Northpower

Annual Review 2012

Left to right: Nikki Davies-Colley, David Ballard, Warren Moyes (Chairman), John Ward, Russell Black, Ken Hames.

The Board of Directors is pleased to present the annual review of Northpower Ltd and its subsidiaries (West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd) for the year ended 31 March 2012.

For and on behalf of the Board of Directors.

Warren Moyes
Chairman

Nikki Davies-Colley
Director

"safe, reliable, hassle free service"

Chairman's report

A major part of Northpower's evolution in recent years has been its vision.

The vision of the management team and that of the Board of Directors who share a similar drive to continue building the business for the future, while at the same time achieving well in the present.

Northpower's very existence is owed to the consumers of Kaipara and Whangarei who have entrusted the stewardship of 'their' electricity lines distribution company to the Northpower Electric Power Trust (NEPT), which oversees the management of the Northpower shares on behalf of consumers.

While the Board of Directors works closely with the NEPT and Northpower's executive management team, there is, and must be, a level of operational autonomy for Northpower Limited to function as a successful and growing business.

If there are questions raised by the Trust we are obliged to provide the answers, backed by sound business practice – just as the Trust is bound by certain procedures – morally and legally, under the Trust Deed. The Trust members take their roles very seriously – as they should. They ask the tough questions of us and they support us.

Perhaps the most recent example of this is the Northpower ownership review, which began during the 2011/2012 financial year. The Trust must carry out an extensive review of Northpower's operations at least every five years, inviting public submissions on maintaining the existing ownership model, selling some of Northpower's shares or selling them all.

In early 2012, the Northpower Board went through a major process of reflection and assessment of our structure before recommending keeping the current ownership status. In the end, this view was shared by the majority of those who made submissions during the process. Only three submitters wanted a portion of shares sold – an overwhelming endorsement of the consumer trust model.

What that means for those consumers (the people in Kaipara and Whangarei Districts connected to Northpower's network) who own Northpower, is that it is their voice that counts and they receive the benefits directly through the Northpower line holiday and the NEPT dividend – plus an increasingly invaluable electricity network that is well maintained and consistently invested in to a high level.

The community trust model suggested by a small minority would leave Northpower's existing consumers in the hands of others, with decisions made on their behalf and no chance of regular rebates from which they currently benefit.

In contrast, the current consumer trust ownership rewards the consumers of the past and future.

The Trust deserves credit for the way it, as owner, has consistently provided direction to Northpower.

As Directors, we are required to ensure the Northpower operation is as solid as possible – and constantly underpinned by the highest in safety standards in order to protect staff and members of the public.

Our people work in an extremely dangerous sector and as a network owner there is not only a need to maintain a critical utility service – Northpower staff must also ensure a strong customer focus at all times. This is what the business has been built on.

In recent years the drive to improve systems and processes has taken on a greater level of focus. Northpower has committed to the Zero Harm Workplaces pledge, a national initiative aimed at removing injury from our places of work.

We simply must believe it to be achievable for this to be possible and if that means changing our outlook on how we go about our work, along with changing some of our traditional practices, then we must follow through.

To reach our goal of Zero Harm we must be consistent in our efforts, diligent in our actions and embrace courage to maintain the drive to achieve this very important goal. There is no room for a cavalier approach and I know there is a strong level of commitment within management and our teams in the field to pursue this drive for betterment.

As we go about this journey of improving ourselves, we must always look to grow the Northpower business.

It has become increasingly clear this past year that consumers want Northpower to continue bringing additional benefits through sound growth in the company's current and future activities.

Good governance has an integral part to play. So too, does every member of staff within Northpower – at every level – through the effort and dedication they put in to the business.

While it is all very well to grow the business in good times, the mark of a good business is to do so in challenging times.

We are achieving that, with all three of Northpower's business divisions performing well, thanks largely to the improved financial performance by West Coast Energy (WCE) and Northpower's Network business.

Northpower's continuing financial improvement this past year has been immensely pleasing considering the economic climate we have had to contend with. Amidst a very challenging environment, our group profit increased by 26% to $9.6m.

That Northpower has lifted revenue and profit is a superb result because we are still in the midst of a major recession not seen since the 1930s. The way the business has responded and continued to go places is great to see. It is an inspirational attitude and I am extremely pleased.

The commitment within the business to continue creating opportunities and delivering on projects in a hard economic environment deserves recognition.

One of the lessons of good governance is learning to structure and manage subsidiaries effectively while learning and growing your core business. The Northpower Board enjoys that challenge.

With this in mind, we felt it timely to appoint an independent Board to West Coast Energy, answerable to the Northpower Board, after four years of financial losses. It is pleasing to say as I write this report, our long-held vision that this Australian business can work, is now coming to fruition. In recent times we have had numerous months of profitability and the trend appears set to continue.

Due to our consumer ownership model, Northpower is fortunate to be free of the more onerous regulatory constraints many other New Zealand electricity companies must contend with. Regulatory processes create expenses.

There is no better way to regulate a monopoly-type environment surrounding a business such as Northpower, at least on our home turf, than by having the consumers owning their local, critical assets.

It gives the convenience and certainty of local expertise being able to respond to their needs in a timely and consistent manner.

Diversification is a major part of our current and future growth plan and is playing out nicely with the Transpower transmission contract we have secured and which will begin in the 2012/2013 financial year.

We set out five years ago to be a serious contender in the transmission sector and we have achieved our goal.

We pursue such business with vision and thorough business acumen based on long-term, meticulous planning and sound commercial practices.

Northpower has performed well in difficult times and it is immensely pleasing to see this ongoing progress. We are in great shape for what will be a very exciting future for the company.

Warren Moyes
Chairman

Chief Executive's report

When I look back on the 2011/2012 financial year, I am pleased with how Northpower has delivered an improved performance in difficult economic times.

Every division has been at full stretch both to keep the work flowing in the existing business areas and also develop new areas of business for our future. I am impressed and grateful for the skill and commitment our people consistently put into attaining credible results for our business.

The Group profit lifted 26% to $9.6m on a revenue increase of 11% to $242.1m. The line holiday rebate to consumers on Northpower's network increased 3% to $4.8m (excl GST) and the dividend to the Northpower Electric Power Trust (NEPT) was up 27% to $3.8m.

All three divisions performed well with respect to their market conditions, generating increased revenue. Northpower's profit increase was the result of improved financial performance by Northpower's Network business and our Australian contracting subsidiary West Coast Energy (WCE), while New Zealand Contracting achieved a reduced profit.

Northpower's New Zealand Contracting business did well to achieve a profitable outcome under tough conditions, with the economy remaining dormant and severe restrictions on infrastructure works in the main centres in the lead up to, and during, the Rugby World Cup. This required continuous liaison with our clients to schedule work around the restrictions and diversification to fill the gaps.

In addition, the New Zealand Contracting business had the new 100 person operation in Wellington to bed down, extensive preparation for the new Transpower contract and providing management support to WCE in Australia – all great medium to long-term opportunities and all requiring significant input to establish them properly.

In Australia, WCE built on its close working relationships with Australian clients, resulting in improved operations and financial performance.

In Western Australia, an unusually extended wet season and not getting sufficient work issued to us from WCE's client Western Power – the largest transmission and distribution utility in WA – over the July start to its financial year were the main factors in WCE missing its operational profit target for the year.

However, in all respects the WCE team performed very well and despite the above issues, it improved its operational financial results by $A2.84m for the year, while also achieving its annual production target for Western Power.

Meanwhile, Western Power has the mammoth task of replacing some 400,000 defective wood poles over the next 10 years. Historically, it has not achieved the replacement rates required but this year WCE proved just what can be achieved when the workflow between the client and the contractor is well managed.

We achieved 3000 poles with a small team and despite the delay in work from Western Power. Our joint aim is to lock in this level of performance and Western Power has already issued our work for the next 12 months to aid this.

The financial performance of Northpower's Network business was boosted by the region's first electricity consumption increase in three years and record high generation by our Wairua Hydro Station.

The gross margin for our Network division increased from $35m to $37.7m. Operating costs were held to target and the network proved capable of withstanding a record peak demand when a short extremely cold spell hit Northland.

Managing a network consistently well is a considerable challenge and the Network team does a great job while always looking to make improvements to how this is done. We are fortunate to have very capable, experienced engineers and to ensure this continues we also have a small team of graduate engineers who, in addition to their network roles, provide engineering support for projects across the entire company.

Northpower's Network business has also taken on the hefty challenge of managing the construction and operation of the UFB fibre network in Whangarei. Northpower is very successfully leading the charge on this innovative and complex project which will put Whangarei at the forefront of communications capability in New Zealand.

Northpower has now secured footholds in all our main areas of strategic growth covering the next 10 years – fibre networks, transmission, distribution, generation and industrial electrical, not only in New Zealand but also in Australia and the Pacific Islands. These footholds give us potential to develop to at least a $500m per year business through a combination of contracting and asset growth.

It reassures me that we have won these new businesses through our delivery after intense scrutiny by our prospective clients.

Northpower winning a long term maintenance contract for Transpower (owner/operator of New Zealand's national grid) this year is a major strategic achievement. We are the only new transmission contractor accepted by Transpower and this is the result of several years of building and proving our transmission work capability, along with our commitment to safety.

The expertise we are developing will also be beneficial to Northpower in building and managing our own transmission assets.

Our Wellington Contracting operation, which came to life in February 2011, will be another showcase for Northpower. We now do all the maintenance work on the capital's electricity network for Wellington Electricity and our performance is highly visible. Our client has clear expectations and works closely with our team to ensure they are met.

Wellington is a good location for Northpower to be, as it puts us within reach of other opportunities in the lower North Island and upper South Island.

Our Pacific Islands projects have their logistical challenges but are tracking well and are meeting expectations, with great support from Northpower's New Zealand-based staff who travel to work on them.

Key to our success in the Islands is developing our logistics and pooling talent across the business. Having people willing to step up to new challenges is increasing our depth year on year.

The results our Network and Northern Contracting team has achieved in designing and constructing Whangarei's Ultra-Fast Broadband fibre network have widely demonstrated Northpower's capability and will continue to be a focal point in the coming year. Our intention is to complete the build efficiently (at the latest) by June 2014 and encourage strong uptake.

We want Northpower Fibre performing at the top end of all fibre networks. Even so, financially, this is a long-term infrastructure project and the network will take several years to become profitable.

We will also consider constructing fibre networks elsewhere in Northland as the demand for them is established, extending a fibre-based broadband network to the wider region.

Australia is clearly a large opportunity for WCE. It would be a lot more profitable with a larger field staff but we have kept it to the minimum size until we prove the robustness of this business.

We entered Australia in 2007, realising there was immense opportunity and over time I expect to see WCE revenue lift from its current $40m to something comparable to our Auckland contracting – $80-$100m annually. There is scope to go a lot higher once we have built our experience and credentials in the complex Australian markets.

The ongoing success of Northpower's organic growth means we are building a substantial new business every year. It is exciting and challenging but we always want to ensure this does not detract from the service we supply to established clients. In fact, they must see the benefit of our growth to their business. It is our delivery to existing clients which makes our business viable and helps win new work.

We aim to keep key customers satisfied by being innovative and responsive to their needs. Our job is willingly to take away their hassles, treat them as a challenge and turn them into solutions.

Chief Executive's report

These solutions must provide value to the customer, improving their business and expanding our knowledge at the same time. This is what has made Northpower a significant distribution contractor in the New Zealand electricity market and increasingly so in Australia and the Pacific.

Northpower's ongoing success requires us to excel at health and safety. We work more than two million man/woman hours annually – that's a lot of safety.

It is a commitment we make to all our stakeholders and to deliver on it also needs the commitment of our stakeholders. This commitment is always to put safety ahead of all else – that is, ahead of customer service and ahead of productivity and ahead of making a profit.

Safety is a universal good. Our best clients want to engage with us on it and so do our employees. So we spend a lot of time on it. We have made great progress but there is a lot more we can do to ensure no one ever goes home injured.

The consequential advantage is that, as we improve our safety performance, our customer delivery and productivity also improve.

This is because working safely requires good design, good planning, good resourcing, precise execution of our jobs and good engagement between all those involved to ensure the purpose is clear.

When things are not right, we learn to fix the real problem, rather than just expecting our people in the field to make do. Safety is all about everything going to plan.

Safety starts in the office – our office, our client's office, even the regulator's office.

So, as part of our safety journey, we are fully committed to the nationwide Zero Harm Workplaces pledge:

- Zero Harm means every employee goes home every day uninjured
- Zero Harm requires us all to believe that all accidents are preventable
- Zero Harm requires us to realise and mitigate the fact that even competent people will still make mistakes.

Therefore, our priority is to minimise the possibility of a human error causing injury. This means more effort in designing safety into our networks and the equipment and systems used to work on them.

Where humans are involved, our task is to understand and remove all the factors that could impair their critical decision making and take effective measures to support that decision making.

The underlying strength of Northpower is that you develop your intent and your values, build up your knowledge and trust people to deliver.

In the past year, they have done just that and it is a privilege to lead such a dedicated team.

Mark Gatland
Chief Executive

Financial overview

Northpower's financial performance lifted in 2011/2012, following the disappointing result in the previous financial year. Group net profit after tax increased by over 25% to $9.6m, on the back of a strong performance from our Network division and a significant recovery in the Australian Contracting division.

Rise for group revenue

Total revenue reached $242.1m, up from $217.5m in the previous year. All of Northpower's three divisions contributed to the increase, with revenue from the Northpower Network reaching $55.1m (an improvement from $50.6m in 2010/2011).

Meantime, the New Zealand Contracting division recorded revenue of $146.6m, compared to $123.4m in 2010/2011, and Northpower's Australian Contracting business, West Coast Energy, lifted revenue to $40.4m (up from $34.6m).

Line Holiday and Trust Distribution

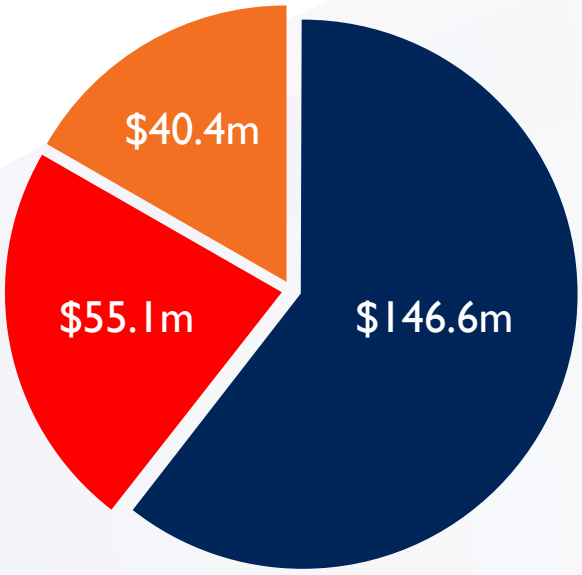
The Northpower 'line holiday' of $4.8m (excl GST) was $200,000 higher than the previous financial year and the Northpower dividend paid to the Northpower Electric Power Trust (NEPT) was up $800,000 from 2010/2011 at $3.8m.

The NEPT distributed a tax free credit of $70 to every consumer on the Northpower network in November 2011, while the 'line holiday' was gifted in February 2012.

Northpower profit

Northpower group recorded a net profit after tax of $9.6m. Earnings before net interest expenses, income tax, depreciation, amortisation and financial instruments (EBITDAF) came to $33.3m – an increase of 13% compared with the same period for 2010/2011.

