

**OTAGONET JOINT VENTURE LINES BUSINESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006**

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004.

INFORMATION DISCLOSURE DISCLAIMER

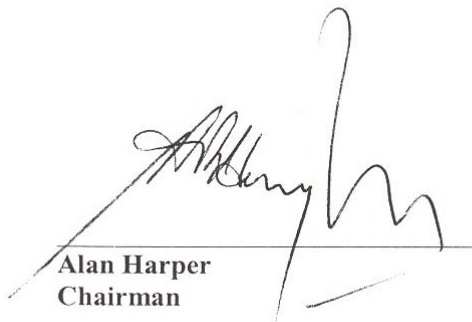
The information disclosed in this 2006 Information Disclosure package issued by OtagoNet Joint Venture has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

The information should not be used for any other purposes than that intended under the Requirements.

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004.

APPROVAL BY GOVERNING COMMITTEE

The Governing Committee have approved for issue the Lines Business Financial Statements of OtagoNet Joint Venture for the period ended 31 March 2006 on pages 2 to 20.


Alan Harper
Chairman


Neil Boniface
Member

For and on behalf of the
Governing Committee

22 November 2006

**OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2006**

	Note	31 March 2006 \$000	31 March 2005 \$000
Operating Revenue	(1)	17,117	13,559
Operating Expenses	(2)	(11,614)	(10,809)
Operating Surplus		5,503	2,750

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

**OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2006**

	31 March 2006 \$000	31 March 2005 \$000
Total Recognised Revenues and Expenses		
Net Surplus for the Period	5,503	2,750
	5,503	2,750
Contributions from Joint Venture Parties		
Capital Introduced	-	-
	-	-
Distributions to Joint Venture Parties		
Withdrawals	(5,300)	(4,300)
	(5,300)	(4,300)
Movements in Equity for the Year	203	(1,550)
Equity at Beginning of Year	104,842	106,392
Equity at End of Year	105,045	104,842

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2006

	Note	As At 31 March 2006 \$000	As At 31 March 2005 \$000
Equity			
Capital		108,500	108,500
Accumulated Deficit		(3,455)	(3,658)
Total Equity		105,045	104,842
Represented By:			
Current Assets			
Cash and Bank Deposits	(3)	162	163
Receivables and Prepayments	(4)	1,897	1,521
Total Current Assets		2,059	1,684
Non Current Assets			
Property, Plant and Equipment	(5)	91,166	90,506
Capital Work in Progress		962	848
Intangibles	(6)	12,302	13,059
Total Non Current Assets		104,430	104,413
Total Assets		106,489	106,097
Current Liabilities			
Creditors, Accruals and Provisions	(7)	1,444	1,255
Total Current Liabilities		1,444	1,255
Total Liabilities		1,444	1,255
Net Assets		105,045	104,842

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006

	Note	31 March 2006 \$000	31 March 2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts from Customers		16,724	13,423
Interest Received		17	12
		16,741	13,435
Cash Was Applied To:			
Payments to Suppliers and Employees		7,005	6,686
Interest Paid		1	1
		7,006	6,687
Net Cash Flows From Operating Activities	(8)	9,735	6,748
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided from:			
Sale of Property, Plant and Equipment		4	-
		4	-
Cash Was Applied To:			
Purchase of Property, Plant and Equipment		4,440	2,554
		4,440	2,554
Net Cash Flows (Used in) Investing Activities		(4,436)	(2,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Applied To:			
Withdrawals by Owners		5,300	4,300
		5,300	4,300
Net Cash Flows (Used in) Financing Activities		(5,300)	(4,300)
Net (Decrease) in Cash Held		(1)	(106)
Add Opening Cash Brought Forward		163	269
Closing Cash Carried Forward		162	163

The accompanying notes on pages 6 to 15 form part of and should be read in conjunction with these financial statements.

