90 day Bank Bills.

Powerco has entered into interest rate swap agreements to reduce the impact of the changes in interest rates on its borrowings. As at 30 June 2006, Powerco Limited had interest rate swap agreements with registered banks. The weighted average of the interest rate swap agreements (excluding the reverse swap agreements) produce an interest rate of 6.68% p.a.

(b) Credit Risk

Financial instruments which potentially subject the Company to credit risk principally consist of bank balances and accounts receivable. There are no significant concentrations of credit risk. These accounts are subject to a Board Prudential Supervision Policy which is used to manage the exposure to credit risk. As part of this policy, limits on exposures have been set and are monitored on a regular basis. Cash deposits are only made with registered banks. The maximum credit risk is the carrying value.

(c) Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its financial obligations as they fall due. This risk is managed by maintaining sufficient cash and deposits together with access to committed credit facilities.

3 WORKING CAPITAL ADVANCES FACILITY

Powerco Limited operates a wholesale capital advance facility with the Commonwealth Bank of Australia for up to \$30 million. The facility, dated 22 March 2005, replaced a similar facility held with Bank of New Zealand for up to \$15 million. As at 30 June 2006, funds to the amount of \$28.5 million were drawn down on the facility, offset by unrealised deposits of \$475,643 (2005: funds drawn of \$26.2 million, offset by unrealised deposits of \$410,894). The facility is based on a revolving credit arrangement and as such does not have set repayment dates. The facility expires on 22 March 2008 but is subject to automatic renewal for a further period. The facility has the benefit of the Security Trust Deed, as a Senior Secured Debt Facility. This facility had interest rates ranging from 6.90% to 7.40%.

At year end the amount of the bank overdraft allocated to the electricity division was \$15.89 million.

There is no right of set-off between any of the facilities.

4 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment as at 30 June 2006	30 June 2006 \$000	30 June 2005 \$000
GIS Information System		
Capital value	14,916	13,723
less Accumulated depreciation	2,011	1,695
	<u>12,905</u>	<u>12,028</u>
Network Systems		
Capital value	1,029,330	949,223
less Accumulated depreciation	84,452	45,867
	<u>944,878</u>	<u>903,356</u>
Work in Progress	9,103	27,300
Total Property, Plant and Equipment	<u>966,886</u>	<u>942,684</u>
Annual Valuation Reconciliation Report		
System fixed assets at ODV (end of previous financial year)	903,356	905,537
Add system fixed assets acquired	80,107	43,686
Less depreciation	38,585	45,867
Equals system fixed assets at ODV (end of financial year)	<u>944,878</u>	<u>903,356</u>

5 TAXATION

Taxation for the year ended 30 June 2006	30 June 2006 \$000	30 June 2005 \$000
Operating surplus before taxation	61,392	49,636
Prima facie taxation @ 33%	20,259	16,380
Plus/(less) tax effect of permanent timing differences:	(1,389)	-
Taxation expense	<u>18,870</u>	<u>16,380</u>

Notes to and Forming Part of the Financial Statements
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ELECTRICITY DIVISION

**6 DISCLOSURE OF PERFORMANCE MEASURES PURSUANT TO
REGULATION 15 AND PART II OF THE FIRST SCHEDULE OF THE
GAS (INFORMATION DISCLOSURE) REGULATIONS 1997**

Financial Performance Measures	2006	2005	2004	2003
(i) Return on Funds	10.81%	10.02%	12.50%	14.42%
(ii) Return on Equity	11.44%	8.51%	10.52%	12.70%
(iii) Return on Investment including revaluation	8.75%	6.71%	37.94%	9.66%
(iv) Return on Investment excluding revaluation	8.75%	6.71%	6.77%	9.66%
Efficiency Performance Measures				
(v) Direct Line Cost per Kilometre	\$1,072.79	\$1,080.45	\$1,117.21	\$986.50
(vi) Indirect Line Cost per Electricity Customer (including non-recurring costs)	\$82.81	\$95.78	\$65.87	\$75.43
(vii) Indirect Line Cost per Electricity Customer (excluding non-recurring costs)	\$80.59	\$87.82	\$65.86	\$58.09

7 CONTINGENT LIABILITIES AND COMMITMENTS

As Powerco is an integrated business, this disclosure relates to the business as a whole.

