

Northpower Electric

Power Trust

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR

YEAR ENDED

31 MARCH 2008

NORTHPOWER ELECTRIC POWER TRUST

– Contents –

	Page
Trustees Report	i - v
Financial Statements	1 - 12

NORTHPOWER ELECTRIC POWER TRUST

TRUSTEES REPORT

FOR YEAR ENDED 31 MARCH 2008

It is with pleasure that we report to consumer/owners covering the activities of the Trust for the 12 months to 31 March 2008. The year involved several highlights and events including:

- The triennial trustee elections
- Ownership review.
- Submissions to the Commerce Commission regarding regulatory control of our Lines Company, Northpower Ltd.
- Continuing benefits to consumers in the form of a Trust distribution from the Trust and a line charge holiday from your company.
- Directorship appointments.

TRIENNIAL TRUSTEE ELECTIONS

The 2007 elections held in November 2007 resulted in the five incumbent trustees in the Whangarei District being returned and with the retirement of Leo Glamuzina from the Kaipara district, a new trustee (Sheena McKenzie) and incumbent Richard Drake were successful.

Following the Trustee elections, Trustees re-elected Erc Angelo as chairman and Richard Drake as Deputy Chairman.

OWNERSHIP REVIEW

The five-yearly ownership review was held in the months of May and June 2007. Your Trustees held public meetings throughout the Northpower region - eight (8) in all - and while the public attendance at the well publicised meetings was disappointing, there were sufficient numbers to provide Trustees with the feedback necessary to complete the public consultative process required by the Trust Deed.

After full consultation and deliberation, including a review of the Company's Directors Report and recommendations provided to Trustees by the public attending the review meetings, the Trustees unanimously voted to retain the present share ownership structure

of Northpower Ltd. As required by the Trust Deed, the Trustees' decision was made at a public meeting on 14 June 2007.

COMMERCE COMMISSION

The Commerce Commission at present regulates and monitors Northpower's profits and service to consumers. This duplicates the responsibility of your Trust and creates additional costs for Northpower Ltd.

During the past year, the Northpower Electric Power Trust joined with other Electricity Trusts and their companies and negotiated a change to the legislation with the government. A bill to change the Act and exempt companies like Northpower is with parliament at present. Your Trust, lead by Deputy Chairman, Richard Drake, took part in the Select Committee hearing in May, and if the bill is passed this year as expected, Northpower will be freed from unnecessary government regulation and with the Trust, will continue with less distraction, to focus on quality service to Whangarei and Kaipara consumers.

CONSUMER DISTRIBUTION

A distribution of \$4,322,500 (\$85 per consumer) was paid to consumers in May 2007, by way of a credit to all consumers' electricity accounts. This distribution was a result of the dividend received by the Trust from Northpower Ltd and reflects the excellent financial results achieved by your company.

DIRECTORSHIP

Warren Moyes and David Ballard retired by rotation and offered themselves available for re-election. As per paragraph 9.1 of our Trust Deed, the selection process was completed in July 2007 and included a panel of three Trustees along with independent consultant, Ian Taylor of Sheffield Consultants. There were a total of five applicants and following an in-depth interview process, the Trustees and our independent consultant unanimously re-appointed Warren Moyes and David Ballard. We thank all applicants for their interest.

The selection and appointment of our directors is a very important responsibility of Trustees as it is extremely necessary to ensure that our Board of Directors possess the combined skill sets and business acumen in order to achieve excellence in the company's financial, management, people and profit performances. The Trustees are pleased to report that, under the chairmanship of Warren Moyes, the Board excelled in all aspects of the company's activities.

OTHER MATTERS

Financial Report from Secretariat

The Trust received net dividends from Northpower Ltd of \$5,176,900 (\$4,154,900 last year). Interest earned on funds invested was \$394,069 (\$322,347 last year). Effectively the Trust enjoyed the benefit of increased interest rates on higher deposits.

In terms of expenditure the Triennial Trustee elections cost \$119,804, while completing the Ownership Review cost \$12,709. Trustee Elections take place every three years and the Ownership Review takes place every five years.

Total operating expenses for the year were \$391,454 so the Trust was again able to keep to its goal of funding itself within the interest it earns on investments without spending any of the dividend it receives from Northpower Ltd.

Another point of note in the Financial Statements is the payment of \$18,191 for the Eco bulb project, bringing the total cost for the project to \$100,000 over the past two years.