**OTAGONET JOINT VENTURE LINES BUSINESS
NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED 31 MARCH 2006**

GENERAL ACCOUNTING POLICIES

Reporting Entity

OtagoNet is an unincorporated Joint Venture. The parties to the Joint Venture are Marlborough Lines Limited (51%), Electricity Invercargill Limited (24.5%) and The Power Company Limited (24.5%). These interests are represented through their wholly owned subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. Effective control of the Joint Venture is shared by all investors through the Joint Venture Agreement; for this reason OtagoNet is treated as a Joint Venture.

These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Joint Venture's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Requirement 6 of the Requirements.

The principal activity of OtagoNet Joint Venture is that of an electricity lines business.

Measurement Base

The accounting principles applied to the measurement and reporting of earnings and financial position is the historical cost basis.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

a) *Receivables*

Receivables are stated at their estimated realisable value. All known losses are written off in the period in which it becomes apparent that the debts are not collectable.

b) *Revenue*

Goods and Services

Revenue comprised the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Investment Income

Interest and rental income are accounted for as earned.

Customer Contributions

Contributions from customers in relation to the construction of new lines for the network are accounted for as income in the year in which they are received.

c) *Property, Plant and Equipment*

All property, plant and equipment is initially recorded at cost less accumulated depreciation. The cost of purchased property, plant and equipment is the fair value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

d) Depreciation

Depreciation is provided on a straight line basis on all tangible property, plant and equipment with the exception of land, easements and information system data at rates calculated to allocate the costs of the assets, less any estimated residual value, over their estimated useful lives.

The primary annual rates used are:

Buildings	1.0-1.4%	Straight Line
Network Assets (excluding land)	1.4-15.0%	Straight Line
Plant and Equipment	6.79%	Straight Line
Office Equipment and EDP	6.6-15.0%	Straight Line

e) Capital Work in Progress

Capital work in progress is stated at cost and is not depreciated.

f) Intangibles

Goodwill arising on the acquisition of a business represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. The carrying value will be reviewed annually by the Management Committee and adjusted where it is considered necessary.

Goodwill is amortised to the Statement of Financial Performance over 20 years.

g) Impairment

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.

h) Taxation

All amounts in the financial statements are shown exclusive of Goods and Services Tax, with the exception of receivables and payables which are shown inclusive.

The Income Tax liability is the responsibility of the Joint Venture parties and therefore is not reflected in the financial statements of the Joint Venture.

i) Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they are incurred.

j) Avoidable Cost Allocation Methodology

The Avoidable Cost Allocation Methodology is able to be used to separate 'other' activities from the Lines Business. Other activities or non Lines Business activity have not been excluded from these accounts as they represent less than five percent of the total assets and revenues of the OtagoNet Joint Venture.

Changes in Accounting Policies

There have been no changes in Accounting Policies. These have been applied on a consistent basis throughout the period.

	31 March 2006	31 March 2005
	\$000	\$000
1. OPERATING REVENUE		
Network/External Revenue	16,367	13,493
Interest Revenue	17	12
Rental	97	52
Transmission Rebate (Refer Operating Expenses for 2005)	636	-
Other Income	-	2
Total Operating Revenue	17,117	13,559
2. OPERATING EXPENSES		
Amortisation of Goodwill	757	757
Audit Fees (statutory) – Deloitte		
- Annual Accounts	32	27
- Disclosure	4	8
Audit Fees (regulatory) - PricewaterhouseCoopers	15	16
Depreciation		
- Buildings	32	22
- Plant and Equipment	17	16
- Office Equipment and EDP	16	8
- Network Assets	3,474	3,410
Direct Costs	2,194	1,886
Legal Fees/Consultant Fees	67	42
Loss on Disposal of Property, Plant and Equipment	123	15
Management Committee Members' Fees	50	45
Management Fees	522	412
Operating Lease Expenses:		
- Tenancy and Repeater Site Leases	2	2
Transmission Charges	4,142	4,291
Transmission Rebate (refer Operating Revenue for 2006)	-	(313)
3. CASH AND BANK DEPOSITS		
Current Account	22	(2)
Bank Deposits (short term)	140	165
Total Cash and Bank Deposits	162	163
4. RECEIVABLES AND PREPAYMENTS		
Trade Debtors	1,860	1,499
Prepayments	37	22
Total Receivables and Prepayments	1,897	1,521