Legal claim

Powerco Limited has been named as a second defendant in a claim issued by Todd Energy Limited against Transpower Limited. The plaintiffs allege various breaches of the Commerce Act 1986 and claim various declarations and injunctions together with damages. The damages amount is presently unquantified. The claim is being defended by Powerco, which contends that it is not in breach of any of its obligations. No provision for the claim has been included in the financial statements.

Powerco Energy Services Pty Limited is the respondent in an arbitration commenced by KT Pty Limited, a sub-contractor who was performing work on the Gas Distribution Network in Tasmania. The plaintiffs allege variations to the contract, delay costs and claim damages. The claim is currently being defended by Powerco Energy Services Pty Limited, which contends that it is not in breach of the contract and has brought a counter claim against the plaintiffs for the cost of defective work. The damages amount is presently unquantified and no provision for the claim has been included in the financial statements.

Contracts

Powerco Limited has a contract with Tenix Alliance New Zealand Limited (Tenix), who provide electricity and gas field services. There is a condition in the contract that states that a payment is made to Tenix for performing better than budgeted and a payment is made to Powerco if performance does not meet budget. The amount of the payment is determined by a predetermined calculation in the contract. At this time, any payment to or from Powerco cannot be quantified.

Contribution from Tasmanian government

In January 2004, prior to the acquisition, Powerco received a contribution from the State Government of Tasmania amounting to AUD \$8 million, for the building of a gas distribution network in Tasmania. This payment, known as an establishment contribution, is consideration for taking all necessary steps to incorporate a gas distribution entity and procuring that the gas distribution entity is established with access to the necessary expertise, assets and financial capability to undertake the Stage 1 Development Agreement with the Crown in Right of the State Government of Tasmania dated 30 April 2003. There is a refund mechanism on sale of assets or the shares in the gas distribution entity whereby Powerco must repay the State an amount equal to the lesser of the establishment contribution and the asset/equity profit.

In May 2005, Powerco Limited received a contribution from the State Government of Tasmania amounting to NZD \$20.6 million (AUD \$18.4 million), as an advance on the commencement of stage II of the gas distribution network built in Tasmania. An amount of NZD \$72,000 (AUD \$64,000) has been recognised as revenue in this financial period, based on calculating a set percentage of the depreciation charge of the capitalised project costs. There is a refund mechanism whereby Powerco Limited must repay the State if Powerco fails to perform certain obligations under the agreement. If this occurs Powerco is required to refund a pro rata amount based on uncompleted construction at the time of termination. Refer to notes 11 and 15 for income in advance.

Commitments	30 June 2006 NZ\$000	30 June 2005 NZ\$000
Commitments for future capital expenditure resulting from contracts entered into:		
Not longer than 1 year	100,413	45,540
Longer than 1 year and not longer than 5 years	146,646	20,261
Longer than 5 years	-	-
	247,059	65,801

Notes to and Forming Part of the Financial Statements
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ELECTRICITY DIVISION

8 RELATED PARTY TRANSACTIONS

Trading Transactions

As Powerco is an integrated business, this disclosure relates to the business as a whole.

For the year ended 30 June 2006, Powerco Limited paid management fees of \$458,334 (30 June 2005: nil) to Babcock & Brown Infrastructure Management Pty Limited (BBIM). BBIM are deemed to be a related party as they provide management services to Babcock & Brown Infrastructure Pty Limited (ultimate parent). Powerco is a wholly owned subsidiary of BBI Networks (New Zealand) Limited. The payment terms are: payment is required when an invoice is provided from BBIM and the amount is set in recognition of the following services being provided: executive strategic management, corporate development and asset management operational advice and direction, corporate financial advice, strategic treasury management advice, corporate revenue and risk management advice and other corporate policy formulation and advice. As at 30 June 2006, an amount of \$458,334 was payable to BBIM for management fees.