Following the implementation of International Financial Reporting Standards (IFRS), the company went through revaluations of various assets to align itself with these standards. The Trust now recognises the net asset value of Northpower Ltd as the value of its investment at the end of each financial year.

The premise is that under IFRS the company is required to calculate a more accurate current value of its net worth. Previously the method was to recognise net worth at historical cost, adjusted for movements in asset revaluation reserves. The 2007 comparative figures have been re-stated to reflect this change in valuation.

The net asset value (worth) of the company at 31 March 2008 was \$226,953,000 which is shown in the Trust Financial Accounts under “Investments”.

CODE OF PRACTICE

The Code of Practice sets out for consumers the obligations and responsibilities of trustees in carrying out their duties for the benefit of consumers. It also provides for the provision of information to beneficiaries and for a review where a request for information has not been properly dealt with. We encourage consumers to be aware of the Code of Practice. There have been no requests for a review during the past year.

ANNUAL PLAN

A review of our Annual Plan (attached) ensured that Trustees properly discharged all objectives that form part of our responsibilities under the Trust Deed.

MEETING WITH DIRECTORS

While we cannot detail several commercially sensitive topics that were dealt with at our meetings with Directors, you can be rest assured that the interests of consumer/owners were paramount in the discussions. The Statement of Corporate Intent details the schedule of meetings required with the Board of Directors, but as in any successful entity, the number of meetings exceeded the statutory number required. Also, throughout this process

we discharge another of our essential duties in monitoring the performance of the Board and to uphold our independent relationship with the Directors.

Trustees formally thank the Board Chairman and his fellow directors for their trust and transparency on all matters covered during the year.

INDUSTRY ISSUES

Trustees feel that it is important to repeat our message in last year's Trustee Report. We therefore include an extract from that report:

Being an essential commodity, it is of continuing concern to trustees that the Electricity Industry is somewhat fragmented by Government regulation.

Regulatory control of the industry is divided between the Government appointed Electricity Commission and Commerce Commission, neither of which has any commercial risk through investment in the industry.

Electricity generation is mainly owned by Government state owned enterprises, who also are the main retailers. The national grid is operated by Transpower (another state owned enterprise), while the networks that conduct electricity to the consumer are mainly owned by Energy Trusts. In our case, the Northpower Electric Power Trust, whose Trustees are all publicly elected, own all the shares in Northpower Ltd - our lines company.

Issues we see for Northpower consumers:

- *As the bulk of power to Northpower comes from south of Auckland, continuing security of supply will very much depend on a strong, reliable grid system, from Whakamaru, through the narrow Auckland isthmus and on to Northland. Growth of demand north of Auckland is expected to increase by 50% over the next ten years.*
- *The Trustees are acting on consumers' behalf to ensure security of supply by working with Northpower Ltd and the Electricity Trust Association of NZ. We believe that security of supply will require both improvements to the transmission grid and some new generation, coupled with greater efficiency in electricity usage. We are determined to ensure that our concerns are well documented within the overall industry organisations as concerned owners.*

The Trust continues to lobby, on behalf of consumers, the Auckland City Council in relation to a line limitation through the Auckland isthmus.

CONSUMER CONTACT

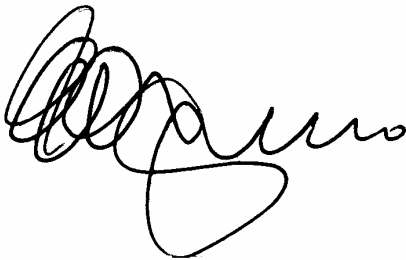
As always, we encourage consumers to contact Trustees on any matter involving the Electricity Industry in general, and any local issues that could potentially affect our ownership responsibilities.

During the year issues were raised by a number of consumers which Trustees promptly dealt with and we trust, to the satisfaction of those consumers concerned.

GENERAL

Trustees do keep abreast of the Electricity Industry by regular contact with the Energy Trusts of NZ, attending focus meeting with industry representatives and continuing contact with directors.

It certainly is a challenging industry and we are proud to represent consumers in ensuring that the value and performance of your company, Northpower Ltd is maintained and enhanced.