Northpower 2011/2012 Revenue



New Zealand Contracting · Network · Australia

Northpower's Network – Kaipara and Whangarei

33kV insulator replacement tracking well

We are now less than two years from completing our 33kV insulator replacement programme.

This is a critical work stream initiated due to a significant number (of a particular type) of 33kV insulators failing before end of life. The bulk replacement of these insulators was required to ensure optimum network reliability and minimise outages on sub-transmission lines (the lines which are the backbone of Northpower's electricity network).

So far, 3574 insulators have been replaced, which equates to 84% of the total number budgeted for (4236). Since the programme began in 2008 we have found 165 failed insulators, each one of these having the potential to cause an outage.

Due to the difficulty in minimising outages for maintenance on sub-transmission lines, there is a relatively high component of opportunity maintenance carried out with 33kV insulator replacements.

Conductor replacement programme

Northpower has been experiencing an increasing number of smaller diameter overhead conductors failing. With many conductors 35 to 60 years old, the need for replacing some of these is imperative.

Through wear and tear, ageing and the impact of corrosion due to sea salt on coastal conductors, we have assessed the need to replace 74% of copper conductors sampled to date. The smaller conductors on the 11kV lines are most affected.

In contrast, the effect of ageing on the larger conductors is much less of an issue because of the greater cross-sectional area. This lessens the impact of oxidation.

To be prudent with this investment, Northpower is assessing conductor samples via a purpose built test rig, to ensure we are only replacing conductors that really need to be replaced.

This project, essential for safety and reliability, will result in a significant number of planned outages for the areas affected.

Northpower's investment in this critical conductor replacement work was $840,000 for the 2011/2012 financial year. Since it began in 2011, Northpower's investment has totalled $970,000.

The work has also required the replacement of some cross-arms. In total, Northpower's investment in cross-arm replacement was $1.93 million for 2011/2012.

Since the 2009/2010 financial year, we have spent almost $5 million on cross-arm replacement.

Northpower's Network – Kaipara and Whangarei

Switch Upgrade project

Over the past few years we have been replacing overhead line 11,000 volt air break switches (with fully enclosed gas insulated switches) for safety, operational and maintenance reasons.

For the financial year ending 31 March 2012, 105 enclosed switches (an electrical switch that breaks the circuit in gas) were installed and 109 air break switches (which break the circuit in the air) were removed.

This upgrade project is currently on schedule and the target for the next financial year is to replace a further 130 switches.

In total, there are a further 224 air break switches on the network to be replaced.

This work should be completed in 2014, ending an intensive six year project.

Protecting your network assets

Every year Northpower invests heavily in building community awareness around electrical safety. We do this for a number of reasons.

The primary motive is keeping our community safe through education on the danger of electricity and the risk of electrocution from downed lines.

We actively encourage residents throughout the Kaipara and Whangarei Districts to report downed lines, or the potential cause of faults.

And we also warn against stealing copper earth wires from our electricity lines network due to the risk of death or severe injury.

Every theft of copper earth wire costs Northpower up to $2000, despite the culprits earning very little selling the copper to scrap metal merchants. The price of such vandalism costs you – the very consumers who own the Northpower electricity network.

A major public awareness campaign launched in 2011 was designed to stop this kind of activity, which happens to most electricity networks around New Zealand every couple of years.

However, our aim is also to encourage more vigilance around electrical safety within our farming community as there have been a number of severe injuries and deaths – to humans and livestock – over the years. In late 2011 we had instances of members of the public shifting downed lines after strikes by roadside and agricultural contractors, highlighting the need to issue safety reminders to treat all powerlines as live at all times.

Thanks to extensive radio, newspaper and online advertising, we took our safety awareness campaign to a new level in 2011/2012 and were well supported by local and national media outlets publishing numerous safety-related articles. This support helps spread our community safety message.

Northpower's business divisions

West Coast Energy on the rise (WCE)

After years of hard slog, our fortunes in Australia have finally begun to turn. West Coast Energy generated a maiden EBITDA profit of A$778,000 for 2011/2012.

While the bottom line result for WCE for 2011/2012 was a net loss of A$1.6 million – before market support payments – the business executed a significant turnaround in the second half of the year.

Thanks to solid work with Western Power in Perth, backed by adjustments to pricing and processes, WCE operated at break-even level from September to November 2011, and after the typical Christmas lull, was operating profitably on a monthly basis as the new financial year came into effect.

While we still have a long way to go, Northpower is committed to ensuring WCE is able to deliver a satisfactory financial return to the Northpower Group in the future.

We take some comfort from the significant improvements shown in the 2011/2012 financial year. These improvements are testament to the drive and determination of our Australian-based staff who have remained dedicated throughout a long business establishment period. That they have lifted productivity by 30% in some areas is outstanding.

This would not have happened without open collaboration with partners like Western Power which took the time to sit in our business, observe some of our challenges and then set about jointly creating solutions with us.

The expertise and business focus of the newly created WCE Board of Directors have certainly played a key role too.

In the past year we re-secured a significant streetlight maintenance contract in and around Perth and have already improved our productivity by thinking laterally and engaging our workforce in a more innovative manner. In fact, our overall performance is such that we are meeting our completion deadlines 98% of the time – a pleasing outcome.

We also won a contract to provide transmission services to Western Power, which has proved to be good for the business and the staff due to the diversification of work types.

On the Melbourne front, we have grown this operation from a largely fly in - fly out (FIFO) activity to a permanent base, thanks to a strong focus on spreading our customer base from Zinfra to Powercor and SP AusNet, while also minimising downtime.

Transmission strategy pays off

Over five years ago we decided to extend our skillset into New Zealand's transmission sector.

This year it paid off when we secured a long-term contract with Transpower – maintaining the national electricity grid transmission lines north of Henderson, along with substations in Bay of Plenty/Rotorua.

The contract accounts for 9% of Transpower's transmission maintenance spend and we are one of five contractors nationwide working with Transpower. The new contract came into effect on July 1, 2012.

The collaboration between all companies – that is, Transpower and its service partners – involved in the new contract, has been exceptional and augurs well for the future.

Our success in tendering for this work follows the completion of several transmission projects in recent times – from substation jobs to undergrounding and transmission tower relocations.

We have learned greatly from these projects, developed stringent work procedures and set up systems to match.

And what will add to the integrity and efficiency of the work our transmission teams will undertake, is the addition of tablet devices to toolkits.

Northpower's business divisions

A challenging year for NZ Contracting

The highlight of the 2011/2012 financial year for our Contracting business was the result of our Central division, which bounced back from some monetary challenges two years ago to record a solid profit.

This was despite tough economic conditions, which is an outstanding result.

Adding to the testing environment was the Rugby World Cup which prevented us undertaking a large amount of work in Wellington and Auckland in late 2011.

Nevertheless, our teams worked hard to ensure consistent workflow where possible.

Our Wellington depot celebrated its one year anniversary in March 2012 and we continue to refine our operation to ensure the highest service levels possible in order to meet our contractual obligations with Wellington Electricity.

Elsewhere, contracts remain in place with Vector and Powerco. We are also undertaking work for WEL Networks and The Lines Company.

However, after extensive consideration, we closed our Napier operation in the first quarter of 2012, due to the available volume of work being unsustainable. We chose to move our resources elsewhere and in light of the Transpower transmission work it was a timely decision.

Northpower Contracting is also responsible for carrying out our various Pacific Islands projects and the performance in this area of our international business operations has been outstanding.

Throughout the Contracting business we have improved our project management focus, which has meant better planning and work scheduling.

Regardless of the intense commercial pressures on the business in this economic climate, the overriding focus of management must always be on safety. After recognising some issues in late 2011, we reinvigorated our company-wide safety focus and continue to maintain a drive towards Zero Harm within our workforce. This safety emphasis will continue throughout Northpower's business well into the new financial year.

Transmission construction site - Massey, Auckland.

Northpower's business divisions

Pacific Islands – potential keeps on growing

Having completed an extensive expansion and upgrade of switchboards to 22kV at Electric Power Corporation (EPC) generation stations in Samoa (on the main island of Upolu), Northpower has embarked on two more major projects this past year – both in partnership with EPC Samoa.

It is pleasing to note these will be finished on schedule by the end of 2012.

The first project due for completion, in late October 2012, is the Fiaga 20MW diesel power station where we are engineering, procuring and constructing the High Voltage Electrical Balance of the plant.

This power station, once complete, will provide the main power source for Samoa. Northpower has also been responsible for integrating the power plant into the rest of EPC's electricity network.

At Fuluasou we are designing and building the main substation for EPC's network. This substation will incorporate the National Control Centre for Samoa's entire electricity network.

In Tonga we are working with Meridian Energy and New Zealand Aid to provide the grid connection for a new photovoltaic power plant.

We are increasingly active in Fiji where we are designing and installing a 110V DC System at the Wailoa 80MW Hydro Power Station, the main power station for Fiji, and we hope to secure more projects.

Northpower's Contracting division and Network engineering teams are driving these projects. Most of these infrastructure initiatives are funded by Asian Development Bank or World Bank programmes.

There is a strong international aid focus on upgrading and building new infrastructure (roads and utilities). With a particular drive to reduce dependence on diesel generation, the Pacific Islands have potential to become an increasingly valuable market for growing our contracting expertise.

Such operations are of particular interest to the staff who operate on a fly in - fly out (FIFO) basis. Additional benefits have been the development opportunities for our younger engineers.

It is on the strength of that performance that we are increasingly well regarded amongst the Pacific Islands' power utilities.

While some projects are technically challenging, the performance of our staff has been outstanding.

One of the eight transformers we have installed at Fiaga, in Samoa.

Northpower's business divisions

Leadership changes to Northpower's Network division

Following a stint as Acting General Manager of Northpower's Network, Mike Hayes stepped aside in late 2011 to allow Graham Dawson to take up the Network leadership.

The change came shortly after we bid farewell to a Northpower stalwart and all round good guy, Richie Dempster, in mid September, 2011. Richie was Northpower's General Manager Network from 2009. He died after a lengthy stint trying to overcome cancer.

He began his profession with Northpower as a cadet engineer in 1980 and spent nearly his entire career with the company. He worked briefly for Whangarei MED in 1990 before rejoining Northpower in 1991.

Richie was a highly respected leader and extremely dedicated to his staff. His commitment to learning and creating opportunities for people to learn and develop new skills was a particular strength.

In his absence, Mike did a good job overseeing Northpower's Network.

Graham was subsequently appointed to the role of Network General Manager.

From 2008 Graham was Network Services Manager, while also spearheading Northpower's build of an Ultra-Fast Broadband network – a Government-backed inititive.

His work in creating Northpower's fibre network was instrumental in Northpower landing a Government contract to build one of the first Crown-backed fibre networks in the country.

Graham first joined Northpower in 2005 and has previously held positions as Construction Manager and Area Manager.

As Network General Manager, he oversees 30 staff and Northpower's extensive electricity distribution network which spans 5700km across the Kaipara and Whangarei Districts. More than 50,000 consumers (and 54,500 ICPs) are connected to the network.

Graham believes business will change markedly over the next five to ten years and says Northpower is ideally placed to assist the Kaipara and Whangarei Districts with transitions as they are required.

"People in our region are forward thinkers and Northpower will continue to ensure security of electricity supply, energy efficiency and Ultra-Fast Broadband communications, among other initiatives. We are here to support the community and enhance the area. Maintaining our network to a high level and being an 'enabler' are key to that."

Graham, an engineer by trade, began his career in a Power Board and worked extensively overseas before settling in Whangarei.

Ben Pere (BM) – life saver honoured

One of our West Coast Energy linesmen, Ben Pere, was presented with the Australian Bravery Award – one of Australia's highest accolades for courage.

Australian Governor-General Quentin Bryce named him among the recipients for bravery decorations in March 2012.

In 2010, Ben was driving to work in Perth when he saw a station wagon on fire.

He ran into the inferno and pulled out Jaun Paul Rebola, who had a severe head wound and burns and was unconscious.

Ben then used a hammer to smash the windows of the car to make sure no one else was inside.

Despite being presented with the Australian Bravery Medal, Ben says he does not feel like a hero. He just hopes someone would do the same for him.

Due to his award, he is now able to use the letters BM after his name.

Ben was formerly a linesman with Northpower. He moved to Perth in 2007 with his wife Mamaengaroa and their four children. Ben's mother is from Kaeo and his father is from Matauri Bay.

Our fibre network

Whangarei UFB on fast track

As the close of the 2011/2012 financial year rolled around, Northpower Fibre's Ultra-Fast Broadband (UFB) network build was being fast tracked.

Not only had 30% of the build been completed, plans were underway to hit the 40% mark by mid-2012.

The fibre network is being rolled out by the Whangarei Local Fibre Company (known locally as Northpower Fibre), a joint venture between Northpower and the Crown. When completed in June 2014, the network will pass more than 19,000 premises.

UFB will enable download speeds at least ten times faster than normal broadband and approximately 1800 times faster than dial-up.

In fact, if UFB was compared to Morse code, it would be like flashing light signals at 2.5 billion times a second for a download, while simultaneously uploading at 1.25 billion times a second.

Whangarei's fast-expanding fibre-optic network will have bandwidth of 100 Megabit per second (Mbs) for domestic customers.

Ericsson was selected to supply the Gigabit Passive Optical Networking (GPON) technology for the Whangarei fibre network. Seven Ericsson GPON modules will be based at Northpower's Whangarei substations and will 'light the last mile' of our world class fibre network.

Essentially, the GPON modules translate incoming data into flashes of light sent down fibre-optic cables at mind-boggling speeds to UFB users around Whangarei.

Each GPON module can feed up to 112 fibre-optic cables. While each cable can service up to 64 customers, the serviceable number is currently restricted to 24 under UFB policy so all connected customers can have a guaranteed 100Mbs speed into their home or office.

Connecting Northland to the world in a split second

The Government's Ultra-Fast Broadband (UFB) initiative is a critical step-change for New Zealand's telecommunications industry.

Northpower's success in securing the build of Whangarei's fibre network (in late 2010) has been a major achievement.

It is a big opportunity for Northland to lead from the front as the one of the first regions to embrace the opportunities that UFB brings – more efficient data transfer being just one of those.

Since 2011, Northpower fibre technicians have constructed dozens of kilometres of aerial and underground ducting throughout the Woodhill and Avenues area, the Port, Tikipunga and more.

The CBD network build, perhaps the most complex and critical component of the network, is expected to take most of 2012.

Northpower Fibre is anticipating strong take-up levels by the local market over the next few years as the value of fibre connectivity is realised.

Fibre is the future of communications and an opportunity to future-proof Whangarei's communications landscape, connecting the Northland economy to the world.

Local steps up as Northpower Fibre CEO

In September 2011, Darren Mason was appointed as CEO of Northpower Fibre, an appointment welcomed by Jo Brosnahan, Chair of the Whangarei Local Fibre Company (Northpower Fibre).

Darren's local connections and fibre experience were seen as invaluable to the role. He has been heavily involved in Northpower's fibre network since 2007.

Northpower Electric Power Trust (NEPT)

Giving back to our community

Northpower's consumer owners received an early Christmas present in 2011.

It came via a $70 tax free credit on November power accounts – thanks to the Northpower Electric Power Trust (NEPT). This NEPT distribution was allocated to each power installation control point (ICP) connected to the Northpower network at midnight November 15, 2011.

NEPT Chairman Erc Angelo says the Trust is pleased to be able to give back to its consumer owners.

"This reflects the continued success of Northpower. In effect, the distribution is the customer's share of Northpower's profits paid to the Trust by Northpower.