	31 March 2006 \$000	31 March 2005 \$000
5. PROPERTY, PLANT AND EQUIPMENT		
Land (At Cost)	87	87
Buildings (At Cost)	1,034	1,027
Accumulated Depreciation	(77)	(45)
	<hr/> 957	<hr/> 982
Plant and Equipment (At Cost)	197	190
Accumulated Depreciation	(61)	(44)
	<hr/> 136	<hr/> 146
Office Equipment and EDP Equipment (At Cost)	118	118
Accumulated Depreciation	(24)	(8)
	<hr/> 94	<hr/> 110
Network Assets (At Cost)	102,535	98,412
Accumulated Depreciation	(12,643)	(9,231)
	<hr/> 89,892	<hr/> 89,181
Total Property, Plant and Equipment	<hr/> 91,166 <hr/>	<hr/> 90,506 <hr/>
6. INTANGIBLES		
Opening Goodwill Arising on Acquisition	15,140	15,140
Accumulated Amortisation	(2,838)	(2,081)
Total Intangibles	<hr/> 12,302 <hr/>	<hr/> 13,059 <hr/>

Goodwill has been amortised over 20 years as prescribed by FRS36 Accounting for Acquisitions Resulting in Combinations of Entities.

It is the view of the Management Committee that amortisation of goodwill as prescribed by FRS36 is inappropriate. The assets purchased have an average life of 53 years and were valued and purchased on the basis that they would continue in perpetuity.

The Management Committee believe that amortisation of goodwill over a 20 year period results in the understatement of the operating surplus in these accounts by an amount of \$757,000 (2005: \$757,000).

There is considerable industry concern that the acquisition of infrastructure assets is not appropriately treated under FRS36, particularly in relation to the establishment of goodwill and the minimum amortisation requirements for goodwill.

Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) goodwill is not amortised. It is instead subject to an annual impairment test. OtagoNet is likely to adopt NZ IFRS for the year ended 31 March 2008.

	31 March 2006 \$000	31 March 2005 \$000
7. CREDITORS, ACCRUALS AND PROVISIONS		
Otago Power Services Limited	610	357
Other Trade Creditors & Accruals	733	852
GST Payable	101	46
Total Creditors, Accruals and Provisions	1,444	1,255
8. RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus After Taxation	5,503	2,750
Plus/(Less) Non Cash Items:		
Depreciation	3,539	3,457
Amortisation of Goodwill	757	757
	4,296	4,214
Plus/(Less) Items Classified as Investing:		
Loss on Disposal of Property, Plant and Equipment	123	-
	123	-
Plus/(Less) Movements in Working Capital:		
(Increase)/Decrease in Receivables and Prepayments	(376)	(333)
(Increase)/Decrease in Accounts Payable and Provisions	189	117
	(187)	(216)
Net Cash Flows from Operating Activities	9,735	6,748
9. COMMITMENTS		
No contractual commitments exist at 31 March 2006 (2005: Nil).		
10. CONTINGENT LIABILITIES		
OtagoNet Joint Venture has no contingent liabilities as at 31 March 2006 (2005: Nil).		
11. OPERATING LEASE COMMITMENTS		
OtagoNet Joint Venture has the following operating lease commitments for tenancy and repeater sites payable as follows:		
Not later than one year	2	2
Later than one year and not later than two years	1	1
Later than two years and not later than five years	3	3
Later than five years	2	2

12. FINANCIAL INSTRUMENTS

Off Balance Sheet Financial Instruments

The Company does not have any off balance sheet financial instruments.

Credit Risk -

Credit risk is the risk that a third party will default on its obligation to the Joint Venture, causing the Joint Venture to incur a loss.