Powerco Network Management Limited is a wholly owned subsidiary of Powerco. The company charges Powerco Limited at rates which reflect the quantity of services provided and the relationships between the parties, which includes the following activities:

- Asset management \$15,528,290 (30 June 2005: \$15,528,290)
- Information systems \$3,908,359 (30 June 2005: \$9,905,445)
- Buildings and insurance \$8,088,171 (30 June 2005: \$993,792)
- Operational finance and billing \$457,425 (30 June 2005: \$1,554,717)

There are no outstanding balances payable as at 30 June 2006. There are no guarantees or bad debts.

Powerco has intercompany accounts with its subsidiaries (2006: \$6.735 million, 2005: \$29.779 million) and an intercompany loan with Powerco Australia Group Pty Limited (2006: \$30 million, 2005: \$30 million)

Powerco Energy Services Limited and Powerco Energy Services Eastern Limited were wholly owned subsidiaries of Powerco Limited which provided electrical and gas contracting services for Powerco, until the date of sale of these businesses on 1 November 2005.

During the financial year, Powerco Limited received \$78,661 from Energy Brokers New Zealand, which represent their surplus cash distributed.

There were no trading transactions with Powerco Holdings Limited, Powerco Australia Group Pty Limited, Powerco Tasmania Pty Limited, Powerco Energy Services Pty Limited, Option One Pty Limited, and Powerlines Limited during neither the 2005 nor 2006 financial periods.

Compensation of key management personnel

	30 June 2006	30 June 2005
	NZ\$000	NZ\$000

The remuneration of directors and other members of key management during the year were as follows:

Short-term benefits	2,352	4,011
Post employment benefits	29	42
	<u>2,381</u>	<u>4,053</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

9 RECONCILIATION OF OPERATING SURPLUS AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	30 June 2006	30 June 2005
	NZ\$000	NZ\$000

Operating surplus after taxation	42,522	33,256
Add/(less) non cash items		
Depreciation	38,901	37,067
Loss/(gain) on hedges	(4,164)	-
	<u>34,737</u>	<u>37,067</u>
Movements in working capital		
Accounts receivable	(2,244)	(2,522)
Change in prepayments	390	(488)
Tax refund due	(11,076)	(11,733)
Deferred taxation	13,564	-
Accounts payable	(10,466)	14,191
	<u>(9,832)</u>	<u>(552)</u>
Net cashflow from operating activities	<u>67,427</u>	<u>69,771</u>

Notes to and Forming Part of the Financial Statements
For the year ended 30 June 2006



ELECTRICITY DIVISION

10 RECONCILIATION OF NZ IFRS WITH AMOUNTS PREVIOUSLY RECORDED UNDER NZ GAAP

Powerco Limited changed its accounting policies on 1 April 2004 to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 First time Adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS 1).

An explanation of how the transition from superseded policies to NZ IFRS has affected the company and consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(a) Reconciliation of Net Profit/(Loss) after Tax	12 months to 30 June 2005 NZ\$000
Total reported under NZ GAAP	33,256
NZ IFRS adjustments:	-
Restated balances under NZ IFRS	33,256
 (b) Reconciliation of Equity with NZ GAAP	 12 months to 30 June 2005 NZ\$000
Total reported under NZ GAAP	435,988
NZ IFRS adjustments:	
Deferred tax on a comprehensive basis	(17,089)
Restated balances under NZ IFRS	418,899
 (c) Reconciliation of Liabilities with NZ GAAP	 12 months to 30 June 2005 NZ\$000
Total reported under NZ GAAP	589,219
NZ IFRS adjustments:	
Deferred tax on a comprehensive basis	17,088
Reclassification of deferred funding	(6,356)
Restated balances under NZ IFRS	599,951
 (d) Reconciliation of Assets with NZ GAAP	 12 months to 30 June 2005 NZ\$000
Total reported under NZ GAAP	1,025,206
NZ IFRS adjustments:	
Reclassification of deferred funding	(6,356)
Restated balances under NZ IFRS	1,018,850

Adjustments were made at 1 April 2004 to restate the opening financial position of the company to a position consistent with the accounting policies specified in the Statement of Accounting Policies.