The NEPT owns Northpower on behalf of the electricity consumers of the Kaipara and Whangarei Districts," says Mr Angelo.

The payment is made regardless of which energy retailer consumers are with. Northpower supplies electricity to the Kaipara and Whangarei Districts through a number of electricity retailers.

"We regularly receive feedback from people on the benefits of keeping Northpower in local ownership and a distribution like this vindicates that decision.

"Northpower has grown immensely in recent years amidst some challenging times and these ongoing distributions reflect that strong strategic planning."

$5.5 million 'line holiday' for Northpower consumers

Northpower once again gave all electricity consumers connected to its network a line holiday in 2012 – this time totalling $5.5 million.

Consumers in Whangarei and Kaipara connected to Northpower's network at midnight on February 21, received credits of between $35 and $145.

The Northpower line holiday credit appeared on March power accounts issued by electricity retailers.

The credits are based on energy consumption shown on individual power accounts for the past 12 months.

Consumers who used less than 2000 units received $35 and the larger consumers (greater than 15,000 units) were the beneficiaries of $145.

Northpower consumers who used between 2,000 and 15,000 units received a $95 credit. A $700,000 industry rebate was included in the $5.5 million.

Northpower's Chairman, Warren Moyes, said at the time, it was pleasing being able to continue returning credits to the consumers, who are of course the owners of Northpower.

"Line holidays are still considered to be the most effective way to ensure consumers directly benefit financially from the ownership structure. However, the real benefit of consumer ownership is Northpower's ongoing commitment to providing safe, reliable electricity supply to consumers," added Mr Moyes.

Line holiday payouts total $88.4 million since 1998.

Northpower Electric Power Trust (NEPT)

Northpower ownership

Northpower Limited is owned by its consumers, those people and businesses connected to Northpower's electricity distribution lines network.

The consumers' interests as owners are looked after by the Northpower Electric Power Trust (NEPT). Trustees were last elected in November 2010. The next election will be in November 2013.

The current NEPT Trustees are:

Whangarei District

Erc Angelo (Chairman), Tony Davies-Colley, Irene Durham, Ross Provan, Bill Rossiter.

Kaipara District

Richard Drake (Deputy Chairman)
Sheena McKenzie.

Trustees have two main responsibilities. The first is to appoint the Directors to Northpower Ltd, agree with them on the objectives for the company each year, and to monitor the performance of the company to ensure it properly serves the electricity consumers of Whangarei and Kaipara.

The second obligation is to receive dividends from Northpower Ltd and then distribute them in accordance with the Trust Deed.

Left to right: Tony Davies-Colley, Irene Durham, Bill Rossiter, Erc Angelo (Chairman), Ross Provan, Sheena McKenzie, Richard Drake (Deputy Chairman).

The Trustees report publicly each year to consumers. The 2011/2012 Trust reports and accounts can be found at www.northpower.com/about/ownership.

These illustrate how the NEPT has carried out ongoing ownership responsibilities, along with plans for the following financial year.

Northpower ownership review

Every five years the Northpower Electric Power Trust (NEPT) deed requires a review of the options for the future ownership of shares in Northpower. This is a legal requirement.

The Trustees of the NEPT are obliged to carry out a consultation process with Northpower consumers to determine if the Trust ownership structure is what consumers want, or if consumers would prefer a change.

In 2007, the review culminated in a public meeting where an overwhelming decision was made that the ownership of Northpower remained firmly with the consumers of Kaipara and Whangarei.

The latest review began in early 2012 and was underway at the close of the 2011/2012 financial year. It was a four month public consultation process in total.

The 2012 ownership review involved an extensive amount of publicity and a number of public meetings throughout Kaipara and Whangarei.

Consumers were then given the chance to make submissions as to their preference on Northpower's ongoing structure. All public submissions were made available at libraries, the office of the Trust secretarial arm and on Northpower's website.

In 2012, of the 45 submissions received from Northpower's 50,000 consumers in the Kaipara and Whangarei Districts, all but three supported keeping Northpower's structure as it was.

Some of those submissions were presented to the Trust at the Spire Pavilion in Whangarei in May.

This public meeting was followed by another in June where the NEPT Trustees voted to keep the Northpower structure as it is.

With the decision made, the Trustees will be working to ensure that Northpower continues to provide an efficient, cost-effective lines network for the consumers of Kaipara and Whangarei, along with the wider business.

Electricity Industry – Northpower's involvement

Electricity industry award winners – *doing Northpower proud*

Northpower staff earned some major accolades at the 2011 Electricity Supply Industry Training Organisation (ESITO) Awards in Hamilton.

Vern Rosieur, Northpower Safety and HR Field Services Manager.

Vern Rosieur, our Safety and HR Field Services Manager, won the 'Contribution to Industry Training'. He has been heavily instrumental in safety and training initiatives throughout the electricity sector – not only within Northpower but also as an advisor to other electricity companies in New Zealand and Australia.

Another star performer, Neil Riddell, was judged 'Advanced Trainee of the Year', testament to his work ethic, leadership, team work and ongoing tertiary study.

Northpower's General Manager of Business Support, Barbara Harrison, was another to feature, receiving special recognition for her efforts in the 'Women in Power' initiative.

Such success results from Northpower's commitment to staff development and the wider industry.

Industry competition remains tough

In 2010, Northpower took out New Zealand's ESITO line mechanic competition and we were back vying for the title in 2011.

Our team of Whangarei line mechanics – Richard Ashby, Ari Welsh, Chance Campbell and Brett Pou – battled hard to finish second, doing the North proud.

Manager Charlie Dixon believes they'll be better for the experience, just like our Cable Jointers who finished Runner Up in their competition.

Supporting engineer development

Securing qualified tradespeople is an increasingly difficult challenge for infrastructure businesses like Northpower, due to a nationwide skills shortage.

It is why we often seek talent from offshore and also look to bring trainees into our business.

To be within reach of a world class engineering talent pool closer to home, Northpower sponsors the Electric Power Engineering Centre (EPEC) – part of the University of Canterbury.

Being linked to the University of Canterbury gives access to higher learning and research. EPEC was established some years ago as a centre of excellence for power engineering. It has numerous work streams of interest to Northpower, particularly around power system quality issues.

With the likely increase in uptake of electric vehicles and photovoltaic panels, we expect to see a rise in power quality issues, particularity harmonics and voltage uplift on LV networks.

The Northpower way

Northpower family days

In line with Northpower's safety strategy, every few years Northpower says thanks to the loyal and supportive families of our staff by holding safety-focused family days.

This safety drive illustrates just what life at Northpower is all about – and encourages people to reinforce those safety messages at home. It gives family members a chance to see the kind of work their loved ones do.

The Northpower family days happened again in late 2011 and Northlanders were the hardiest, turning up to the Whangarei event in their hundreds - despite a rainy Saturday!

It was a fantastic event where staff kindly volunteered their time, in true Northpower style, to make the day a success.

The same happened in Auckland and Hamilton and across the three events, well over 2000 people turned up – including many of our business partners like Vector and Hirepool.

Each time participants were treated to giveaways, entertainment, safety demonstrations, good food and plenty of laughs – a great outcome and a well deserved thank you for the ongoing dedication of staff.

The parting message to all of our people was that we want them to return home safely every day, which means taking care of themselves, their colleagues and the members of the public they work so closely with on a daily basis.

Sponsorship

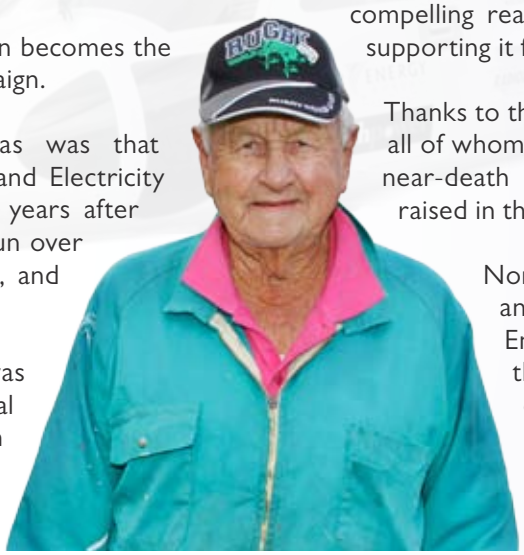
The face of a survivor

It's not often a 91-year-old becomes a poster boy.

Even less common that same man becomes the voice of a radio advertising campaign.

Arapohue farmer Ron Nicholas was that messenger for our 2011 Northland Electricity Rescue Helicopter Appeal – 16 years after he was seriously injured when run over by his tractor, airlifted to safety, and ultimately, to good health.

Ron's message to Northlanders was to give generously to the Appeal because you never know when you, or a loved one, might need one of our Electricity Rescue Helicopters to help you.



12,000 rescue missions and 1700 lives saved make for compelling reading – and Northpower has been supporting it from the start, since 1988.

Thanks to the support of Ron, and many others, all of whom had heartfelt stories to tell of their near-death experiences, over $100,000 was raised in the campaign.

Northpower also contributes $100,000 annually and fellow lines company Top Energy a further $50,000, making the 2011 Appeal a success yet again, despite competing with the Rugby World Cup, an election and an economic recession.

We thank you for your support.

A second chance

Northland's Electricity Rescue Helicopter saved Davinia Donovan's life.

That was a couple of years back.

Thankfully, after seven cardiac arrests, a life and death dash from Kaitaia Hospital to Auckland's Starship aboard one of our Rescue Helicopters, and time spent learning to walk and talk again – Davinia has made a full recovery and is back enjoying life.

It was the second time in two years she'd required emergency care from the service.

In return, she became the Far North face of the 2011 Northland Electricity Rescue Helicopter Appeal.

Her parents, Ed and Tyler, summed up the family gratitude for this life saving service.

"If it was not for the Electricity Rescue Helicopter, we would not have Davinia today. We're so thankful they were there for our baby. Before we used it we did not know about it. Davinia was one of the lucky ones."

Sponsorship

Surgery and CCTV added to Bird Recovery Centre

Our sponsorship of the Northpower Native Bird Recovery Centre has hit the 16 year mark.

Reflecting on another year of activity, Bird Recovery founders Robert and Robyn Webb say the centre is playing an invaluable role in our community.

A further 800 birds were nursed back to good health and released into the wild in 2011/2012. In all, more than 1000 were brought to the Centre for care. As happens, it was too late for some.

Nevertheless, the survival rate, given some of the injuries birds are stricken with, is impressive.

Their chances of survival increased yet again in 2011/2012 with the addition of a new surgery which allows blood samples to be taken from birds and put under the microscope instantly.

Robert says it has meant an additional 10% of birds have been saved and after 21 years running the centre on a voluntary basis, he is immensely pleased with such progress.

"I turned to this after a major trucking accident because I couldn't go back to what I loved, so rather than sit at home, I decided to do something I was passionate about – this is the result," he says.

With seven volunteers on hand to help out, along with the generosity of veterinarian Bruce Pickford, and generous support from an array of other sponsors, the Centre keeps trucking along.

They've even added live CCTV cameras so locals can log on to the Centre's website and check out the birds in action – www.nbr.org.nz

Robert and Robyn say they simply do what they can to help the birds – wild or not – even if that means they have not had a holiday for 14 years.

With so many birds to attend to, and many of them real characters, that's just fine.

"The most rewarding aspect of this work for us is letting the birds go and seeing them fly back to the wild and into Northland's natural environment. That is always a really neat moment," says Robyn.

If you haven't yet visited the Northpower Native Bird Recovery Centre, make a point of it. It is unique in New Zealand.

Community

Community liaison

Few people in our region would have the impact on adults and children of Northpower's Customer Advisor Jan Thomsen.

Jan manages our mobile community programme in electrical safety. It is interactive, easily understood and educational for all ages.

In the 12 months from April 1, 2011, to March 31, 2012, Jan addressed over 3000 locals face to face – many of them primary school children and the remainder from a mix of community groups. In the past year, Jan visited 22 schools and spoke to around 1900 students while promoting safety around Northpower's Network, on the farm and in the home.

The initial development of the Northpower school electrical safety programme in 2003 was part of a national public safety education group initiative designed to educate the public about electrical safety. Northpower was seen as a leader in this field and we have continued to refine our programme to ensure high levels of engagement amongst our audiences to reinforce the criticality of electrical safety.

Jan also speaks to community groups on energy efficiency and heating advice, and is known for her small appliance demonstrations. She met with 18 such groups over the last year, speaking to around 600 people – from women's groups, garden clubs and church groups, to Lions, Grey Power, U3A, Senior Net and Family Start, along with Teen Parents, Blind and Hospice Support and Friendship groups.

And that does not take into account the following she has at the Northland Fieldays in Dargaville or the Home Expo in Whangarei every year.

The fact that Jan has done over 700 such visits throughout Whangarei and Kaipara over the past 11 years, highlights the importance Northpower places on this obligation to educate our community about electrical safety.

Her work is particularly important after a number of incidents in the past year where downed lines were moved by adults. Thankfully no one was injured, but Jan's take-home message to students and the wider community is to stay away from downed lines, keep others away and treat all lines as live at all times.

Jan has touched a vast proportion of Northland's population, yet her passion for the role simply does not diminish.

Elver Transfer – *Wairua Hydro Scheme*

Eel welfare paramount

Our Wairua Hydro Power Station has been subject to an ongoing maintenance upgrade.

Much of Northpower's work has centred around clearing drains – work that should reduce flooding on nearby farming properties.

We've also been working closely with Iwi, Northland Regional Council and NIWA to help eel migration in the Wairua River by building an 'eel ladder' (auxiliary spillway) and holding tank, from where eels can be moved to other parts of the river.

The summer of 2011/2012 was the first year that Northpower's elver transfer scheme was operated.

In total, over 700kg of elvers (which actually equates to around 4.8 million elvers) were transferred from the power station outflow to selected sites up river from the hydro scheme. NIWA's scientists kindly provided Northpower with the design and equipment to build an elver ladder and capture system. The transfer of the elvers to upstream locations was subsequently undertaken by local Iwi.

While a few tweaks were required as the season progressed, it was still a very successful operation. Some future improvements have also been identified.

There are more innovations to come in and around our Wairua Hydro operation. These include plans to implement CCTV cameras, along with early flood warning systems.

Community

Power use highest ever – August, 2011

A polar blast which brought snow to Northland resulted in electricity use soaring past former Northpower supply peaks in Whangarei and Kaipara.

Our heaviest snowfall in memory left snow in Dargaville and on Ruapekapeka, Maunu Mountain, Tangihua, Tutamoe and other central Northland ranges.

Northpower Network General Manager Graham Dawson says peak loadings "went off the chart" in the Northpower control room, exceeding past peaks of 150 megawatts by about 15%.

Northpower had a peak loading of 172 megawatts – or for the petrol heads that's about 230,000 horsepower – the record surge in power surprising staff.

Our equipment had never been stressed so much but it stood up well thanks to our longstanding investment, planning and maintenance.

On the morning of the coldest day, in August, extensive load control was urgently carried out with water heating load shedding.

This load was brought back late morning to ensure homes and industry had enough hot water for later in the day when load control was required for the evening peak.

No incidents were experienced and all of our sub-transmission lines, switchgear and transformers performed exceptionally well.

So much of our network investment is completed with an eye to the future, to ensure a robust and reliable network that will benefit the people of Whangarei and Kaipara for generations to come.

Such an outcome was immensely pleasing to a local network like Northpower.

WBHS sails in to winning podium

Whangarei Boys' High School took the top spot in the 2011 Tai Tokerau Tall Ship Challenge.