Financial instruments which potentially subject the Joint Venture to credit risk principally consist of cash and short term deposits and accounts receivables. Bank deposits are placed with high credit quality financial institutions. The Joint Venture performs credit evaluations on all customers requiring credit, and the Joint Venture may in some circumstances require collateral. No collateral is held at 31 March 2006.

Maximum exposures to credit risk at balance date are:

	31 March 2006 \$000	31 March 2005 \$000
Current Account	22	-
Short Term Bank Deposits	140	165
Receivables	1,860	1,499
	<hr/>	<hr/>
	2,022	1,664
	<hr/> <hr/>	<hr/> <hr/>

The above maximum exposures are net of any recognised provision for losses on these financial instruments. No collateral is held on the above amounts.

Concentrations of Credit Risk -

The Joint Venture has a concentration of credit risk with regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 4 Receivables and Prepayments (amongst Trade Debtors). However, these entities are considered to be high credit quality entities.

Foreign Exchange Risk -

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Joint Venture does not use foreign exchange instruments for speculative purposes.

Interest Rate Risk -

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Joint Venture is exposed to normal fluctuations in market interest rates.

Fair Values -

The estimated fair value of the Joint Venture's financial instruments is represented by the carrying values.

13. RELATED PARTIES

The parties to the OtagoNet Joint Venture consist of Marlborough Lines Limited, Electricity Invercargill Limited and The Power Company Limited through their respective subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. All transactions between OtagoNet Joint Venture and its joint venture parties relate to normal trading conditions and have been conducted on an “arms length” basis.

Otago Power Services Limited and OtagoNet Limited have the same ownership as the OtagoNet Joint Venture, and their control is governed by the same Joint Venture Agreement. All transactions between the OtagoNet Joint Venture and Otago Power Services Limited relate to normal trading conditions and have been conducted on an “arms length” basis. OtagoNet Limited was established to hold easement arrangements on behalf of the OtagoNet Joint Venture. There were no transactions between OtagoNet Limited and OtagoNet Joint Venture.

No related party debts have been written off or forgiven during the year.

Goods and Services Provided by Otago Power Services Limited were:

	31 March 2006 \$000	31 March 2005 \$000
Construction of:		
➤ Subtransmission assets	119	163
➤ Zone substations	208	213
➤ Distribution lines and cables	1,183	466
➤ Medium voltage switchgear	80	30
➤ Distribution transformers	211	128
➤ Distribution substations	199	33
➤ Low voltage lines and cables	366	76
➤ Other system fixed assets	-	34
Maintenance of assets	1,706	1,470
Consumer connections and disconnections	-	-

Capital work is subject to open tender or competitive pricing.

Maintenance work is charged in accordance with a competitively priced facilities management contract established for a fixed term. The maintenance of assets undertaken by Otago Power Services Limited of \$1,706,000 (2005 \$1,470,000) is also disclosed in note 15 as operating expenditure (c)(i).

At year end \$610,000 (2005 \$357,000) was owing to Otago Power Services Limited.

Goods and Services Provided to Otago Power Services Limited were:

Rent	28	5
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At year end \$3,000 (2005 \$1,000) was owing by Otago Power Services Limited.

14. ANNUAL VALUATION RECONCILIATION REPORT

System fixed assets at ODV – end of the previous financial year	89,980	91,372
Add system fixed assets acquired during the year at ODV	3,190	2,082
Less system fixed assets disposed of during the year at ODV	(302)	(15)
Less depreciation on system fixed assets at ODV	(3,445)	(3,459)
Add revaluations of system fixed assets	-	-
System Fixed Assets at ODV – end of the financial year	89,423	89,980

15. DISCLOSURE OF INFORMATION**PURSUANT TO REQUIREMENT 6(1) OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004, SCHEDULE 1 PART 2**