On behalf of the Trustees
E A ANGELO
Chairman

Trustees:

E A Angelo	Whangarei
D Culham	Whangarei
R Drake	Kaipara
S McKenzie	Kaipara
R Provan	Whangarei
W Rossiter	Whangarei
A Shaw	Whangarei

Secretariat:

Brent Martin, Plus Chartered Accountants Ltd

**Northpower Electric Power Trust
Financial Statements
For the Year ended 31st March 2008**

Northpower Electric Power Trust
Financial Reports
For the Year Ended 31st March 2008

Contents	Page
Directory	1
Trustees Annual Report	2
Auditors Report	4
Income Statement	5
Statement of Changes in Equity	6
Balance Sheet	7
Cashflow Statement	8
Notes to the Accounts	9

Northpower Electric Power Trust

Trust Directory

As at 31st March 2008

Trustees	Ercoli ANGELO Richard DRAKE David CULHAM Ross PROVAN William ROSSITER Ann SHAW Sheena MCKENZIE
Auditors	PI Trappitt CA
Secretary	Plus Chartered Accountants Limited First Floor Dairy House Porowini Avenue Whangarei
Bankers	ASB
Date of Formation	29 March 1993
Nature of Business	Holding Shares in Northpower Limited on behalf of consumer beneficiaries

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Trustees Annual Report

For the Year ended 31st March 2008

The Trustees hereby present their Annual report including Financial Statements of the trust for the year ended 31st March 2008.

Principal activities

The business of the trust is Holding Shares in Northpower Limited on behalf of consumer beneficiaries . The nature of the trust's business has not changed during the year.

Auditors

The trust's Auditor is PI Trappitt CA. PI Trappitt CA is willing to continue as the trusts auditor.

Trustees holding office during the year

The following Trutees's held office during the year:

Ercoli ANGELO
Richard DRAKE
David CULHAM
Ross PROVAN
William ROSSITER
Ann SHAW
Sheena MCKENZIE

The following Trustees resigned:

	Date of Resignation
Leo Glamuzina	30/11/07

Trustee Allowances

Trustees allowances paid was as follows:

	2008
	\$
EA Angelo	38,636
D Culham	21,636
R Drake	27,292
L Glamuzina	14,088
R Provan	21,196
W Rossiter	22,296
A Shaw	21,856
S McKenzie	8,101
	<u>\$175,101</u>

Trustees' disclosures

There were no entries recorded in the Register of Interests.

The Board of Trustees received no notices from Trustees wishing to use trust information received in their capacity as Trustees which would not have ordinarily been available.

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Northpower Electric Power Trust


Trustees Annual Report

For the Year ended 31st March 2008

No donations were made by the trust during the year.

For and on behalf of the Board of Trustees,

Chairman



Dated this 23 day of July 2008.

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Auditor's Report

For the Year Ended 31 March 2008

To the beneficiaries of Northpower Electric Power Trust

I have audited the financial reports of Northpower Electric Power Trust. The financial report provides information about the past financial performance of the trust and its financial position as at 31 March 2008. This information is stated in accordance with the accounting policies set out herein.

Trustees' responsibilities

The trustees are responsible for the preparation of financial statements which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the trust as at 31 March 2008 and the results of its operations for the year ended on that date.

Auditor's responsibilities

It is my responsibility to express an independent opinion on the financial report presented by the trustees and report my opinion to you.

Basis of opinion

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

- The significant estimates and judgements of the trustees in the preparation of the financial statements; and
- Whether the accounting policies are appropriate to the trusts circumstances, adequately disclosed and consistently applied.

My audit was conducted in accordance with generally accepted auditing standards in New Zealand. My audit was planned and performed in order to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by error, fraud or omission. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in my capacity as auditor, I have no relationship with, or interest in, the trust.

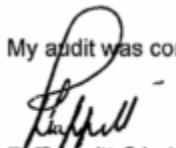
Unqualified opinion

I have obtained all of the information and explanations I have requested.

In my opinion:

- The trust has kept proper accounting records as far as appears from our examination of those records; and
- The financial report:
 - complies with generally accepted accounting practice in New Zealand; and
 - gives a true and fair view of the financial position of the trust as at 31 March 2008 and the results of its operations for the year ended on that date.

My audit was completed on 21 July 2008, and my unqualified opinion is expressed as at that date.