The seven-day voyage saw six teams made up of two students from each participating secondary school competing in a closely run contest aboard the R.Tucker Thompson.

The lead changed several times during the voyage, with Kaitaia College finishing a close second.

The adventure began at Marsden Cove on May 13, followed the east coast, stopped in Whangamumu, then rounded Piercy Island (the Hole in the Rock), and arrived at Opua on May 19.

It was the second year the event has been held thanks to sponsorship from Northpower and Top Energy.

"The sailing challenge aims to encourage safety in our future leaders, while also physically and mentally testing the students," says R.Tucker Thompson Sail Training Trust Executive Trustee Jane Hindle.

Not only did students have to swim around the ship every day, there were plenty more challenges.

The six teams were from Okaihau College, Kaitaia College and Opononi Area School in the Far North; and Bream Bay College, Whangarei Boys' and Kamo High School in the Whangarei District.

As the 2012 contest rolled around, Pompallier College, Otamatea and Dargaville High Schools were among the new challengers for this exciting event, which is fast growing in popularity throughout Northland.

Health and safety

Safety Performance Report

The reduction in the number and severity of lost time injuries reported last year continued throughout 2011. By the end of January, 2012, well over two million hours had been worked without any lost time injuries.

Unfortunately, two lost time injuries occurred in February, followed by another two in March. Although the final total for the year was one more than for the 2010/2011 financial year, the number of days lost was about the same – 26 compared to 27 for 2011.

Our total injury rate dropped from 44.8 in 2011, to 37.65 in 2011/2012.

Contributing to this was the continuation of the Great Safety Performance project, which we expanded following the success of the pilot in 2010/2011. New surveys were conducted in our Whangarei, Wellington and Central depots.

The safety issues identified are being addressed through action plans developed at the conclusion of each survey. Further surveys will include field staff who have not had the opportunity to participate. Those who have been in the programme will also take part in a follow up survey to gauge the effectiveness of the remedial steps taken – some of which include:

Safety of equipment	A winch deemed hazardous was immediately removed from service. The winch had safety features added to address the concerns raised and was then returned to service.
Improved communication	The installation of wide screen TVs in offices which display a rotating series of slides on safety issues, company events and Northpower business activity.
	Regular Team Leader meetings with Management so issues occurring in the field can be tabled and addressed in a timely manner.
Need for more trainees	Appointment of further trainee Line Mechanics to boost crew numbers in remote locations.

Targeted 'pilot' fitness regime flexes muscle

The 'line fit' programme encouraging our Wellington staff to be fitter and healthier has proved popular.

A gymnasium designed to strengthen the muscles used in the specific types of work Northpower employees are engaged in was set up and used well.

Sessions were run prior to work, on every work day, for 12 weeks.

Employees quickly developed greater stamina and adopted a more positive attitude, so we will now expand it to other Northpower depots.

Trainees – *our future*

In the drive to reinvigorate our workforce and continue developing skilled labour, Northpower is committed to regularly taking on trainees. In the past year that involved the addition of eight trainee Line Mechanics, two Trainee Cable Jointers and two Trainee Arborists. Since 2002, up to ten people per year have completed training in a raft of roles and we have no intention of losing momentum.

Of the six women trainees engaged to join the ranks of Northpower in recent years, two are training in overhead work and two in underground (cable laying and jointing).

The trainee programme is supported by ESITO, which contributes heavily to the development of new frontline talent in the electricity supply sector.

Health and safety

Women in Power – *the Ultimit!*

The New Zealand electricity supply sector faces a major skills shortage.

So when Northpower was approached a couple of years back to take part in an industry initiative to increase the number of women in trade and technical roles in the electricity supply industry – while also endeavouring to eliminate the barriers which prevent it – we stepped up.

Launched in 2010 in conjunction with the Ministry of Women's Affairs, the Women in Power initiative was devised to support efforts to encourage women into hands-on, male-dominated occupations out in the field.

This past year the initiative has been rebranded 'Ultimit' and introduced to schools throughout New Zealand.

Some of our industry's most successful women, and a number of female trainees, are taking the time to talk to students about their trade and technical careers.

Along the way, they have become ambassadors for change, while also aiming to inspire more women to step into the front line of our industry.

Amongst them are the likes of Northpower's Whitney Brown and Aroha McLean – trainee line mechanics and cable jointers respectively ... and mothers too!

By the end of 2013, both will have qualified in their trades – an outstanding accomplishment.

Aroha says it is the best job she's ever had and believes more women should front up and give the industry a try.

Given women make up 51% of our population, yet the number of female trainees enrolled in trade or technical qualifications remains at just 2%, there is a massive opportunity for the electricity sector to tap into an invaluable and under-utilised resource.

Working closely with the likes of the Electricity Supply Industry Training Organisation (ESITO) and other electricity sector companies like Electrix, we hope to help change the landscape of our workforce in years to come. The electricity supply industry is simply not utilising all of the available talent so it is time to look outside the traditional talent pool.

Perhaps the skills shortage will be addressed with local talent, thus reducing the need to recruit for technical roles overseas – a costly and time-consuming process.

With the electricity supply sector being such a technical industry with a high level of skill required across all areas of operation, there are many attractive career options. We just need to keep spreading the word and illustrating our successes!

Financials for the year ended 31 March 2012

Independent audit's report

To the readers of Northpower Limited and group's financial statements and statement of service performance for the year ended 31 March 2012

The Auditor General is the auditor of Northpower Limited (the company) and group. The Auditor General has appointed me, John Scott, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 31 to 72, that comprise the statement of financial position as at 31 March 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company and group on page 71.

Opinion

Financial statements and the statement of service performance

In our opinion:

- the financial statements of the company and group on pages 31 to 72:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company and group's:
    - financial position as at 31 March 2012; and
    - financial performance and cash flows for the year ended on that date;
- the statement of service performance of the company and group on page 71
  - complies with generally accepted accounting practice in New Zealand; and
  - gives a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2012.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 19 July 2012. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and statement of service performance are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and statement of service performance. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and statement of service performance whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and statement of service performance that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

Independent audit's report

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements and statement of service performance; and
- the overall presentation of the financial statements and statement of service performance.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance. In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements and a statement of service performance that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and a statement of service performance that are free from material misstatement, whether due to fraud or error.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

In addition to the audit of the annual financial statements we have carried out other audit assignments for the company and group. This involved issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2008. This assignment is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the company or any of its subsidiaries.

John Scott

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Board of Directors' report

The Board of Directors is appointed by the Northpower Electric Power Trust (NEPT) to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework, and monitors management performance.

PRINCIPAL ACTIVITIES

The Group's principal activities are the distribution of electricity and electrical contracting.

DIRECTORS HOLDING OFFICE DURING THE YEAR

Northpower Limited
- W W Moyes (Chairman)
- D J Ballard
- R J Black (from 1 December 2011)
- N P Davies-Colley
- K C Hames
- J J Ward

West Coast Energy Pty Ltd, and
Northpower Western Australia Pty Ltd
- D Wright
- N P Davies-Colley
- M Giglia

Northpower Limited, in conjunction with Crown Fibre Holdings, has an investment in a jointly controlled entity:-

Whangarei Local Fibre Company Limited (WLFC)

WLFC started trading on 1 April 2011.
M R Gatland and N P Davies-Colley are Directors of WLFC.

RESULTS

The group recorded an after tax profit of $9.6 million for the period, as set out in the Comprehensive Income Statement.

DIVIDEND

A dividend of $3.8 million has been declared for the year.

INSURANCE OF DIRECTORS

The company has insured all its Directors against liabilities to other parties, that may arise from their positions as Directors.

SHARE DEALINGS

It is not possible for any Director to acquire or dispose of any interest in shares in the Company.

USE OF COMPANY INFORMATION

The Board received no notices during the year from Directors requesting use of Company information received in their capacity as Directors, which would not otherwise have been available to them.

DIRECTORS' INTERESTS

The following Directors have made general disclosures of interest pursuant to Section 140 of the Companies Act 1993, that the named Directors are to be regarded as having an interest in any contract that may be made with the entities listed below by virtue of their Directorship of those organisations.

W W Moyes
Board Member – North Tec

D J Ballard
Director/Shareholder – New Zealand Bloom (NZ) Ltd
Director/Shareholder – New Zealand Bloom (California) Ltd
Director - Canterbury Fields Ltd

R J Black
Director/Shareholder – Tin Hau Farm Ltd
Director/Shareholder – Mark Six Company Ltd
Director/Shareholder – R and G Orchard Ltd
Director/Shareholder – Leafcutter Ltd
Commissioner – Earthquake Commission

N P Davies-Colley
Director – The Tree People Ltd
Director – West Coast Energy Pty Ltd
Director – Northpower Western Australia Pty Ltd
Director – Farmlands Trading Society Ltd
Director – Landcorp Farming Ltd

K C Hames
Director/Shareholder – Tomorata Dairy Farms Ltd
Director – Te Arai Farms Ltd
Partner – Ewenny Farms Partnership

DIRECTORS' REMUNERATION

Directors' remuneration paid during the period was:-

Northpower Limited:

R J Black	$ 16,667
D J Ballard	$ 50,000
N P Davies-Colley	$ 50,000
J J Ward	$ 50,000
K C Hames	$ 50,000
W W Moyes	$105,000
	$321,667

West Coast Energy Pty Ltd:

D Wright	$ 50,417
N P Davies-Colley	$ 18,333
M Giglia	$ 29,659
	$ 98,409

REMUNERATION OF EMPLOYEES

Bands:	No. of Employees
$100,000 - $109,999	50
$110,000 - $119,999	32
$120,000 - $129,999	12
$130,000 - $139,999	17
$140,000 - $149,999	13
$150,000 - $159,999	6
$160,000 - $169,999	1
$170,000 - $179,999	6
$180,000 - $189,999	3
$190,000 - $199,999	1
$230,000 - $239,999	3
$280,000 - $289,999	1
$330,000 - $339,999	1
$430,000 - $439,999	1

CHANGES IN DIRECTORS

In accordance with the Company's Constitution, D Ballard and K Hames will retire and offer themselves for re-election.

For and on behalf of the Board.

Warren Moyes
Chairman

Directors' responsibility statement

The Directors are responsible for preparing the financial statements and ensuring that they comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and the subsidiaries as at 31 March 2012 and the results of their operations and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Subsidiaries have been prepared using appropriate accounting policies which have been consistently applied and supported by reasonable judgments and estimates, and that all relevant financial reporting and accounting standards have been followed.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the Company and the Group and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and the subsidiaries, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financial statements of Northpower Limited and its Subsidiaries for the year ended 31 March 2012.

For and on behalf of the Board of Directors.

John Ward
Director

D J Ballard
Director

Governance statement

The Board of Directors of the Company is appointed by the Northpower Electric Power Trust (NEPT), as representatives of the shareholders. Its role is to supervise the management of the Company and its subsidiary Companies. The Board establishes the Group's objectives, strategies and overall policy framework. The Board delegates day-to-day management of the Group to the Chief Executive and monitors management's performance.

Code of Conduct

As part of the Board's commitment to the highest standards of behaviour and accountability, the Company adopts a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code covers such matters as:-

- Responsibilities to shareholders
- Relations with customers and suppliers
- Employment practices
- Responsibilities to the community
- Board operations and membership.

The Board comprises six Directors; a non-executive Chairman and five non-executive Directors. Board members have an appropriate range of proficiencies, experience and skills to ensure compliance with all governance responsibilities.

The Board meets monthly and has additional meetings as required to address specific issues.

The primary responsibilities for the Board include:

- Ensuring preparation of the annual and half-yearly financial statements.
- The establishment of the long term goals of the Company and strategic plans to achieve those goals.
- The review and adoption of annual budgets for the financial performance of the Company, monitoring results on a monthly basis.
- Managing risk by ensuring that the Company has implemented adequate systems of internal controls, together with appropriate compliance monitoring.
- Working with management to create shareholder value.

Audit Committee

The Audit Committee is responsible for overseeing the financial accounting and audit activities of the Group, including reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of the external auditors, reviewing the consolidated financial statements and making recommendations on financial and accounting policies. The Committee met six times during the year.

Statement of Corporate Intent

In accordance with Section 39 of the Energy Companies Act 1992, the Board submits to the Northpower Electric Power Trust a draft Statement of Corporate Intent (SCI) for the coming financial year. The SCI sets out the Company's overall objectives, intentions and financial performance targets.

Risk Management

The Board has overall responsibility for the Group's internal control systems. The Board has established policies and procedures that are designed to provide effective internal control.

In addition, the Board reviews ways of enhancing existing risk management strategies, including the segregation of duties, the employment of suitably qualified and experienced staff, and the implementation, where considered necessary and effective, of recommendations made by the external auditors.

Key performance indicators

PERFORMANCE REPORT:	2011-12 Target	2010-11 Results	2011-12 Results	2011-12 Results Summary
Group				
Net profit after tax Shareholders' funds	6.00%	3.27%	4.03%	Net profit after tax was $9.6m for the group. NZ operations recorded NPAT of 10m while Australian operations broke even. Losses from Associates were $0.7m, foreign currency losses $1.3m and elimination of inter-company transactions a gain of $1.6m.
Network division				
Earnings before interest and tax Total assets	5.00%	5.33%	5.91%	The Network division recorded earnings before tax of $16.4m, which is 15% up on last year. Network assets amount to $282m at 31 March 2012.
Network reliability (SAIDI)				
Planned	< 30	27.0	46.39	Carrying out a considerable conductor replacement programme has resulted in planned SAIDI being above the long term target.
Unplanned	< 90	102.18	98.91	
Average number of faults per 100 km of line	< 10	7.39	8.23	
Customer satisfaction (residential)	> 85% satisfied	90%	89%	Results from Colmar Brunton survey show Northpower customers continue to be very satisfied.
Customer satisfaction (commercial)	> 85% satisfied	87%	88%	
Contracting division NZ				
Earnings before interest and tax Total assets	15.00%	12.90%	11.24%	The Contracting division recorded earnings before interest & tax below budget for the year.
Lost time accidents per million hours worked	0	1.12	2.06	Four lost time accidents were recorded for the year.
West Coast Energy				
Earnings before interest and tax Total capital employed	5.00%	4.51%	2.43%	Earnings before interest and tax were $0.7m, after a market support payment of $2m.
Lost time accidents per million hours worked	0	11.75	4.1	One lost time accident occurred during the year.

The New Zealand Contracting division fell short on meeting its Key Performance Indicator (KPI) for return on assets (EBIT/Total Assets). The Contracting division had a difficult year particularly in the major cities. In the period leading up to the Rugby World Cup and during the RWC the type of work that could be performed was heavily restricted, impacting adversely on the Contracting division's financial result. The impact of the RWC was that the actual return achieved for the year came to 11.24% against a target of 15%.

The result for West Coast Energy (WCE) was also below the KPI. For the first six months of the year, work volumes were low in Perth resulting in significant losses. In the second six months, WCE's main customer released more work and an operational surplus was achieved for that period. After receiving a market support payment of $2m, WCE recorded a return on assets of 2.43% against a target of 5%.

As a result of the above, the KPI for the Group was also below target. The Group recorded a return on shareholders' funds of 4.03% against a target of 6% for the year.