- (a) Under superseded policies deferred tax was recognised on a partial basis. Under NZ IFRS deferred tax is determined using the balance sheet method in respect of temporary differences between the carrying amount of the asset and liabilities in the financial statements and their corresponding tax base. The adjustment represents the shift from one tax base to another.
- (b) The Group elected to measure network assets on transition to NZ IFRS at fair value and has used that fair value as the item's deemed cost at that date. The effect of the revaluation is to increase the carrying value by \$136.9 million (parent \$128.4 million).
- (c) Under superseded policies deferred funding costs were recognised as non current assets. Under NZ IFRS deferred funding costs are included in borrowing to which they relate.
- (d) The deferred tax asset under superseded policies has been reclassified to liabilities as a result of the change in the balance due to reclassification of deferred tax using the balance sheet approach.
- (e) Under superseded policies cash balances were netted with the bank overdraft. Netting is not allowed under NZ IFRS unless it meets specific criteria. This criteria has not been met and as a result the cash and bank overdraft have been reported gross.
- (f) Under the superseded policies the government grant funding was recognised on a milestone basis, whereas under NZ IFRS it is being recognised over the life of the asset to which the funding relates to.

Effect of NZ IFRS on the Cash Flow Statement

There are no material differences between the cash flow statement presented under NZ IFRS and the cash flow statement presented under the superseded policies.

11 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004

	2006
	\$'000
11 Operating revenue	
(a) Revenue from line/access charges:	250,197
(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:	
(d) AC loss-rental rebates:	9,483
(e) Other operating revenue not listed in (a) to (d):	4,210
Total operating revenue	263,890

12 INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS PURSUANT TO REGULATION 6 AND PART II OF THE FIRST SCHEDULE OF THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004

	2006
	\$'000
12 Operating expenditure	
(a) Payment for transmission charges	59,984
(b) Transfer payments to the "Other" business for:	
(i) Asset maintenance:	29,061
(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	29,061
(c) Expense to entities that are not related parties for:	
(i) Asset maintenance:	-
(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))	-
(d) Employee salaries, wages and redundancies (1)	-
(e) Consumer billing and information system expense	-
(f) Depreciation on:	
(i) System fixed assets:	38,901
(ii) Other assets not listed in (i)	-
(iii) Total depreciation	38,901
(g) Amortisation of:	
(i) Goodwill:	-
(ii) Other intangibles:	-
(iii) Total amortisation of intangibles	
(h) Corporate and administration:	19,129
(i) Human resource expenses:	535
(j) Marketing/advertising:	611
(k) Merger and acquisition expenses:	197
(l) Takeover defence expenses:	-
(m) Research and development expenses:	-
(n) Consultancy and legal expenses:	3,875
(o) Donations:	-

(p)	Directors' fees:	114
(q)	Auditors' fees:	
(i)	Audit fees paid to principal auditors:	189
(ii)	Audit fees paid to other auditors:	-
(iii)	Fees paid for other services provided by principal and other auditors:	510
(iv)	Total auditors' fees:	699
(r)	Costs of offering credit:	
(i)	Bad debts written off:	19
(ii)	Increase in estimated doubtful debts:	-
(iii)	Total cost of offering credit:	19
(s)	Local authority rates expense:	35
(t)	AC loss-rentals (distribution to retailers/customers) expense:	9,483
(u)	Rebates to consumers due to ownership interest:	-
(v)	Subvention payments:	-
(w)	Unusual expenses:	-
(x)	Other expenditure not listed in (a) to (w)	-
13	Total operating expenditure	162,643
14	Operating surplus before interest and income tax	101,247
15 Interest expense		
(a)	Interest expense on borrowings	39,855
(b)	Financing charges related to finance leases	-
(c)	Other interest expense	-
(d)	Total interest expense	39,855
16	Operating surplus before income tax	61,392
17	Income tax	18,870
18	Net surplus after tax	42,522
Note 1	Employee salaries, wages and redundancies This expense is an integral part of the disclosures above.	2,898