	As At 31 March 2006 \$000	As At 31 March 2005 \$000
Current Assets		
(a) Cash and bank balances	22	-
(b) Short-term investments	140	165
(c) Inventories	-	-
(d) Accounts receivable	1,860	1,499
(e) Other current assets not listed in (a) to (d)	37	22
Total Current Assets	2,059	1,686
Fixed Assets		
(a) System fixed assets	90,027	89,327
(b) Consumer billing and information system assets	56	65
(c) Motor vehicles	-	-
(d) Office equipment	-	-
(e) Land and buildings	1,045	1,070
(f) Capital works under construction	962	848
(g) Other fixed assets not listed in (a) to (f) plant eg air conditioners	38	44
Total Fixed Assets	92,128	91,354
Other Tangible Assets not listed above		-
Total Tangible Assets	94,187	93,040
Intangible Assets		
(a) Goodwill	12,302	13,059
(b) Other intangibles not listed in (a) above	-	-
Total Intangible Assets	12,302	13,059
TOTAL ASSETS	106,489	106,099
Current Liabilities		
(a) Bank overdraft	-	2
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,444	1,255
(d) Provision for dividends payable	-	-
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e) above	-	-
Total Current Liabilities	1,444	1,257
Non-Current Liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
Total Non-Current Liabilities	-	-
Equity		
(a) Shareholders' equity:		
(i) Share capital	108,500	108,500
(ii) Retained earnings	(3,455)	(3,658)
(iii) Reserves	-	-
Total Shareholders' equity	105,045	104,842
(b) Minority interests in subsidiaries	-	-
Total Equity	105,045	104,842
(c) Capital notes	-	-
Total Capital Funds	105,045	104,842
TOTAL EQUITY AND LIABILITIES	106,489	106,099

	31 March 2006	31 March 2005
	\$000	\$000
Operating Revenue		
(a) Revenue from line/access charges.	15,487	12,958
(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	17	12
(d) AC loss-rental rebates	636	313
(e) Other revenue not listed in (a) to (d)	977	589
Total Operating Revenue	17,117	13,872
Operating Expenditure		
(a) Payment for transmission charges	4,142	4,291
(b) Transfer payments to the “Other” business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	-	-
Total Transfer Payment to the “Other” Business	-	-
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance (refer note 13)	2,260	1,854
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
Total of Specified Expenses to Non-related Parties	2,260	1,854
(d) Employee salaries, wages and redundancies	-	-
(e) Consumer billing and information system expense	-	-
(f) Depreciation on:		
(i) System fixed assets:	3,491	3,426
(ii) Other assets not listed in (i)	48	30
Total Depreciation	3,539	3,456
(g) Amortisation of:		
(i) Goodwill:	757	757
(ii) Other intangibles:	-	-
Total Amortisation of Intangibles	757	757
(h) Corporate and administration:	691	575
(i) Human resource expenses:	-	-
(j) Marketing/advertising:	-	-
(k) Merger and acquisition expenses:	-	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-
(n) Consultancy and legal expenses:	67	42
(o) Donations:	-	-
(p) Directors' fees:	50	45

	31 March 2006	31 March 2005
	\$000	\$000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	36	35
(ii) Audit fees paid to other auditors:	15	16
(iii) Fees paid for other services provided by principal and other auditors:	-	-
Total Auditors' fees:	51	51
(r) Costs of offering credit:		
(i) Bad debts written off:	-	-
(ii) Increase in estimated doubtful debts:	-	-
Total Cost of Offering Credit:	-	-
(s) Local authority rates expense:	57	51
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	-	-
Total Operating Expenditure	11,614	11,122
Operating Surplus before Interest and Income Tax	5,503	2,750
Interest Expense		
(a) Interest expense on borrowings	-	-
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
Total Interest Expense	-	-
Operating Surplus before Income Tax	5,503	2,750
Income Tax	-	-
Net Surplus after Tax	5,503	2,750

<p>OTAGONET JOINT VENTURE LINES BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES</p>

**PURSUANT TO REQUIREMENT 14 OF THE ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004, SCHEDULE 1 PART 3**

Financial Performance Measures

	2006	2005	2004	2003
Return on Funds	6.89%	3.77%	6.17%	5.09%
Return on Equity	6.90%	3.72%	6.08%	5.03%
Return on Investment	6.90%	3.76%	42.72%	31.21%
Return on Investment (excluding revaluation)	6.90%	3.76%	6.17%	5.11%

Efficiency Performance Measures

	2006	2005	2004	2003
Direct Line Costs per Kilometre	\$622	\$500	\$534	\$398
Indirect Line Costs per Electricity Customer	\$36	\$32	\$33	\$16

The network was under the ownership of Otago Power Limited until 1 July 2002. Accordingly, the information disclosed for 2003 is for a nine month period only.