Comprehensive income statement

	Notes	GROUP		PARENT	
		2012	2011	**2012**	2011
		$000s	$000s	**$000s**	$000s
Revenue	1	**242,107**	217,544	**201,678**	182,939
Other income		**469**	565	**247**	417
Materials/supplies expenses		**108,194**	98,826	**94,788**	89,733
Employee benefit expenses		**94,607**	85,152	**71,403**	64,438
Depreciation and amortisation expenses		**15,295**	14,930	**12,929**	12,194
Revaluation (gain) on investment property		**(50)**	(50)	**(50)**	(50)
Fair valuation loss on derivative instruments		**18**	1,000	**18**	1,000
(Gain)/loss on foreign currency translation		**(840)**	(226)	**(2,130)**	750
Other expenses	2	**5810**	4,706	**6,468**	4,077
Finance costs		**4,252**	4,011	**3,525**	3,128
Share of (profit)/loss of associate		**682**	-	**-**	-
Profit before tax		**14,608**	9,760	**14,974**	8,086
Income tax expenses	3	**(4,971)**	(2,103)	**(4,971)**	(2,103)
Profit after tax		**9,637**	7,657	**10,003**	5,983
Other comprehensive income					
Foreign currency translation gain/(loss)		**(762)**	(305)	**-**	-
Income tax on items of other comprehensive income	3	**-**	1,138	**-**	1,138
Other comprehensive income for the period net of tax		**(762)**	833	**-**	1,138
Total comprehensive income for the period		**8,875**	8,490	**10,003**	7,121

This statement is to be read in conjunction with accounting policies, financial risk policies & critical judgements covering pages 35 through 51 along with notes from pages 51 to 72.

Balance sheet

	Notes	GROUP 2012 $000s	GROUP 2011 $000s	PARENT 2012 $000s	PARENT 2011 $000s
Current Assets					
Cash and cash equivalents	4	**2,159**	1,713	**1,397**	1,041
Trade and other receivables	4a	**29,323**	28,175	**24,625**	24,257
Work in progress - construction contract	5	**21,290**	9,394	**14,261**	6,178
Inventory	26	**8,981**	7,758	**8,821**	7,758
Derivative financial instruments	17	**-**	21	**-**	21
Non-current assets held for sale	4b	**-**	2,400	**-**	2,400
Tax refund due		**3,945**	1,850	**3,945**	1,850
Total Current Assets		**65,698**	51,311	**53,049**	43,505
Non Current Assets					
Available for sale assets	6	**578**	576	**578**	576
Investment in subsidiaries	7	**-**	-	**26,846**	24,450
Assets under construction		**7,517**	4,995	**7,507**	4,995
Goodwill and intangible assets	8	**6,048**	5,899	**3,975**	3,691
Investment property	10	**1,250**	1,200	**1,250**	1,200
Investment in associates	21	**2,729**	-	**3,411**	-
Property, plant and equipment	9	**321,810**	321,085	**306,177**	302,484
Total Non Current Assets		**339,932**	333,755	**349,744**	337,396
Total Assets		**405,630**	385,066	**402,793**	380,901
Current Liabilities					
Borrowings	11	**22,694**	14,467	**17,145**	9,267
Trade and other payables	12	**20,180**	19,033	**17,137**	17,433
Provision for dividend	13	**3,826**	-	**3,826**	-
Derivative financial instruments	17	**573**	646	**573**	646
GST owed		**2,021**	1,596	**1,593**	1,249
Employee entitlements	25	**7,007**	6,369	**5,559**	5,336
Total Current Liabilities		**56,302**	**42,111**	**45,833**	**33,931**
Non Current Liabilities					
Employee entitlements	25	**1,451**	1,547	**1,451**	1,547
Borrowings	11	**48,103**	50,419	**45,101**	44,928
Derivative financial instruments	17	**466**	375	**466**	375
Deferred taxation	3	**57,404**	53,759	**57,404**	53,759
Total Non Current Liabilities		**107,424**	106,100	**104,422**	100,609
Total Liabilities		**163,726**	148,211	**150,255**	134,540
Net Assets		**241,904**	236,855	**252,538**	246,361
Equity					
Share capital	15	**35,989**	35,989	**35,989**	35,989
Asset revaluation reserve		**40,970**	40,970	**40,970**	40,970
Available for sale reserve		**(283)**	(283)	**(283)**	(283)
Foreign currency translation reserve		**(452)**	(992)	**-**	-
Retained earnings		**165,680**	161,171	**175,862**	169,685
Equity Attributable To Equity Holders		**241,904**	236,855	**252,538**	246,361
Total Equity		**241,904**	236,855	**252,538**	246,361

This statement is to be read in conjunction with accounting policies, financial risk policies & critical judgements covering pages 35 through 51 along with notes from pages 51 to 72.

Statement of changes in equity

GROUP	Ordinary shares $000s	Retained Earnings $000s	Available For Sale Reserve $000s	Asset Revaluation Reserves $000s	Foreign Currency Translation Reserve $000s	Total $000s
At 1 April 2011	**35,989**	**161,171**	**(283)**	**40,970**	**(992)**	**236,855**
Profit for the period	**-**	**9,637**	**-**	**-**	**-**	**9,637**
Correction of prior period error (Note 29)	**-**	**(1,302)**	**-**	**-**	**1,302**	**-**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**(762)**	**(762)**
Total comprehensive income for the period	**-**	**8,335**	**-**	**-**	**(540)**	**8,875**
Transactions with owners in their capacity as owners						
Dividends paid	**-**	**(3,826)**	**-**	**-**	**-**	**(3,826)**
At 31 March 2012	**35,989**	**165,680**	**(283)**	**40,970**	**(425)**	**241,904**
At 1 April 2010	35,989	156,514	(283)	39,832	(687)	231,365
Profit for the period	-	7,657	-	-	-	7,657
Other comprehensive income for the period	-	-	-	1,138	(305)	833
Total comprehensive income for the period	-	7,657	-	1,138	(305)	8,490
Transactions with owners in their capacity as owners						
Dividends paid	-	(3,000)	-	-	-	(3,000)
At 31 March 2011	35,989	161,171	(283)	40,970	(992)	236,855

PARENT	Ordinary shares $000s	Retained Earnings $000s	Available For Sale Reserve $000s	Asset Revaluation Reserve $000s	Foreign Currency Translation Reserve $000s	Total $000s
At 1 April 2011	**35,989**	**169,685**	**(283)**	**40,970**	**-**	**246,361**
Profit for the period	**-**	**10,003**	**-**	**-**	**-**	**10,003**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**10,003**	**-**	**-**	**-**	**10,003**
Transactions with owners in their capacity as owners						
Dividends paid	**-**	**(3,826)**	**-**	**-**	**-**	**(3,826)**
At 31 March 2012	**35,989**	**175,862**	**(283)**	**40,970**	**-**	**252,538**
At 1 April 2010	35,989	166,702	(283)	39,832	-	242,238
Profit for the period	-	5,983	-	-	-	5,983
Other comprehensive income for the period	-	-	-	1,138	-	1,138
Total comprehensive income for the period	-	5,983	-	1,138	-	7,121
Transactions with owners in their capacity as owners						
Dividends paid	-	(3,000)	-	-	-	(3,000)
At 31 March 2011	35,989	169,685	(283)	40,970	-	246,359

This statement is to be read in conjunction with accounting policies, financial risk policies & critical judgements covering pages 35 through 51 along with notes from pages 51 to 72.

Cash flow statement

	Notes	GROUP 2012 $000s	GROUP 2011 $000s	PARENT 2012 $000s	PARENT 2011 $000s
Cash flows from operating activities -					
Cash was provided from:					
Receipts from customers		**227,104**	219,158	**191,046**	183,285
Interest received		**33**	154	**33**	154
Cash was distributed to:					
Payments to suppliers		**(112,649)**	(104,672)	**(99,614)**	(93,974)
Payments to employees		**(94,065)**	(84,193)	**(71,276)**	(63,511)
Interest paid		**(4,487)**	(4,311)	**(3,760)**	(3,428)
Income tax paid		**(3,421)**	(1,330)	**(3,421)**	(1,330)
Net Cash Inflow from Operating Activities	16	**$12,515**	$24,806	**$13,008**	$21,196
Cash flows from investing activities -					
Cash was provided from:					
Proceeds from sale of property, plant & equipment		**447**	290	**239**	227
Proceeds from subsidiary		**-**	-	**4,081**	8,048
Cash was applied to:					
Advances to subsidiary		**-**	-	**(7,096)**	(8,618)
Advances to associate		**(551)**	-	**(551)**	
Purchase of available for sale assets		**(2)**	-	**(2)**	-
Purchase of intangible assets		**(755)**	(616)	**(890)**	(616)
Purchase of property, plant & equipment		**(18,424)**	(23,637)	**(17,568)**	(21,354)
Net Cash Outflow from Investing Activities		**($19,285)**	($23,963)	**($21,787)**	($22,313)
Cash flows from financing activities -					
Cash was provided from:					
Borrowings		**9,135**	5,116	**9,135**	5,116
Cash was applied to:					
Finance leases		**(1,580)**	(1,634)	**-**	-
Dividends	13	**-**	(3,079)	**-**	(3,079)
Net Cash Inflow from Financing Activities		**$7,555**	$403	**$9,135**	$2,037
Net increase/(decrease) in cash & cash equivalents		**785**	1,246	**356**	920
Net foreign exchange differences		**(339)**	346	**-**	-
Add cash & cash equivalents at the beginning of the year		**1,713**	121	**1,041**	121
Cash & Cash equivalents at the end of the year		**$2,159**	$1,713	**$1,397**	$1,041

This statement is to be read in conjunction with accounting policies, financial risk policies & critical judgements covering pages 35 through 51 along with notes from pages 51 to 72.

Statement of accounting policies

Reporting Entity

Northpower Limited (the Company) is a profit oriented limited liability company incorporated in New Zealand.

The Company is formed under the Energy Companies Act 1992 and registered under the Companies Act 1993. The group consists of Northpower Limited and its subsidiaries West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd along with an associate company Whangarei local Fibre Company Limited. The Northpower Electric Power Trust is the sole shareholder of the Company.

The principal activities of the Company are the transmission of electricity and electricity contracting. The principal activities for the subsidiaries are as follows:

- West Coast Energy Pty Ltd is based in Western Australia. It operates an electricity contracting business.
- Northpower Western Australia Pty Ltd is based in Western Australia. It is an intermediate holding company.

Statement of Compliance

The financial statements comply with the Financial Reporting Act 1993, the Companies Act 1993 and section 44 of the Energy Companies Act 1992.

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

Basis of Preparation

The financial statements have been prepared on an historical cost basis except for the revaluation of investments, investment properties, derivatives, available for sale assets, distribution system assets, land and buildings.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousands ($'000).

The financial statements for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the directors on 19th July 2012.

Significant Accounting Policies

The accounting policies set out below have been applied in preparing the financial statements for the year ended 31 March 2012 and the comparative information presented in these financial statements is for the year ended 31 March 2011.

Statement of accounting policies

(i) Basis of Consolidation

The consolidated financial statements of the group comprise the financial statements of the Company and other entities under its control (its subsidiaries).

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Comprehensive Income Statement from the effective date of acquisition or to the effective date of disposal, as appropriate. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All significant intercompany transactions are eliminated on consolidation. In the parent company's financial statements, investments in the subsidiaries are stated at cost.

There are no minority interests in the group.

(ii) Business Combination

Business combinations are accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference of the aggregate of the consideration transferred and the amount of any non-controlling interest over the net fair value of the acquiree's identifiable assets and liabilities is goodwill or a discount on acquisition.

Acquisition-related costs are expensed as incurred and included in administrative expenses. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(iii) Foreign Currency Translation

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Translation of group companies' functional currency to presentation currency

The results of the Australian subsidiaries are translated into New Zealand dollar as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences in borrowings are also recognised in other comprehensive income and accumulated in the reserve.

(iv) Revenue Recognition

Line charges

Line Charges revenue represents income generated from the distribution of electricity to consumers. Revenue is measured at the fair value of the consideration received or receivable.

Line contributions

Line contribution revenue represents third party contributions towards the construction of property plant and equipment. Revenue is recognised in the Comprehensive Income Statement to reflect the percentage of completion of the construction of the related items. Contributions received in excess of those recognised in the Comprehensive Income Statement are recognised as deferred income in the balance sheet.

Interest income

Interest income is recognised using the effective interest method.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at balance date, as measured by the proportion that contract costs for work performed to date bear to the total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Statement of accounting policies

(iv) Revenue Recognition (continued)

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Farming

Revenue is recognised at the fair value of the consideration received or receivable derived from the Group's share of milking income from the farm.

(v) Investments

Investments in unlisted equity instruments are stated at fair value. The fair value of the investment is based on the unlisted entity's published fair valuation.

(vi) Property, Plant and Equipment

Network Assets

Network assets held for use comprise Distribution, Generation, Metering and Fibre assets and are stated in the Balance Sheet at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at Balance Sheet date. Additions between revaluations are recorded at cost.

Depreciation on revalued network assets is charged to profit or loss in the Comprehensive Income Statement On the subsequent sale or retirement of a revalued property the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land and buildings

Land and Buildings held for use in the production of supply of goods and services, or for administrative purposes are stated in the Balance Sheet at their revalued amount, being the fair value at the date of valuation, less any subsequent accumulated depreciation and subsequent accumulated impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at Balance Sheet date. Additions between revaluations are recorded at cost.

Depreciation on revalued buildings is charged to profit or loss in the Comprehensive Income Statement . On the subsequent sale or retirement of a revalued property the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

No depreciation is charged on land.

Plant, equipment and vehicles

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

Revaluation increment and decrement

Any revaluation increase in the revaluation of assets is credited to other comprehensive income in the Statement of Comprehensive Income and is accumulated in the assets' revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss in the Comprehensive Income Statement, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to profit or loss in the Comprehensive Income Statement to the extent it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Statement of accounting policies

Depreciation

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

Distribution system	5-70 years
Generation	5-50 years
Meters	5-15 years
Fibre assets	10-50 years
Buildings -free hold	10-50 years
Buildings - infrastructure	10-20 years
Motor vehicles	5-15 years
Plant and equipment	3-20 years

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(vii) Investment Property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Property held to meet service delivery objectives is classified as property, plant, and equipment.

Investment properties are measured initially at cost, including transactions costs. Subsequent to initial recognition, investment properties are stated at fair value, which is based on market prices. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the Comprehensive Income Statement in the year in which they arise.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to a third party.

(viii) Impairment of Non Financial Assets other than Goodwill

At each reporting date, the Group 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 of that the asset may be impaired.

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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Comprehensive Income Statement 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the Comprehensive Income Statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment is treated as a revaluation increase.

(ix) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes the cost of direct materials and other charges, such as freight cost, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Statement of accounting policies

(x) Taxation

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Comprehensive Income Statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at Balance Sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Balance Sheet method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interest in joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the Comprehensive Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity (such as asset revaluations).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(xi) Research and Development Costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for sale or use, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The carrying value of an intangible asset arising from the development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(xii) Financial Instruments

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade & other receivables

Accounts Receivable are measured at initial recognition at fair value and subsequently measured at amortised cost using effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Comprehensive Income Statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted using effective interest rate. Financial difficulties of a debtor, default payments or debts more than 90 days overdue are considered to be objective evidence of impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the Balance Sheet.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Statement of accounting policies

(xii) Financial Instruments (continued)

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the exchange rates prevailing at the dates of the transactions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit. The Group has elected not to apply hedge accounting.

The full fair value of a foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date, otherwise foreign exchange derivatives are classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

The fair value of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profile.