P. Trappitt CA /
Dargaville

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Income Statement

For the Year ended 31st March 2008

	<i>Note</i>	<i>2008</i> \$	<i>2007</i> \$
REVENUE			
Operating income	5	5,570,969	4,477,247
Other operating costs	6	<u>(391,454)</u>	<u>(313,698)</u>
Profit before income tax		5,179,515	4,163,549
Income tax expense	10	(4,724)	(5,141)
Net profit for the year		<u><u>\$5,174,791</u></u>	<u><u>\$4,158,408</u></u>

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Statement of Changes in Equity

For the Year ended 31st March 2008

	Note	2008 \$	2007 \$
EQUITY AT START OF YEAR		216,157,368	172,411,170
SURPLUS & REVALUATIONS			
Profit after tax		5,174,791	4,158,408
Movements in Investment - Company		15,818,999	43,814,000
Total recognised revenues & expenses		<u>20,993,790</u>	<u>47,972,408</u>
OTHER MOVEMENTS			
Distribution to beneficiaries	7	(4,315,105)	(4,226,210)
EQUITY AT END OF YEAR		<u><u>\$232,836,053</u></u>	<u><u>\$216,157,368</u></u>

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Balance Sheet

As at 31st March 2008

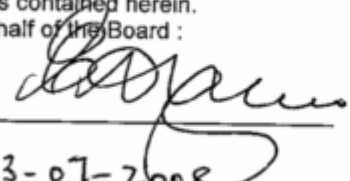
	Note	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	9	5,748,443	4,962,249
Taxation	10	106,813	101,070
Trade and other receivables	12	87,013	30,933
Total current assets		<u>5,942,269</u>	<u>5,094,252</u>
NON-CURRENT ASSETS			
Investments	11	226,953,000	211,134,000
Total non-current assets		<u>226,953,000</u>	<u>211,134,000</u>
TOTAL ASSETS		<u>232,895,269</u>	<u>216,228,252</u>
CURRENT LIABILITIES			
Trade and other payables	13	59,216	70,882
Total current liabilities		<u>59,216</u>	<u>70,882</u>
TOTAL LIABILITIES		<u>59,216</u>	<u>70,882</u>
NET ASSETS		<u>\$232,836,053</u>	<u>\$216,157,370</u>
Represented by:			
EQUITY			
Trustee Funds		232,836,053	216,157,370
TOTAL EQUITY		<u>\$232,836,053</u>	<u>\$216,157,370</u>

The accompanying notes form part of these Financial Statements and should be read in conjunction with the reports contained herein.

For and on behalf of the Board :

Chairman

Date


23-07-2008

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Cash Flow Statement

for the Year Ended 31 March 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
	12		
<u>Cash was received from:</u>			
Dividends received		5,176,900	4,154,900
Interest received		337,989	321,849
		5,514,889	4,476,749
<u>Cash was paid to:</u>			
Payments to suppliers and employees		395,727	314,619
Income tax paid		10,467	(6,945)
		406,195	307,674
Net cash inflow (outflow) from operating activities		5,108,694	4,169,075
Cash flows from financing activities			
<u>Cash was paid to:</u>			
Payment of Capital Distribution to Consumers		4,322,500	4,225,438
		4,322,500	4,225,438
Net cash inflow (outflow) from financing activities		(4,322,500)	(4,225,438)
NET INCREASE (DECREASE) IN CASH HELD		786,194	(56,363)
Cash and cash equivalents as at 1 April 2007		4,962,249	5,018,612
Cash and cash equivalents as at 31 March 2008	11	5,748,443	4,962,249

*The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Notes to the Financial Statements For the Year ended 31st March 2008

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity

These are the financial statements of Northpower Electric Power Trust. Northpower Electric Power Trust is engaged in the business of Holding Shares in Northpower Limited on behalf of consumer beneficiaries.

The financial statements of Northpower Electric Power Trust have been prepared in accordance with the reporting requirements of Section 11 of the Financial Reporting Act 1993.

Measurement Base

These financial statements of Northpower Electric Power Trust have been prepared in accordance with generally accepted accounting practice in New Zealand and therefore also comply with International Financial Reporting Standards. For this purpose the trust has designated itself as a public benefit entity.

The financial statements of Northpower Electric Power Trust have been prepared on an historical cost basis, except as noted otherwise below.

The information is presented in New Zealand dollars.

Changes in Accounting Policies

The valuation of shares in Northpower has been changed to the net assets of the company with 2007 comparative figures also restated. There have been no other changes in accounting policies aside from the adoption of IFRS as noted.

(a) Goods & Services Tax

These financial statements have been prepared inclusive of GST as Northpower Electric Power Trust is not registered for GST.

(b) Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense charged to the Income Statement is the estimated tax payable in the current year, adjusted for any differences between the estimated and actual tax payable in prior years.

(c) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown on the balance sheet as current liabilities within short term borrowings.

(d) Revenue

Interest income is recognised using the effective interest method.
Dividend revenue is recognised when received.