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

DEVIATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	5,502,519				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	5,502,519				
Interest on cash, bank balances, and short-term investments (ISTI)	16,830				
OSBIIT minus ISTI	5,485,689	a	5,485,689		5,485,689
Net surplus after tax from financial statements	5,502,519				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	5,502,519	n		5,502,519	
Amortisation of goodwill and amortisation of other intangibles	757,020	g	add 757,020	add 757,020	add 757,020
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,490,701				
Depreciation of SFA at ODV (y)	3,445,000				
ODV depreciation adjustment	45,701	d	add 45,701	add 45,701	add 45,701
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	-5,554	q			deduct 5,554
Revaluations	0	r			add 0
Income tax	0	p			deduct 0
Numerator			6,288,410	6,305,240	6,293,964
			$OSBIIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s*t + d$	$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA ₀)	91,354,718				
Fixed assets at end of current financial year (FA ₁)	92,127,940				
Adjusted net working capital at end of previous financial year (ANWC ₀)	263,754				
Adjusted net working capital at end of current financial year (ANWC ₁)	453,535				
Average total funds employed (ATFE)	92,099,974	c	92,099,974		92,099,974
	(or regulation 33 time-weighted average)				
Total equity at end of previous financial year (TE ₀)	104,842,126				
Total equity at end of current financial year (TE ₁)	105,044,645				
Average total equity	104,943,385	k		104,943,385	
	(or regulation 33 time-weighted average)				
WUC at end of previous financial year (WUC ₀)	848,224				
WUC at end of current financial year (WUC ₁)	962,086				
Average total works under construction	905,155	e	deduct 905,155	deduct 905,155	deduct 905,155

DEVIATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
	(or regulation 33 time-weighted average)				
Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	13,058,654				
Intangible assets at end of current financial year (IA ₁)	12,301,634				
Average total intangible asset	12,680,144	m		deduct 12,680,144	
	(or regulation 33 time-weighted average)				
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	89,327,071				
System fixed assets at end of current financial year at book value (SFA _{bv1})	90,027,311				
Average value of system fixed assets at book value	89,677,191	f	deduct 89,677,191	deduct 89,677,191	deduct 89,677,191
	(or regulation 33 time-weighted average)				
System Fixed assets at year beginning at ODV value (SFA _{odv0})	89,980,000				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	89,423,221				
Average value of system fixed assets at ODV value	89,701,611	h	add 89,701,611	add 89,701,611	add 89,701,611
	(or regulation 33 time-weighted average)				
Denominator			91,219,239	91,382,506	91,219,239
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			$ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$ 6.89	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$ 6.90	$ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$ 6.90

t = maximum statutory income tax rate applying to corporate entities
subscript '0' = end of the previous financial year
ROI = return on investment

BV = book value
subscript '1' = end of the current financial year

ave = average
ROF = return on funds

odv = optimised deprival valuation
ROE = return on equity

OTAGONET JOINT VENTURE LINES BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 20 OF THE ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004, SCHEDULE 1 PART 4

Energy Delivery Efficiency Performance Measures Years Ending 31 March 2003, 2004, 2005 and 2006

	2006	2005	2004	2003
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	78.0%	78.8%	76.0%	79.0%
Loss Ratio (Transmission losses over energy entering the system)	6.8%	7.4%	7.4%	6.2%
Capacity Utilisation (Maximum demand over total transformer capacity)	37.8%	38.7%	39.3%	39.4%

Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	2002/03	74	531	253	2,897	59	396	4,210
	2003/04	74	550	251	2,912	52	516	4,355
	2004/05	74	555	252	2,931	47	511	4,370
	2005/06	74	550	260	2,938	12	510	4,344
Overhead Lines (km's)	2002/03	74	530	253	2,891	58	381	4,187
	2003/04	74	550	251	2,906	51	511	4,343
	2004/05	74	555	252	2,922	46	502	4,351
	2005/06	74	549	260	2,929	10	498	4,320
Underground Cables (km's)	2002/03	-	0.3	-	6	1	16	23
	2003/04	-	0.3	-	6	1	5	12
	2004/05	-	0.3	-	9	1	9	19
	2005/06	-	1	-	9	2	12	24

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2002/03	134,890	53,161	368,064,390	345,194,498	14,502
2003/04	140,301	55,134	366,923,353	339,953,778	14,542
2004/05	142,285	54,996	379,844,706	351,736,031	14,585
2005/06	144,055	54,495	372,488,540	347,164,602	14,497

Retailer	KWh (2005/06)	KWh (2004/05)	KWh (2003/04)	KWh (2002/03)
Retailer B	111,183,187	115,337,409	115,660,621	125,737,703
Retailer C	13,351,999	13,902,042	10,650,070	6,598,767
Retailer D	221,158,354	221,515,638	212,633,760	211,948,253
Retailer E	174,418	160,794	153,326	162,239
Retailer F	1,296,644	820,148	856,001	747,536
Total	347,164,602	351,736,031	339,953,778	345,194,498

Energy Delivery Efficiency Performance Measures and Statistics for three months of 2003 (to 30 June 2002) are those achieved by the previous owner, Otago Power Limited.

OTAGONET JOINT VENTURE LINES BUSINESS

RELIABILITY PERFORMANCE MEASURES

PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004, SCHEDULE 1 PART 5

Reliability Statistics For Years Ending 31 March 2003, 2004, 2005 and 2006

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2002/03	-	107	171	1	-	-	-	-	-	279
	2003/04	2	115	197	1	-	-	-	-	-	315
	2004/05	2	153	131	2	-	-	-	-	-	288
	2005/06	-	295	188	4	-	-	-	-	-	487
Predicted 2006/2007			300	190							
5-Year Average Target			290	180							

SAIDI	2002/03	-	54.0	161.8	9.1	-	-	-	-	-	224.9
	2003/04	45.2	59.0	395.4	4.3	-	-	-	-	-	503.9
	2004/05	0.7	75.8	98.0	19.6	-	-	-	-	-	194.1
	2005/06	-	174.1	133.0	6.1	-	-	-	-	-	313.2
Predicted 2006/2007			215.0	140.0							
5-Year Average Target			202.0	137.4							

SAIFI	2002/03	-	0.29	2.33	0.16	-	-	-	-	-	2.78
	2003/04	0.23	0.29	2.87	0.10	-	-	-	-	-	3.49
	2004/05	-	0.45	1.27	0.40	-	-	-	-	-	2.12
	2005/06	-	0.76	1.99	1.22	-	-	-	-	-	3.97
Predicted 2006/2007			0.95	1.90							
5-Year Average Target			0.91	1.86							

CAIDI	2002/03	-	186.3	69.5	56.6	-	-	-	-	-	80.9
	2003/04	196.5	203.6	137.8	42.6	-	-	-	-	-	144.4
	2004/05	-	168.4	77.2	49.0	-	-	-	-	-	91.6
	2005/06	-	228.8	67.1	5.0	-	-	-	-	-	79.0
Predicted 2006/2007			226.32	73.68							
5-Year Average Target			221.98	73.87							

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2002/03	-	1.32	5.15	4.52
	2003/04	1.35	1.66	5.83	5.16
	2004/05	-	0.72	3.97	3.43
	2005/06	-	2.00	5.10	4.55
UG per 100km	2002/03	-	-	-	-
	2003/04	-	-	-	-
	2004/05	-	-	-	-
	2005/06	-	-	10.83	8.73
Total per 100km	2002/03	-	1.32	5.14	4.51
	2003/04	1.35	1.66	5.82	5.15
	2004/05	-	0.72	3.96	3.42
	2005/06	-	2.00	5.11	4.56
Predicted 2006/2007		0.41	1.27	4.49	3.95
5-Year Average Target		0.37	1.21	4.13	3.64

Class C Interruptions Not Restored in	3 hours	17.6%
Class C Interruptions Not Restored in	24 hours	0.5%

Reliability Statistics for three months of 2003 (to 30 June 2002) are those achieved by the previous owner, Otago Power Limited.