(xiii) Available for sale investments

Available for sale investments are non derivative financial assets not classified as fair value through profit and loss, loans and receivables, or held to maturity financial assets. After initial recognition, available for sale equity instruments are measured at fair value with gains or losses being recognised in other comprehensive income and accumulated in a separate component of equity until the investment is derecognised or until the investment is deemed to be impaired, at which time the cumulative gain or loss previously accumulated in equity is recognised in profit or loss in the Comprehensive Income Statement .

Fair values of instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date.

(xiv) Goods and Services Tax

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

(xv) Provisions and Employee Benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 including accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at their nominal values using the remuneration rate expected at the time of settlement. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Provisions made in respect of employee benefits that 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 Group in respect of services provided by employees up to Balance Sheet date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(xvi) Goodwill and Intangibles

Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount of any non-controlling interest over the net fair value of the acquiree's identifiable assets and liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes
- Is not larger than an operating segment as defined in NZ IFRS 8 Operating Segments.

Statement of accounting policies

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss in disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefit embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is accounted for as a change in accounting estimate and is thus accounted for on a prospective basis.

Software costs have a finite useful life and are amortised over a period of expected future benefit of 5 years on a straight line basis.

(xvii) Leases

Northpower Group entities lease certain plant and equipment. The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of the net surplus in equal instalments over the period of the lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Comprehensive Income Statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Provision for onerous lease

Provision for onerous contracts are obligations that have arisen under non-cancellable leases for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it.

(xviii) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Statement of accounting policies

(xix) Capitalised Borrowing Costs

Capitalised borrowing costs that are 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(xx) Cash Flow Statement

Cash and cash equivalents comprise cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments with maturities three months or less in which the Group invests as part of its day-to-day cash management.

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

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

Financing activities are those activities relating to changes in equity and debt capital structure of the Group and those activities relating to the cost of servicing the Group's equity capital, excluding interest

(xxi) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in the parent. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates, measured as the difference between the recoverable amount of the net investment in the associate and its carrying value. Any impairment loss is recognised in the "share of profit of an associate" in the statement of comprehensive income.

The Group's share of associate's profits or losses is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income. The cumulative movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances. When there are differences in the reporting dates and accounting policies, appropriate adjustments are made in the financial statements of the associate prior to the application of the equity method of accounting. If the difference in the reporting dates between the group and the associate is longer than three months, financial statements for the associate are prepared as at the reporting date of the Group prior to the application of the equity method of accounting.

(xxii) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

Statement of accounting policies

(xxiii) Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 March 2012. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
NZ IAS 12	Amendments to NZ IAS 12 Income Taxes - Deferred Tax: Recovery of Underlying Assets	These amendments update NZ IAS 12 to include: • A rebuttable presumption that deferred tax on investment property measured using the fair value model in NZ IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale • A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in NZ IAS 16, should always be measured on a sale basis The amendments incorporate NZ SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets intoNZ IAS 12 for non-depreciable assets measured using the revaluation model in NZ IAS 16 Property, Plant and Equipment	1 January 2012	Impact has not been assessed	1 April 2012
NZ IAS 27	Separate Financial Statements	NZ IAS 27 Separate Financial Statements (as amended in 2011) removes the accounting and disclosure requirements for consolidated financial statements, as a result of the issue of NZ IFRS 10 Consolidated Financial Statements & NZ IFRS 12 Disclosures of Interests in Other Entities, which establish new consolidation and disclosure standards. NZ IAS 27 (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013	Impact has not been assessed	1 April 2013
NZ IAS 28 NZ IAS 28 (cont.)	Investments in Associates and Joint Ventures	NZ IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) supersedes NZ IAS 28 Investments in Associates (2004), as a result of the issue of NZ IFRS 11Joint Arrangements & NZ IFRS 12 Disclosure of Interests in Other Entities. NZ IAS 28 (as amended in 2011) prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Disclosure requires relating to these investments are now contained in NZ IFRS 12.	1 January 2013	Impact has not been assessed	1 April 2013

Statement of accounting policies

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
NZ IFRS 9 (2009)	Financial Instruments	NZ IFRS 9 (2009) includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace NZ IAS 39 Financial Instruments: Recognition and Measurement. The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: two categories for financial assets being amortised cost or fair value removal of the requirement to separate embedded derivatives in financial assets strict requirements to determine which financial assets can be classified as amortised cost or fair value. an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2015	Impact has not been assessed	1 April 2015
NZ IFRS 9 (2010) NZ IFRS 9 (2010) cont.	Financial Instruments	NZ IFRS 9 (2010) supersedes NZ IFRS 9 (2009). The requirements for classifying and measuring financial liabilities were added to NZ IFRS 9 as issued in 2009. The existing NZ IAS 39 requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities, the change in fair value is accounted for as follows: The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss	1 January 2015	Impact has not been assessed	1 April 2015
NZ IFRS 10	Consolidated Financial Statements	NZ IFRS 10 establishes a new control model. It replaces parts of NZ IAS 27 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to control another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This could lead to more entities being consolidated.	1 January 2013	Impact has not been assessed	1 April 2013

Statement of accounting policies

Reference	Title	Summary	Application date of standard*	Impact on Group financial statements	Application date for Group*
NZ IFRS 11	Joint Arrangements	NZ IFRS 11 replaces NZ IAS 31 Interests in Joint Ventures and SIC-13 Jointly- controlled Entities – Non-monetary Contributions by Ventures. NZ IFRS 11 uses the principle of control in NZ IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition NZ IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for joint arrangements.	1 January 2013	Impact has not been assessed	1 April 2013
NZ IFRS 12 NZ IFRS 12 cont.	Disclosure of Interests in Other Entities	NZ IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	Impact has not been assessed	1 April 2013
NZ IFRS 13	Fair Value Measurement	NZ IFRS 13 establishes a single source of guidance under NZ IFRS for determining the fair value of assets and liabilities. NZ IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under NZ IFRS when fair value is required or permitted by NZ IFRS. Application of this guidance may result in different fair values being determined for the relevant assets. NZ IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	Impact has not been assessed	1 April 2013

Changes in Accounting Policies

These financial statements were prepared using accounting policies that are consistent with those of the previous financial year except for new accounting policies adopted during the year. No new accounting policies adopted during the year have a material impact in the preparation of these financial statements.

Financial risk management objectives and policies

Fair value hierarchy disclosures

For those instruments recognised at fair value on the statement of financial position, fair values are determined according to the following hierarchy:

1. Quoted market price – Financial instruments with quoted prices for identical instruments in active markets (Level 1).
2. Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable (Level 2).
3. Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable (level 3).

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value on the statement of financial position of which only level 2 is applicable for the Parent and Group:

Fair Value Hierarchy	**2012**	**2011**
	Valuation technique Observable inputs (Level 2) $000s	Valuation technique Observable inputs (Level 2) $000s
Group		
Financial Assets		
Derivative instruments		
Foreign exchange contracts	**-**	21
Interest rate swaps	**-**	-
Available for sale investments	**578**	576
	578	597
Financial Liabilities		
Derivative instruments		
Foreign exchange contracts	**-**	-
Interest rate swaps	**(1,039)**	(1,021)
	(1,039)	(1,021)
Parent		
Financial Assets		
Derivative instruments		
Foreign exchange contracts	**-**	21
Interest rate swaps	**-**	-
Available for sale investments	**578**	576
	578	597
Financial Liabilities		
Derivative instruments		
Foreign exchange contracts	**-**	-
Interest rate swaps	**(1,039)**	(1,021)
	(1,039)	(1,021)

Financial risk management objectives and policies

The Group's principal financial instruments comprise trade & other receivables, trade & other payables, borrowings, available for sale investments, interest rate swaps, forward exchange contracts and cash & cash equivalents.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group enters into forward exchange currency contracts to manage currency risks arising from the Group's operations. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below, including the setting of limits for hedging cover of foreign currency and interest risk, credit allowances and future cash flow forecast projections.

Credit Risk:

Credit risk is the risk that a third party will default on its contractual obligation resulting in financial loss to the Group.

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

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

The Group trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There is no significant concentration of credit risk. The maximum amount of credit risk for each class is the carrying amount in the Balance Sheet.

Liquidity Risk

Liquidity risk is the risk that the parent and group will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. Flexibility in funding is maintained by keeping committed credit lines available.

The Group has a maximum amount that can be drawn down against its lending facilities of NZD$82,500,000. There are no restrictions on the use of the facilities.

The Parent also has in place credit card facilities with a combined credit limit over all cards issued of NZD$1,000,000.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flow requirements

and matching the maturity profiles of financial assets and liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Financial risk management objectives and policies

Fair Values:

The fair value of all financial instruments approximate the carrying value recorded in the Balance Sheet.

Contractual maturity analysis of financial liabilities, excluding derivatives

The table below analyses financial liabilities (excluding derivatives) into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

	2012				2011			
	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years
Group								
Trade and Other Payables	**19,574**	**-**	**-**	**-**	19,033	-	-	-
Finance Leases Payable	**2,628**	**-**	**-**	**3,067**	2,328	-	-	5,799
Interest Bearing Loans	**20,320**	**-**	**-**	**45,101**	13,060	-	20,000	24,928
	42,522	**-**	**-**	**48,168**	34,421	-	20,000	30,727
Parent								
Trade and Other Payables	**16,531**	**-**	**-**	**-**	17,433	-	-	-
Finance Leases Payable	**-**	**-**	**-**	**-**	-	-	-	-
Interest Bearing Loans	**17,145**	**-**	**-**	**45,101**	9,705	-	20,000	24,928
	33,676	**-**	**-**	**45,101**	27,138	-	20,000	24,928

Contractual maturity analysis of derivative financial liabilities

The table below analyses derivative financial instrument liabilities into those that are settled net and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	2012				2011			
	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years	< 6 Months	6 – 12 Months	1 – 2 Years	2 – 5 Years
Group								
Derivatives	**(323,346)**	**(258,544)**	**(344,829)**	**(147,311)**	(343,426)	(313,067)	(317,062)	(78,693)
Parent								
Derivatives	**(323,346)**	**(258,544)**	**(344,829)**	**(147,311)**	(343,426)	(313,067)	(317,062)	(78,693)

Maturity analysis of financial liabilities based on management's expectation.

The risk implied from the values shown in the table above, reflects management's expectation of cash outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, Northpower has established comprehensive risk reporting covering its business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Financial risk management objectives and policies

MARKET RISKS

a) Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The group has no material exposure to price risk.

b) Foreign Currency Risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

As a result of investment operations in Australia, the Group's balance sheet can be affected significantly by movements in the exchange rates. The Group seeks to mitigate the effect of its foreign currency exposure by borrowing in Australian dollars.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency. Details of the Group's forward exchange contracts are disclosed in note: 17.

At balance date the principal or contract amounts of foreign currency forward exchange contracts in $NZD are:

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Foreign currency forward exchange contracts	**0**	631	**0**	631

At balance date the Parent has Australian borrowings of A$13,225,000 (2011:A$13,225,000) held in foreign currency bank accounts that are not hedged.

At 31 March 2012, the Group had the following exposure to $AUD:

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Financial Assets				
Cash and cash equivalents	**600**	496	**-**	-
Trade and other receivables	**3,767**	2,932	**-**	-
Financial Liabilities				
Trade and other payables	**2,771**	1,183	**-**	-
Interest bearing loans and borrowings	**19,958**	21,126	**13,225**	13,225
Net Exposure	**18,362**	18,881	**13,225**	13,225

Financial risk management objectives and policies

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

At 31 March 2012, had the New Zealand Dollar moved, as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 $000	2011 $000	**2012 $000**	**2011 $000**
Group				
NZD Strengthen +5%	**(542)**	(596)	**-**	
NZD Weaken -10%	**1,326**	1,076	**-**	
Parent				
NZD Strengthen +5%	**800**	724	**-**	
NZD Weaken -10%	**(1,866)**	(2,003)	**-**	

c) 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 Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, hedging positions and the mix of fixed and variable interest rates.

The Group manages its cost of borrowing by limiting the ratio of fixed to floating rate cover held. The Group uses interest rate swaps to manage this.

At balance date the principal or contract amounts of interest rate swaps outstanding are:

	Group 2012 $000	Group 2011 $000	**Parent 2012 $000**	Parent 2011 $000
Interest rate swaps	**28,000**	28,000	**28,000**	28,000

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 31 March 2012, if interest rates had moved as illustrated in the table below with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 $000	2011 $000	**2012 $000**	2011 $000
Group				
+1% (100 basis points)	**(614)**	(192)	**(614)**	(192)
-0.5% (50 basis points)	**307**	96	**307**	96
Parent				
+1% (100 basis points)	**(582)**	(160)	**(582)**	(160)
-0.5% (50 basis points)	**291**	80	**291**	80

Based on the above table the movement in profit is due mainly to the higher/lower interest costs from variable rate debt along with the result of fair value change in interest rate swaps which are not hedged. There would be no effect on other components of equity.

Critical accounting judgements and key sources of estimation uncertainty

Critical Accounting Judgements, Estimates and Assumptions

In the process of applying the entity's accounting policies, which are described in Statement of Accounting Policy, management has made the following judgments that have the most significant effect on the amounts recognised in the Financial Statements (apart from those involving estimations, which are dealt with below).

Investment in Whangarei Local Fibre Company (WLFC)

The investment in WLFC is accounted for as an investment in associate since Northpower exercises significant influence through its ability to participate in the financial and operating decisions of the investee. Significant influence is demonstrated by Northpower through its ability to participate in the approval of the business plan, any transactions outside the ordinary course of business or outside the business plan, and the appointment, removal, replacement and remuneration of the senior management team of WLFC.

The share in the profits of losses and other comprehensive income of WLFC is accounted for by Northpower to the extent of its ownership interest based on its proportionate ownership of all classes of outstanding shares of the investee.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at Balance Sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Construction Contracts

The Group recognised revenue from construction contracts by applying percentage of completion method. Percentage of completion is determined using the cost incurred compared to the total cost estimated for the completion of the contract.

Impairment of goodwill

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 8.

Allowance for impairment loss on trade receivables

Northpower maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of Northpower's debtors' portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account. Changes to market conditions or assumptions made in the estimation of carrying value of trade receivables.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties for plant and equipment (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Long service leave and retirement leave provision

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on the likely future entitlements based on years of service, years to entitlement, attrition rates, and contractual entitlements information; and the present value of the estimated future cash flows. Changes to the assumptions made in the calculation of the long service leave will result in changes to the carrying value of the provision.

Critical accounting judgements and key sources of estimation uncertainty

Revaluation of assets

Network distribution and generation assets along with Land and buildings which are held as property, plant and equipment and investment property are valued by an independent valuer when required. The fair value of the Groups land and buildings are based on market values being the estimated amount for which land and buildings could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Changes to market conditions or assumptions made in the estimation of fair value will result in changes to the fair value of the revalued assets. Network distribution and generation asset values are determined by using a discounted cash flow methodology.

An analysis of the valuation model indicates that the valuation of the network and generation assets is most sensitive to changes in the weighted average cost of capital (WACC), capital expenditure and maintenance expenditure respectively.

- A 0.5% reduction in the WACC results in an approximate $27 million (or 11%) increase in value (2010: 24.4 million, 11%), while a 0.5% increase in the WACC results in an approximate $22 million (or 9%) decrease in value (2010: 20.5 million, 9%)
- A 10% movement in capital expenditure results in an approximate $14 million movement in value or ±6% (2010: 8.8 million or ±4%);
- A 10% movement in maintenance expenditure results in an approximate $11 million movement in NPV or ±4% (2010: 10.8 million or ±5%)

Revenue recognition

Part of the network charges are based on normalisation, where consumption is estimated to the end of the billing period based in historical actual meter readings. Occasionally the meter reading history data is not consistent and subsequent adjustments are made to customers' accounts, where further charges are applied or refund given. These adjustment amounts are not significant compared with total network revenue.