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	97,037,375				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	97,037,375	a	97,037,375		97,037,375
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIT minus ISTI	97,037,375				
Net surplus after tax from financial statements	42,521,740	n		42,521,740	
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	42,521,740				
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add
Subvention payment	0	s	add	0	add
Depreciation of SFA at BV (x)	38,901,144				
Depreciation of SFA at ODV (y)	38,901,144				
ODV depreciation adjustment	0	d	add	0	add
Subvention payment tax adjustment	0	s ^t	deduct	0	deduct
Interest tax shield	13,152,151	q	deduct	0	deduct
Revaluations		r			
Income tax	5,306,155	p			
Numerator			97,037,375	42,521,740	78,579,068
Fixed assets at end of previous financial year (FA ₀)	942,683,759				
Fixed assets at end of current financial year (FA ₁)	966,885,501				
Adjusted net working capital at end of previous financial year (ANWC ₀)	-10,126,680				
Adjusted net working capital at end of current financial year (ANWC ₁)	-5,660,253				
Average total funds employed (ATFE)	946,891,163 (or regulation 33 time-weighted average)	c	946,891,163		946,891,163
Total equity at end of previous financial year (TE ₀)	435,988,640				
Total equity at end of current financial year (TE ₁)	405,330,286				
Average total equity	420,659,463 (or regulation 33 time-weighted average)	k		420,659,463	

WUC at end of previous financial year (WUC ₀)	27,299,288				
WUC at end of current financial year (WUC ₁)	9,102,958				
Average total works under construction	18,201,123 (or regulation 33 time-weighted average)	e	deduct	18,201,123	deduct
Revaluations	0	r			
Half of revaluations	0	r/2			deduct
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m	add	0	
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v	add	0	
System fixed assets at end of previous financial year at book value (SFA _{bov0})	942,683,759				
System fixed assets at end of current financial year at book value (SFA _{bov1})	966,885,501				
Average value of system fixed assets at book value	954,784,630 (or regulation 33 time-weighted average)	f	deduct	954,784,630	deduct
System Fixed assets at year beginning at ODV value (SFA _{odv0})	903,356,529				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	944,877,542				
Average value of system fixed assets at ODV value	924,117,036 (or regulation 33 time-weighted average)	h	add	924,117,036	add
Denominator				898,022,446	
Financial Performance Measure:				371,790,746	
				10.81	11.44
					8.75

The opening balances used in these calculations match the closing balances from last year's disclosure accounts, and do not take into account IFRS adjustments.

19 DISCLOSURE OF OPTIMAL DEPRIVAL VALUE (ODV) PURSUANT TO REGULATION 19 OF THE ELECTRICITY INFORMATION DISCLOSURE REGULATIONS 2004

	2006	2005	2004	2003
ODV as per latest valuation	\$944,877,982	\$903,355,918	\$905,537,611	\$703,268,496

20 Disclosure of Energy Delivery Efficiency Performance Measures and Statistics Pursuant to Electricity Information Disclosure Amendment Requirements 2004, Schedule 1, Part 4, Requirement 20.

20.1 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES

	2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
(a) Load Factor	75.7%	67.4%	67.2%	71.7%
(b) Loss Ratio	6.43%	5.58%	6.82%	6.57%
(c) Capacity Utilisation	25.17%	27.5%	26.8%	25.7%

The figures for the loss ratio have not been disclosed as retailer kwh figures are not available.