(e) Receivables

Receivables are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

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These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Notes to the Financial Statements

For the Year ended 31st March 2008

2. AUDIT

These financial statements have been subject to audit, please refer to Auditor's Report.

3. STATEMENT OF COMPLIANCE

The financial report complies with New Zealand Accounting Standards which include New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Compliance with NZ IFRS ensures that the full year financial report, comprising the financial statements and notes complies with International Financial Reporting Standards (IFRS).

These financial statements are the first to be prepared in accordance with NZ IFRS. There is no evidence of an impact to the financial statements for the year ended 31st March 2008 or 31st March 2007 and no restatement or transitional adjustments are necessary.

4. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2007 :\$0). Northpower Electric Power Trust has not granted any securities in respect of liabilities payable by any other party whatsoever.

5. OPERATING REVENUE

	2008	2007
	\$	\$
Dividends Received	5,176,900	4,154,900
Interest Received	<u>394,069</u>	<u>322,347</u>
Total Other Income	<u>5,570,969</u>	<u>4,477,247</u>
Total Operating Revenue	<u>5,570,969</u>	<u>4,477,247</u>

6. OPERATING EXPENSES

	2008	2007
	\$	\$
Advertising	3,543	2,839
Audit Fees	1,631	1,406
Bank Charges	9	9
Consumer Callcentre	2,152	2,716
Consumer Distribution Costs	1,538	24,562
Consultants Fees	4,894	4,258
Conference Expenses & Travel	7,701	2,053
Eco Bulb Project	18,191	81,809
ETNZ Levy	1,872	681
Election Expenses	119,804	-
General Expenses	218	600
Insurance	7,328	7,256
Meeting Expenses	823	1,147
Ownership Review Expenses	12,709	6,933
Printing, Stamps & Stationery	621	-
Secretarial Expenses	31,228	21,946
Trustee Travel Expenses	2,091	2,669
Trustee Fees & Allowances	<u>175,101</u>	<u>152,814</u>
Total Operating Expenses	<u>391,454</u>	<u>313,698</u>

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These financial statements should be read in conjunction with the attached Audit Report.*

Northpower Electric Power Trust

Notes to the Financial Statements

For the Year ended 31st March 2008

7. DISTRIBUTION TO CONSUMERS

	2008 \$	2007 \$
Dividends paid to beneficiaries during the year:		
Distribution to Consumers	4,315,105	4,226,210
Total dividends paid	<u>4,315,105</u>	<u>4,226,210</u>

8. RELATED PARTIES

There were no related party transactions during the year under review.

9. CASH & CASH EQUIVALENTS

	2008 \$	2007 \$
Cash and bank accounts	5,748,443	4,962,249
	<u>5,748,443</u>	<u>4,962,249</u>

10. TAXATION

	2008 \$	2007 \$
Profit before tax	5,179,515	4,163,549
Taxation	4,724	5,141
Income Tax on Net Profit	<u>4,724</u>	<u>5,141</u>

The Taxation Charge is Represented by

Current year tax	4,724	5,141
	<u>4,724</u>	<u>5,141</u>

Tax Payable

Less		
RWT credits	111,536	106,210
Outstanding from prior years	1	1
Total Tax to Pay	<u>(106,813)</u>	<u>(101,070)</u>

11. INVESTMENTS

	2008 \$	2007 \$
Shares – Northpower Ltd	226,953,000	211,134,000
	<u>226,953,000</u>	<u>211,134,000</u>

Following implementation of IFRS the company's net assets at 31/03/08 are \$226,953,000. Consolidation of the trusts financial statements with the company's would increase the trusts net assets by this much, so our carrying value of the company has been increased to reflect this value. IFRS is designed to ensure that the company correctly values its net asset position.

Our comparatives have been restated to reflect this change in accounting policy.

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Northpower Electric Power Trust

Notes to the Financial Statements

For the Year ended 31st March 2008

12.	TRADE AND OTHER RECEIVABLES	2008	2007
		\$	\$
	Accounts Receivable	8,666	8,666
	Accrued Interest	<u>78,347</u>	<u>22,267</u>
		<u>87,013</u>	<u>30,933</u>
13.	TRADE AND OTHER PAYABLES	2008	2007
		\$	\$
	Accounts Payable	9,716	21,382
	Accrued Distribution Payments	<u>49,500</u>	<u>49,500</u>
		<u>59,216</u>	<u>70,882</u>
14.	SIGNIFICANT EVENTS AFTER BALANCE DATE		
	No significant events occurred after the balance date.		

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