Notes to and forming part of the financial statements

		GROUP		PARENT	
		2012	2011	**2012**	2011
		$000s	$000s	**$000s**	$000s
1	**Revenue**				
	Line Charges	**53,206**	48,872	**53,206**	48,872
	Line Contributions	**1,442**	1,295	**1,442**	1,295
	Contracting Work	**186,990**	166,843	**146,561**	132,238
	Interest Income	**33**	154	**33**	154
	Income from Farming	**436**	380	**436**	380
		242,107	217,544	**201,678**	182,939
2	**Other Expenses**				
	Loss on foreign exchange contracts	**21**	13	**21**	13
	Auditor's Remuneration				
	- Auditing Financial Statements	**187**	183	**122**	119
	- Auditing Disclosure Regulations	**24**	25	**24**	25
	Bad Debts Written Off	**100**	66	**100**	66
	Impairment of Investment	**-**	-	**1,665**	-
	Directors' Fees	**429**	324	**322**	305
	Rental and Operating Lease Costs	**4,860**	3,639	**4,036**	3,075
	Research and Development	**160**	430	**160**	430
	Loss/(Gains) on Sale of Assets	**29**	25	**18**	44
		5,810	4,706	**6,468**	4,077

Notes to and forming part of the financial statements

		GROUP		PARENT	
		2012	2011	**2012**	2011
3	**Taxation**	**$000s**	$000s	**$000s**	$000s
	Profit/(loss) before Taxation Per Income Statement	**14,608**	9,760	**14,974**	8,086
	Prima Facie Taxation @ 28% (2011 30%)	**4,090**	2,928	**4,193**	2,426
	Plus/(Less) Tax Effect of:				
	Non Taxable Income	**483**	(360)	**380**	142
	Prior Period Adjustment	**20**	6	**20**	6
	Deferred tax arising from change in tax treatment of buildings	**378**	2,230	**378**	2,230
	Deferred tax arising from change in tax rate	**-**	(2,701)	**-**	(2,701)
		$4,971	$2,103	**$4,971**	$2,103
	The Taxation Charge is Represented by:				
	Current Taxation	**1,207**	1,540	**1,207**	1,540
	Deferred Taxation	**3,366**	1,028	**3,366**	1,028
	Prior Period Adjustment relating to current tax	**119**	(865)	**119**	(865)
	Prior Period Adjustment relating to deferred tax	**(99)**	871	**(99)**	871
	Deferred tax arising from change in tax treatment of buildings	**378**	2,230	**378**	2,230
	Deferred tax arising from change in tax rate	**-**	(2,701)	**-**	(2,701)
		$4,971	$2,103	**$4,971**	$2,103
	Amounts charged or credited to other comprehensive income				
	Effect of change in tax rate on Asset Revaluation Reserve	**-**	1,138	**-**	1,138
	Income tax expense recorded in other comprehensive income	**-**	$1,138	**-**	$1,138

In May 2010, the New Zealand Parliament approved the following changes pertaining to taxation:
Reduction in the tax rate from 30% to 28% effective the 2011/2012 tax year.
Removal of the depreciation deduction on buildings with expected lives of 50 years or more effective the 2011/2012 tax year.
The effects of these changes have been reflected in the financial statements of the consolidated group and the parent company.

Imputation Credit Account:				
Opening Balance	**24,434**	24,434	**24,434**	24,434
Imputation Credits Attaching to				
Dividends Paid in the Year	**-**	(1,319)	**-**	(1,319)
Income Tax Payments During Year	**3,421**	2,601	**3,421**	2,601
Income Tax Refunds During Year	**-**	(1,369)	**-**	(1,369)
Other Adjustments	**4**	87	**4**	87
	$27,859	$24,434	**$27,859**	$24,434

Notes to and forming part of the financial statements

3 Recognised deferred tax assets and liabilities

Group	Property plant & equipment $000s	Financial Instruments $000s	Employee entitlements $000s	Others $000s	Total $000s
Balance as at 1 April 2011	**(52,947)**	**(86)**	**1,749**	**(2,475)**	**(53,759)**
Charged to profit/loss	**(1,077)**	**-**	**203**	**(2,771)**	**(3,645)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**
Balance as at 31 March 2012	**(54,024)**	**(86)**	**1,952**	**(5,246)**	**(57,404)**
Parent					
Balance as at 1 April 2011	**(52,947)**	**(86)**	**1,749**	**(2,475)**	**(53,759)**
Charged to profit/loss	**(1,077)**	**-**	**203**	**(2,771)**	**(3,645)**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**
Balance as at 31 March 2012	**(54,024)**	**(86)**	**1,952**	**(5,246)**	**(57,404)**
Group					
Balance as at 1 April 2010	(53,569)	43	1,563	(1,506)	(53,469)
Charged to profit/loss	(516)	(125)	186	(973)	(1,428)
Charged to other comprehensive income	1,138	(4)	-	4	1,138
Balance as at 31 March 2011	(52,947)	(86)	1,749	(2,475)	(53,759)
Parent					
Balance as at 1 April 2010	(53,569)	43	1,563	(1,506)	(53,469)
Charged to profit/loss	(516)	(125)	186	(973)	(1,428)
Charged to other comprehensive income	1,138	(4)	-	4	1,138
Balance as at 31 March 2011	(52,947)	(86)	1,749	(2,475)	(53,759)

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
4 Current Asset - Cash and cash equivalents				
Bank	**2,156**	1,709	**1,394**	1,037
Cash	**3**	4	**3**	4
	2,159	1,713	**1,397**	1,041

Cash and cash equivalents comprise: cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets equate the fair value.

4a Current Assets - Trade and other receivables				
Gross trade receivables	**29,373**	28,250	**24,675**	24,332
Less Provision for Impairment	**(50)**	(75)	**(50)**	(75)
Other receivables	**-**	-	**-**	-
	29,323	28,175	**24,625**	24,257

Due to the short term nature of these receivables the carrying value of receivables approximates their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

As at 31 March 2012 the ageing analysis of trade receivables is as follows:

	2012			2011		
Parent	**Gross**	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
0 - 30 days	**22,147**	**-**	**22,147**	22,181	-	22,181
31 - 60 days	**870**	**-**	**870**	1,325	-	1,325
61 - 90 days	**962**	**-**	**962**	57	-	57
91 days plus	**696**	**(50)**	**646**	769	(75)	694
	24,675	**(50)**	**24,625**	24,332	(75)	24,257
Group						
0 - 30 days	**26,330**	**-**	**26,330**	25,356	-	25,356
31 - 60 days	**1,284**	**-**	**1,284**	1,507	-	1,507
61 - 90 days	**1,045**	**-**	**1,045**	512	-	512
91 days plus	**715**	**(50)**	**665**	874	(75)	799
	29,373	**(50)**	**29,323**	28,250	(75)	28,175

The provision for impairment has been calculated based on incurred losses for Northpower's pool of debtors. Incurred losses have been determined by review of specific debtors.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The carrying amount of receivables that are past due, but not impaired, whose terms have been renegotiated is $664,928 (2011 - $847,890)

Movements in the provision for impairment of receivables are as follows:

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Balance at 1 April	**75**	50	**75**	50
Additional provisions made during the year	**75**	91	**75**	91
Receivables written off during the year	**(100)**	(66)	**(100)**	(66)
Balance at 31 March	**50**	75	**50**	75

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
4b Non-Current assets held for sale consists of fibre assets which were sold to the Whangarei Local Fibre Company at their fair value in December 2011.	**-**	2,400	**-**	2,400

5	**Work in progress - Construction Contracts**			
	Customer receipts	**(70,362)**	(55,739)	**(51,123)**	(46,896)
	Aggregate of costs incurred	**67,795**	49,172	**47,983**	39,525
	Recognised profits (less recognised losses) to date	**23,857**	15,961	**17,401**	13,549
		21,290	9,394	**14,261**	6,178

6	**Available for sale assets**	GROUP		PARENT	
		2012	2011	**2012**	2011
		$000s	$000s	**$000s**	$000s
	At fair value				
	Unlisted shares				
	Fonterra Co-operative Group Limited	**549**	549	**549**	549
	Ravensdown Fertiliser Co-operative Limited	**29**	27	**29**	27
		578	576	**578**	576

The investments consists of 121,352 (2011: 121,352) Fonterra Co-operative shares and 29,065 (2011: 26,854) Ravensdown Fertiliser Co-operative Limited shares.

The shares held as investments are un-listed. Fair value is provided by Fonterra Co-operative Group Ltd and Ravensdown Fertiliser Co-operative Ltd.

7	**Investment in Subsidiaries**	PARENT	
		2012	2011
		$000s	$000s
	Debentures	**19,410**	19,410
	Advances to subsidiaries	**5,320**	1,259
	Shares in Subsidiaries (Unlisted) - at cost	**3,781**	3,781
	Impairment	**(1,665)**	-
		26,846	24,450

An impaiment loss of the investment in Northpower's subsidiary was determined using the value in use method over a 7 year period with a pre-tax discount rate of 14.5% (2011 14.5%)

The circumstances that led to the recognition of the impairment loss was the result of increased levels of investment associated with the accumulated losses of the subsidiary.

The separate financial statements of Northpower Western Australia Pty Limited (NPWA) have been prepared on a going concern basis. The ability of NPWA to continue operating viably is conditional on the continued support of its ultimate New Zealand parent, Northpower Limited. Accordingly, no adjustments have been made on the separate financial statements of NPWA in relation to the measurement and classification of its assets and liabilities that may have been necessary if NPWA was determined to be unable to continue operating as a going concern.

Subsidiary	Principal Activity	Country of Incorporation	Balance Sheet Date	Interest held at 31 March 2012	Interest held at 31 March 2011
West Coast Energy Pty Ltd	Electricity contracting	Australia	31 March	100%	100%
Northpower Western Australia Pty Ltd	Intermediate holding company	Australia	31 March	100%	100%

Notes to and forming part of the financial statements

8 Goodwill and Intangible Assets

GROUP	Goodwill $000s	Software $000s	Total $000s
Cost			
At 1 April 2011	**4,585**	**4,896**	**9,481**
Addition	**-**	**890**	**890**
Disposal	**-**	**-**	**-**
Foreign Exchange Differences	**(135)**	**-**	**(135)**
At 31 March 2012	**4,450**	**5,786**	**10,236**
Accumulated Amortisation			
At 1 April 2011	**-**	**3,582**	**3,582**
Amortisation for the year	**-**	**606**	**606**
Disposal	**-**	**-**	**-**
At 31 March 2012	**-**	**4,188**	**4,188**
Net carrying amount at 31 March 2012	**4,450**	**1,598**	**6,048**
Cost			
At 1 April 2010	4,489	4,280	8,769
Addition	-	616	616
Disposal	-	-	-
Foreign Exchange Differences	96	-	96
At 31 March 2011	4,585	4,896	9,481
Accumulated Amortisation			
At 1 April 2010	-	3,121	3,121
Amortisation for the year	-	461	461
Disposal	-	-	-
Foreign Exchange Differences	-	-	-
At 31 March 2011	-	3,582	3,582
Net carrying amount at 31 March 2011	4,585	1,314	5,899

Notes to and forming part of the financial statements

8 Goodwill and Intangible Assets (continued)

PARENT	**Goodwill $000s**	**Software $000s**	**Total $000s**
Cost			
At 1 April 2011	**2,377**	**4,896**	**7,273**
Addition	**-**	**890**	**890**
Disposal	**-**	**-**	**-**
At 31 March 2012	**2,377**	**5,786**	**8,163**
Accumulated Amortisation			
At 1 April 2011	**-**	**3,582**	**3,582**
Amortisation for the year	**-**	**606**	**606**
Disposal	**-**		**-**
At 31 March 2012	**-**	**4,188**	**4,188**
Net carrying amount at 31 March 2012	**2,377**	**1,598**	**3,975**
Cost			
At 1 April 2010	2,377	4,280	6,657
Addition	-	616	616
Disposal	-	-	-
At 31 March 2011	2,377	4,896	7,273
Accumulated Amortisation			
At 1 April 2010	-	3,121	3,121
Amortisation for the year	-	461	461
Disposal	-		-
At 31 March 2011	-	3,582	3,582
Net carrying amount at 31 March 2011	2,377	1,314	3,691

Notes to and forming part of the financial statements

8 Goodwill and Intangible Assets (continued)

Allocation of goodwill to cash generating units

Goodwill is allocated to the group's cash generating units, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Goodwill acquired through business combinations has been allocated to three cash generating units ('CGU's') for impairment testing as follows:

Western Australia - The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a 7 year period. The pre-tax discount rate applied to cash flow projections is 14.5% (2011: 14.5%).

Regional Contracting - is Northpower's North Island contracting area excluding Central and Auckland. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a 5 year period. The pre-tax discount rate applied to cash flow projections is 20% (2011: 20%).

Central Contracting - is Northpower's central North Island contracting area. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a 5 year period. The pre-tax discount rate applied to cash flow projections is 20% (2011: 20%).

The directors have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The Directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

(ii) Carrying Amount of goodwill allocated to each group of cash generating units

	PARENT		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Western Australia	**2,073**	2,208	**-**	-
Regional Contracting	**877**	877	**877**	877
Central Contracting	**1,500**	1,500	**1,500**	1,500
	4,450	4,585	**2,377**	2,377

(iii) The calculation of value in use in calculations for cash generating units

The calculation of value in use in calculations for all CGU's are most sensitive to the following assumptions:

Gross Margins

Discount Rates

Growth Rates

Gross margins are based on the current years actual performance.

Discount rates are based on Northpower's internal return on investment hurdle rate.

For modelling purposes, a growth rate of 1.6% (2011: 2.5%) has been used for all CGUs.

(iv) Sensitivity

The directors have considered the variability of the key assumptions underlining the carrying amounts for the intangible assets set out above. The directors believe that the range of reasonable variability would not cause a material change in these carrying amounts.