20.2 STATISTICS

(a) System Length

	2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
Nominal Voltage	Total System Length (km)	Total System Length (km)	Total System Length (km)	Total System Length (km)
110kV	-	-	-	-
66kV	151	151	150	63
33kV	1,445	1,427	1,445	1,194
22kV	107	121	107	107
11kV	15,399	15,251	15,241	11,869
6.6kV	434	440	442	443
230/400V	9,554	9,421	7,555	5,884
Total *	27,089	26,812	24,940	19,559

(b) Overhead Line Length

	2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
Nominal Voltage	O/H Line Length (km)	O/H Line Length (km)	O/H Line Length (km)	O/H Line Length (km)
110kV	-	-	-	-
66kV	151	150	150	63
33kV	1,342	1,334	1,343	1,122
22kV	107	121	107	107
11kV	13,850	13,751	13,763	10,960
6.6kV	426	432	432	432
230/400V	6,050	5,776	4,979	4,044
Total *	21,925	21,564	20,775	16,728

(c) Underground Line Length

	2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
Nominal Voltage	U/G Line Length (km)	U/G Line Length (km)	U/G Line Length (km)	U/G Line Length (km)
110 kV	-	-	-	-
66kV	0	1	0	0
33kV	103	93	102	72
22kV	0	0	0	0
11kV	1,549	1,500	1,477	909
6.6kV	8	9	10	10
230/400V	3,504	3,645	2,576	1,840
Total *	5,165	5,248	4,165	2,832

	2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
(d) Transformer Capacity (kVA)	2,691,086	2,641,773	2,580,877	1,816,103
(e) Maximum Demand (kW)	677,256	727,421	692,249	466,001
(f) Total Electricity Entering the System (before losses of electricity), in kilowatt hours	4,489,298,340	4,291,991,861	4,073,919,387	2,926,495,360

(g) The total amount of electricity (in kilowatt hours) supplied from the system (after losses of electricity) during the financial year on behalf of each person that is an electricity generator or an electricity retailer, or both:				
	4,200,519,360	4,052,404,352	3,796,233,588	2,734,368,580

	2006 Powerco 000 kWh	2005 Powerco 000 kWh	2004 Powerco 000 kWh	2003 Powerco 000 kWh
Retailer A	1,891,762	1,892,505	1,730,537	1,465,424
Retailer B	648,777	989,805	937,591	448,648
Retailer C	366,503	360,548	371,397	344,854
Retailer D	364,588	363,733	297,671	114,646
Retailer E	299,766			-
Retailer F	44,574	39,161	44,169	95,955
Retailer G	10,837			-
Retailer H				-
Retailer I	608,477	406,634	414,868	264,842
Retailer J				-
Retailer K				-
Retailer L				-
Retailer M		18		
Total	4,235,284	4,052,404	3,796,233	2,734,369

The figures above may not be accurate as they include some 'wash-up' amounts at the period end. However, the amounts are not expected to be significant.

(h) Total Customers

2006 Powerco	2005 Powerco	2004 Powerco	2003 Powerco
304,471	298,665	296,165	216,660

21 Disclosure of Reliability Performance Measures Pursuant to Electricity Information Disclosure Amendment Requirements 2004, Schedule 1, Part 5, Requirement 21.

21.1 Total Number Of Interruptions

Interruption Class	2006 Powerco Number of Interruptions	2005 Powerco Number of Interruptions	2004 Powerco Number of Interruptions	2003 Powerco Number of Interruptions
Class A - Transpower Planned	9	10	10	8
Class B - Distributor Planned	662	648	799	864
Class C - Distributor Unplanned	1,603	1,888	2,344	1,504
Class D - Transpower Unplanned	18	16	25	31
Class E - ECNZ Unplanned	0	0	0	0
Class F - Other Generator Unplanned	0	0	0	0
Class G - Other Line Owner Unplanned	0	0	0	2
Class H - Other Line Owner Planned	0	0	0	
Class I - Other Owner (Not in A - H)	62	120	20	
Total	2,354	2,682	3,198	2,409