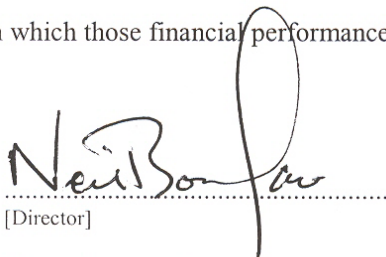
**OTAGONET JOINT VENTURE
CERTIFICATION OF FINANCIAL STATEMENTS
PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY
DISCLOSING ENTITIES
(OTHER THAN TRANSPower)**

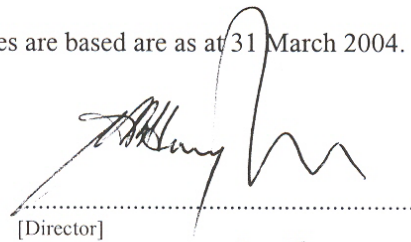
We, Alan Bertram Harper and Neil Douglas Boniface, Directors of companies that are party to the OtagoNet Joint Venture certify that, having made all reasonable enquiry, to the best of our knowledge:

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

The valuations on which those financial performance measures are based are as at 31 March 2004.

Signed:


[Director]


[Director]

Dated: 22 November 2006

AUDITOR'S REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF OTAGONET JOINT VENTURE LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2006

We have audited the financial statements of OtagoNet Joint Venture Lines Business ("OtagoNet Joint Venture") on pages 2 to 15. The financial statements provide information about the past financial performance of OtagoNet Joint Venture and its financial position as at 31 March 2006. This information is stated in accordance with the Statement of Accounting Policies set out on pages 6 and 7.

Management Committee's Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Management Committee to prepare financial statements which give a true and fair view of the financial position of OtagoNet Joint Venture as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

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

The Auditor-General has appointed Michael Wilkes of Deloitte to undertake the audit.

Basis of Opinion

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

- the significant estimates and judgements made by the Management Committee in the preparation of the financial statements; and
- whether the accounting policies are appropriate to OtagoNet Joint Venture's circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

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

In our opinion:

- proper accounting records have been maintained by OtagoNet Joint Venture as far as appears from our examination of those records; and
- the financial statements of OtagoNet Joint Venture on pages 2 to 15;
 - a) comply with generally accepted accounting practice; and
 - b) give a true and fair view of OtagoNet Joint Venture's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
 - c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 22 November 2006 and our unqualified opinion is expressed as at that date.



Michael Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the financial statements of OtagoNet Joint Venture Lines Business for the year ended 31 March 2006 included on OtagoNet Joint Venture's website. The Management Committee is responsible for the maintenance and integrity of the OtagoNet Joint Venture's website. We have not been engaged to report on the integrity of OtagoNet Joint Venture'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 22 November 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.

**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
OTAGONET JOINT VENTURE LINES BUSINESS**

We have examined the information being:

- (a) a derivation table; and
- (b) the annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures,

that were prepared by OtagoNet Joint Venture Lines Business and dated 31 March 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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



Michael Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Wellington, New Zealand
22 November 2006

This audit report relates to the financial statements of OtagoNet Joint Venture Lines Business for the year ended 31 March 2006 included on OtagoNet Joint Venture's website. The Management Committee is responsible for the maintenance and integrity of the OtagoNet Joint Venture's website. We have not been engaged to report on the integrity of OtagoNet Joint Venture'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 22 November 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.