21.2 Interruption Targets for the Following Financial Year

	2007 Powerco
Class B - Principal Line Owner Planned	831
Class C - Principal Line Owner Unplanned	1830

21.3 Average Interruption Targets for the Following Financial Year and Subsequent 4 Financial Years

	2007 Powerco	2008-2011 Powerco
Class B - Principal Line Owner Planned	831	831
Class C - Principal Line Owner Unplanned	1830	1830

21.4 Proportion of the Total Number of Faults Not Restored Within:-

	Period	2006 Powerco	2005 Powerco	2004 Powerco
Class C - Principal Line Owner Unplanned	3 hours	26.3%	24.2%	25.6%
Class C - Principal Line Owner Unplanned	24 hours	0.4%	1.8%	2.5%

21.5(a) Total Number Of Faults Per 100km Of Prescribed Voltage Line

Nominal Voltage	2006 Powerco Number of Faults/100km	2005 Powerco Number of Faults/100km	2004 Powerco Number of Faults/100km	2003 Powerco Number of Faults/100km
110kV	-	-	-	-
66kV	11.95	3.96	3.33	9.31
33kV	5.47	9.46	10.18	6.42
22kV	14.02	18.21	19.61	12.14
11kV	13.85	11.40	14.34	11.69
6.6kV	4.84	5.00	6.33	4.74
3.3kV	-	-	-	-
Total	12.92	11.06	13.72	11.00

21.5(b) Total Number Of Faults Per 100km Of Prescribed Voltage Line (Targeted for the Following Financial Year)

Nominal Voltage	2007 Powerco Number of Faults/100km	2006 Powerco Number of Faults/100km	2005 Powerco Number of Faults/100km	2004 Powerco Number of Faults/100km
110kV	N/A	N/A	-	-
66kV	5.39	5.50	5.50	4.95
33kV	6.79	6.90	6.93	6.49
22kV	10.75	11.00	10.98	9.39
11kV	11.04	11.30	11.28	9.21
6.6kV	10.63	10.63	10.86	9.60
3.3kV	N/A	N/A	-	-
Total (Weighted Average)	10.62	10.62	10.85	8.96

21.5(c) Total Number Of Faults Per 100km Of Prescribed Voltage Line (Targeted for the Following Financial Year and Subsequent 4 Financial Years)

Nominal Voltage	2007 Powerco Number of Faults/100km	2008-2011 Powerco Number of Faults/100km
110kV	N/A	N/A
66kV	5.39	5.13
33kV	6.79	6.46
22kV	10.75	10.24
11kV	11.04	10.52
6.6kV	10.63	10.13
3.3kV	N/A	N/A
Total (Weighted Average)	10.62	10.12

21.6 Total Number Of Faults Per 100km Of Prescribed Voltage Underground Line

Nominal Voltage	2006 Powerco Number of Faults/100km	2005 Powerco Number of Faults/100km	2004 Powerco Number of Faults/100km	2003 Powerco Number of Faults/100km
110kV	-	-	-	-
66kV	1,250.00	-	-	-
33kV	4.84	-	2.95	0.58
22kV	555.56	-	-	-
11kV	10.53	5.66	6.84	4.08
6.6kV	12.03	-	-	-
3.3kV	-	-	-	-
Total (weighted average)	10.36	5.30	6.54	3.78

21.7 Total Number Of Faults Per 100km Of Prescribed Voltage Overhead Line

Nominal Voltage	2006	2005	2004	2003
	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km	Powerco Number of Faults/100km
110kV	-	-	-	-
66kV	11.29	3.99	3.33	9.32
33kV	5.51	10.12	10.72	6.80
22kV	12.20	18.26	19.68	12.18
11kV	14.22	12.02	15.14	12.32
6.6kV	4.70	5.10	6.48	4.86
3.3kV	-	-	-	-
Total (weighted average)	13.18	11.64	14.45	11.56

21.8 SAIDI for total interruptions

Interruption Class	2006	2005	2004	2003
	SAIDI	SAIDI	SAIDI	SAIDI
Total	235.8	208.32	370.41	295.55

21.9 SAIDI Targets for the Following Financial Year

Interruption Class	2007	2006	2005	2004
	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI
Class B - Distributor Planned	20	20	20	29
Class C - Distributor Unplanned	130	130	130	101

21.10 SAIDI Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2007	2008-2011
	Powerco SAIDI	Powerco SAIDI
Class B - Distributor Planned	20	20
Class C - Distributor Unplanned	130	130

21.11 SAIDI classified

Interruption Class	2006	2005	2004	2003
	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI	Powerco SAIDI
Class A - Transpower Planned	5.60	3.03	12.86	3.46
Class B - Distributor Planned	10.60	11.12	21.93	46.99
Class C - Distributor Unplanned	203.00	183.43	304.35	234.35
Class D - Transpower Unplanned	16.60	9.21	31.04	10.37
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	0.16
Class G - Other Line Owner Unplanned	-	-	-	0.22
Class H - Other Line Owner Planned	-	-	-	-
Class I - Other Owner (Not in A - H)	-	1.53	0.24	-
Total	235.80	208.32	370.41	295.55

21.12 SAIFI for total interruptions

Interruption Class	2006	2005	2004	2003
	SAIFI	SAIFI	SAIFI	SAIFI
Total	2.890	2.915	3.787	3.473

21.13 SAIFI Targeted for the Following Financial Year

Interruption Class	2007	2006	2005	2004
	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI
Class B - Distributor Planned	0.14	0.14	0.14	0.19
Class C - Distributor Unplanned	2.36	2.36	2.36	1.98

21.14 SAIFI Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2007	2008-2011
	Powerco SAIFI	Powerco SAIFI
Class B - Distributor Planned	0.14	0.14
Class C - Distributor Unplanned	2.41	2.41

21.15 SAIFI classified

Interruption Class	2006	2005	2004	2003
	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI	Powerco SAIFI
Class A - Transpower Planned	0.020	0.010	0.029	0.033
Class B - Distributor Planned	0.070	0.095	0.114	0.249
Class C - Distributor Unplanned	2.510	2.651	3.258	2.930
Class D - Transpower Unplanned	0.290	0.150	0.385	0.257
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	0.002
Class G - Other Line Owner Unplanned	-	-	-	0.002
Class H - Other Line Owner Planned	-	-	-	-
Class I - Other Owner (Not in A - H)	-	0.010	0.001	-
Total	2.890	2.915	3.787	3.473

21.16 CAIDI for total interruptions

Interruption Class	2006	2005	2004	2003
	CAIDI	CAIDI	CAIDI	CAIDI
Total (Average)	81.0	71.5	97.8	85.1

21.17 CAIDI Targeted for the Following Financial Year

Interruption Class	2007	2006	2005	2004
	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI
Class B - Distributor Planned	142.9	142.9	142.9	153.7
Class C - Distributor Unplanned	54.0	55.0	55.0	51.1

21.18 CAIDI Targeted for the Following Financial Year and Subsequent 4 Financial Years

Interruption Class	2007	2008-2011
	Powerco CAIDI	Powerco CAIDI
Class B - Distributor Planned	142.9	142.9
Class C - Distributor Unplanned	54.0	54.0

21.19 CAIDI classified

Interruption Class	2006	2005	2004	2003
	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI	Powerco CAIDI
Class A - Transpower Planned	306.0	302.4	449.0	105.4
Class B - Distributor Planned	144.0	117.4	191.6	188.6
Class C - Distributor Unplanned	81.0	69.2	93.4	80.0
Class D - Transpower Unplanned	57.0	61.3	80.6	40.3
Class E - ECNZ Unplanned	-	-	-	-
Class F - Other Generator Unplanned	-	-	-	95.0
Class G - Other Line Owner Unplanned	-	-	-	87.9
Class H - Other Line Owner Planned	-	-	-	-
Class I - Other Owner (Not in A - H)	-	159.1	266.1	-
Total (Average)	81.0	71.5	97.8	85.1