Notes to and forming part of the financial statements

9 Property, Plant and Equipment

Group	Freehold Land $000s	Freehold Buildings $000s	Building Infrastructure $000s	Distribution System $000s	Meters $000s	Fibre $000s	Generation $000s	Plant & Equipment $000s	Motor Vehicles $000s	Total $000s
Cost or fair value										
At 1 April 2011	**15,825**	**15,587**	**2,813**	**236,935**	**4,727**	**2,022**	**12,746**	**27,164**	**54,892**	**372,711**
Addition	**-**	**61**	**456**	**10,760**	**186**	**35**	**57**	**2,689**	**3,107**	**17,350**
Transfers	**-**	**(1,438)**	**1,245**	**-**	**-**	**-**	**-**	**193**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**(696)**	**-**	**(268)**	**(1,239)**	**(2,203)**
Foreign exchange differences	**-**	**-**	**(9)**	**-**	**-**	**-**	**-**	**(213)**	**(1,319)**	**(1,541)**
At 31 March 2012	**15,825**	**14,210**	**4,505**	**247,695**	**4,913**	**1,361**	**12,803**	**29,565**	**55,441**	**386,317**
Accumulated Depreciation										
At 1 April 2011	**-**	**563**	**409**	**5,317**	**237**	**320**	**5,732**	**16,063**	**22,985**	**51,626**
Depreciation Charge for the Year	**-**	**317**	**218**	**5,670**	**248**	**151**	**575**	**2,758**	**4,707**	**14,644**
Transfers	**-**	**(16)**	**(9)**	**-**	**-**	**-**	**-**	**25**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**(235)**	**-**	**(165)**	**(881)**	**(1,281)**
Foreign exchange differences	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**(113)**	**(366)**	**(482)**
At 31 March 2012	**-**	**864**	**615**	**10,987**	**485**	**236**	**6,307**	**18,567**	**26,445**	**64,507**
Net carrying amount at 31 March 2012	**15,825**	**13,346**	**3,890**	**236,708**	**4,428**	**1,125**	**6,496**	**10,997**	**28,995**	**321,810**
Cost or fair value										
At 1 April 2010	15,745	13,915	2,289	226,635	-	3,305	12,149	24,595	50,681	349,314
Addition	80	1,672	434	14,895	132	1,117	597	2,605	4,349	25,881
Transfers	-	-	-	(4,595)	4,595	(2,400)	-	-	-	(2,400)
Disposal	-	-	-	-	-	-	-	(81)	(1,004)	(1,084)
Foreign exchange differences	-	-	90	-	-	-	-	44	866	1,000
At 31 March 2011	15,825	15,587	2,813	236,935	4,727	2,022	12,746	27,164	54,892	372,711
Accumulated Depreciation										
At 1 April 2010	-	225	253	-	-	164	5,129	13,474	18,380	37,625
Depreciation Charge for the Year	-	338	150	5,317	237	156	603	2,635	5,176	14,612
Disposal	-	-	-	-	-	-	-	(69)	(701)	(770)
Foreign exchange differences	-	-	6	-	-	-	-	23	130	159
At 31 March 2011	-	563	409	5,317	237	320	5,732	16,063	22,985	51,626
Net carrying amount at 31 March 2011	15,825	15,024	2,404	231,618	4,490	1,702	7,014	11,101	31,907	321,085

Notes to and forming part of the financial statements

9 Property, Plant and Equipment (continued)

Parent	**Freehold Land**	**Freehold Buildings**	**Building Infrastructure**	**Distribution System**	**Meters**	**Fibre**	**Generation**	**Plant & Equipment**	**Motor Vehicles**	**Total**
Cost or fair value	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**	**$000s**
At 1 April 2011	**15,825**	**15,587**	**2,673**	**236,935**	**4,727**	**2,022**	**12,746**	**23,704**	**33,452**	**347,671**
Addition	**-**	**61**	**397**	**10,760**	**186**	**35**	**57**	**2,271**	**2,966**	**16,733**
Transfers	**-**	**(1,438)**	**1,245**	**-**	**-**	**-**	**-**	**193**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**(696)**	**-**	**(178)**	**(1,124)**	**(1,998)**
At 31 March 2012	**15,825**	**14,210**	**4,315**	**247,695**	**4,913**	**1,361**	**12,803**	**25,990**	**35,294**	**362,406**
Accumulated Depreciation										
At 1 April 2011	**-**	**563**	**364**	**5,317**	**237**	**320**	**5,732**	**14,870**	**17,784**	**45,187**
Depreciation Charge for the Year	**-**	**317**	**204**	**5,670**	**248**	**151**	**575**	**2,193**	**2,965**	**12,323**
Transfers	**-**	**(16)**	**(9)**	**-**	**-**	**-**	**-**	**25**	**-**	**-**
Disposal	**-**	**-**	**-**	**-**	**-**	**(235)**	**-**	**(165)**	**(881)**	**(1,281)**
At 31 March 2012	**-**	**864**	**559**	**10,987**	**485**	**236**	**6,307**	**16,923**	**19,868**	**56,229**
Net carrying amount at 31 March 2012	**15,825**	**13,346**	**3,756**	**236,708**	**4,428**	**1,125**	**6,496**	**9,067**	**15,426**	**306,177**
Cost or fair value										
At 1 April 2010	15,745	13,915	2,243	226,635	-	3,305	12,149	21,708	31,745	327,445
Addition	80	1,672	430	14,895	132	1,117	597	2,074	2,601	23,598
Transfers	-	-	-	(4,595)	4,595	(2,400)	-	-	-	(2,400)
Disposal	-	-	-	-	-	-	-	(78)	(894)	(972)
At 31 March 2011	15,825	15,587	2,673	236,935	4,727	2,022	12,746	23,704	33,452	347,671
Accumulated Depreciation										
At 1 April 2010	-	225	227	-	-	164	5,129	12,870	15,541	34,156
Depreciation Charge for the Year	-	338	137	5,317	237	156	603	2,068	2,877	11,733
Transfers	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	(68)	(634)	(702)
At 31 March 2011	-	563	364	5,317	237	320	5,732	14,870	17,784	45,187
Net carrying amount at 31 March 2011	15,825	15,024	2,309	231,618	4,490	1,702	7,014	8,834	15,668	302,484

Notes to and forming part of the financial statements

9 Property, Plant and Equipment (continued)

Revaluation of distribution system

The Group engages PriceWaterhouseCoopers, an independant registered valuer, to determine the fair value of its distribution assets. A discounted Cash Flow methodology has been adopted to estimate fair value as at 31 March 2010.

The key assumptions used include the forecast of future line charges, volumes, projected operational and capital expenditures and discount rate.

As there is no active market or recent market transactions fair values were not directly determined by reference to observable prices.

An impairment assessment has been carried out subsequent to this valuation using the same assumptions.

Revaluation of Land and Buildings

The Group engages Telfer Young (Northland), a registered independent valuer, to determine the fair value of its land and buildings. Fair value is determined by direct reference to recent market transactions on arms length terms. Fair value is assessed with reference to the "highest & best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value". The effective date of the revaluation was 31 March 2010 and had a fair value of $29,435,000. An independent assessment has been carried out by Telfer Young in March 2012 to determine impairment and across all Land & Buildings held there has been no material movement in the net carrying value.

The carrying value that would have been recognised had the following revalued assets been carried under the cost model would be as follows:

	2012					2011				
	Freehold Land	**Freehold Buildings**	**Building Infrastructure**	**Distribution**	**Meters**	Freehold Land	Freehold Buildings	Building Infrastructure	Distribution	Meters
Group										
Cost	**13,252**	**13,393**	**2,137**	**225,478**	**7,641**	13,252	14,906	-	214,803	7,456
Accumulated Depreciation and impairment	**-**	**1,512**	**396**	**38,339**	**3,909**	-	1,537	-	32,863	3,563
Net carrying amount	**13,252**	**11,881**	**1,741**	**187,139**	**3,732**	13,252	13,369	-	181,940	3,893
Parent										
Cost	**13,252**	**13,393**	**2,137**	**225,478**	**7,641**	13,252	14,906	-	214,803	7,456
Accumulated Depreciation and impairment	**-**	**1,512**	**396**	**38,339**	**3,909**	-	1,537	-	32,863	3,563
Net carrying amount	**13,252**	**11,881**	**1,741**	**187,139**	**3,732**	13,252	13,369	-	181,940	3,893

10 Investment Property

	PARENT		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Opening Balance as at 1 April	**1,200**	1,150	**1,200**	1,150
Transfers	**-**	-	**-**	-
Net gain/(loss) from fair value adjustments	**50**	50	**50**	50
Closing balance as at 31 March	**1,250**	1,200	**1,250**	1,200

Investment properties are carried at fair value, which has been determined based on valuations performed by Trevor Walker and Matt Straka of Telfer Young Ltd with an effective date of 31 March 2012. They are independent registered valuers and industry specialist in valuing these types of investment properties.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction as at the date of valuation. Fair value is determined by direct reference to recent market transactions at arms length terms using the investment approach comparing rental and sales evidence of other similar properties. This approach involves capitalising the net market income at an appropriate market derived rate of return to reflect the use, demand and risk associated with this property.

The fair value of the investment property reflects market conditions at the end of the reporting period.

Rental income	**88**	80	**88**	80
Expenses from investment properties generating income	**6**	6	**6**	6

There are no contractual capital obligations. (2011: $0)

Notes to and forming part of the financial statements

11 Borrowings

	Maturity	GROUP 2012 $000s	GROUP 2011 $000s	PARENT 2012 $000s	PARENT 2011 $000s
Current					
Bank overdrafts	On demand	**-**	-	**-**	-
Unsecured loans	30-270 days	**17,145**	9,267	**17,145**	9,267
Secured loans	30-90 days	**3,175**	3,355	**-**	-
Finance lease liability		**2,373**	1,845	**-**	-
Total current portion		**22,694**	14,467	**17,145**	9,267
Non Current					
Finance lease liability		**3,002**	5,491	**-**	-
Unsecured loans	Within 2 yrs	**-**	20,000	**-**	20,000
	Within 2 and 3 yrs	**45,101**	-	**45,101**	-
	Within 3 and 4 yrs	**-**	24,928	**-**	24,928
Total non-current portion		**48,103**	50,419	**45,101**	44,928

(a) Fair Values

The carrying amount of borrowings repayable within one year approximate their fair value.

(b) Terms and Conditions

Bank overdrafts and loans

The Group operates an unsecured overderaft facility at floating interest rates and is due on demand.

The Group operates lending facilities with the current facility expiring in November 2012 and the non current facility expiring November 2014.

Interest rates paid on $NZD borrowings averaged 3.60% (2011 4.03%). Interest rates paid on $AUD borrowings averaged 6.30% (2011 6.16%)

(c) Financing Facilities Available

The Group operates a $82,500,000 lending facility with advances being a combination of NZD$ and AUD$.

There is also an additional $1,000,000 credit card facility.

(d) Assets Pledged as Security

There are commercial secured facilities issued by the National Australia Bank which are secured by the group's parent entity

Finance lease liabilities are secured by the underlying assets.

Security held by the bank is in the form of a Negative pledge deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained.

(e) Set -off Assets and Liabilities

The Group has established a legal right of set off with a bank enabling it to set off certain deposits with that bank against an overdraft.

(f) Interest rate risk

Refer to the Financial Risk Management Objectives and Policies.

(g) Debt to Equity ratio

The groups debt to equity ratio is 0.65 (2011: 0.64)

(h) There are no covenants on the secured borrowings

Notes to and forming part of the financial statements

11 Borrowings (continued)

Analysis of finance leases	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Minimum lease payments payable:				
Not later than one year	**2,628**	2,328	**-**	-
Later than one year and not later than five years	**3,067**	5,799	**-**	-
Later than five years	**-**	-	**-**	-
Total minimum lease payments	**5,695**	8,127	**-**	-
Future finance charges	**(319)**	(791)	**-**	-
Present value of minimum lease payments	**5,376**	7,336	**-**	-
Present value of minimum lease payments payable:				
Not later than one year	**2,373**	1,845	**-**	-
Later than one year and not later than five years	**3,003**	5,491	**-**	-
Later than five years	**-**	-	**-**	-
Total present value of minimum lease payments	**5,376**	7,336	**-**	-

The Group has entered into finance leases for Motor Vehicles and the net carrying amount of these assets at balance date are $5,497,089 (2011: $6,497,094). The leases can be renewed at the Group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Group has the option to purchase the asset at the end of the lease term. There are no restrictions placed on the Group by any of the finance leasing arrangements.

12 Trade and other payables

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Trade Payables (GST Inclusive)	**11,587**	11,249	**9,616**	10,022
Accrued Payables (GST Exclusive)	**8,261**	6,599	**7,189**	6,226
Income in advance	**332**	1,185	**332**	1,185
	20,180	19,033	**17,137**	17,433

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value

13 Dividends Paid and Proposed

During the financial year no dividends were paid.

In the prior financial year fully imputed dividends of $3,078,650 were paid ($4,398,071 inclusive of imputation credits of which $4,285,714 relates to the 2010/2011 financial year and $112,357 relates to the 2009/2010 financial year)

Recognised amounts				
Declared during the year				
Dividends on ordinary shares:				
Final imputed dividend for 2012: 10.63 cents (2011: 8.33 cents)	**3,826**	3,000	**3,826**	3,000

14 Onerous Lease Provision

Opening balance	**-**	8	**-**	8
Expired portion	**-**	(8)	**-**	(8)
Closing balance	**-**	-	**-**	-

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
15 Share Capital	**$000s**	$000s	**$000s**	$000s
(a) Ordinary Shares				
Opening Balance	**35,989**	35,989	**35,989**	35,989
Represented by 35,981,848 ordinary shares				
Total Issued and Paid Up Capital	**35,989**	35,989	**35,989**	35,989

Ordinary shares have no par value. Fully paid shares carry one vote per share and carry the right to dividends. All ordinary shares are ranked equally.

(b) Capital Management

The company considers the following as part of its capital: Shares, reserves and retained earnings. When managing capital, the board's objective is to ensure the entity continues as a going concern maintaining adequate working capital ensuring obligations can be met on time as well as to maintain returns to shareholders as set out in the Statement of Corporate intent.

For year ended 31 March 2012 the Group paid dividends of $3,826,000 ($2011 - $3,000,000). As outlined in the Statement of Corporate Intent, the Groups dividend policy is to pay a minimum of 35% of Net Profit after Tax as a dividend.

Management does not have any target gearing ratios, as the Group has historically had low levels of debt. There are no externally imposed capital requirements other than a negative pledge deed.

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
16 Reconciliation with Cash Inflow from Operating Activities:				
Reported Net Surplus after Taxation	**9,637**	7,657	**10,003**	5,983
Add (Less) Non-Cash Items:				
Depreciation and amortisation	**15,295**	14,930	**12,929**	12,194
Movements in Deferred Tax	**3,645**	290	**3,645**	290
Movement in revaluation of investment property	**(50)**	(50)	**(50)**	(50)
(Gain)/Loss on sale of Property, plant & equipment	**29**	25	**18**	44
Deferred Tax on items taken directly to equity	**-**	1,138	**-**	1,138
Non cash line contribution revenue	**(1,442)**	(1,295)	**(1,442)**	(1,295)
Movement in valuation of derivative financial instruments	**39**	585	**39**	585
Movement in onerous lease provision	**-**	(8)	**-**	(8)
Movement in Impairment of Investments	**-**	-	**1,665**	-
Movement in available for sale assets	**-**	-	**-**	-
Capitalised interest	**(235)**	(300)	**(235)**	(300)
Movement in foreign currency exchange rates	**(840)**	(226)	**(2,130)**	750
Share in profits of associate	**682**	-	**-**	-
Movements in Working Capital -				
Increase (Decrease) in Trade & other payables	**2,117**	1,303	**175**	1,425
(Increase) Decrease in construction contracts	**(11,896)**	(654)	**(8,083)**	466
(Increase) Decrease in Taxation Refund	**(2,095)**	(655)	**(2,095)**	(655)
(Increase) Decrease in Trade & other receivables	**(1,148)**	2,428	**(368)**	991
(Increase) Decrease in Inventory	**(1,223)**	(362)	**(1,063)**	(362)
Net Cash Inflow from Operating Activities	**12,515**	24,806	**13,008**	21,196

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
17 Derivative Financial Instruments				
Current Asset portion				
Forward foreign currency exchange contracts - held for trading.	**-**	21	**-**	21
Current liability portion				
Forward foreign currency exchange contracts - Interest rate swap contracts	**573**	646	**573**	646
	573	646	**573**	646
Non-current liability portion				
Interest rate swap contracts	**466**	375	**466**	375
Net financial derivative liability position	**1,039**	1,000	**1,039**	1,000

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge excposure to fluctuations in interest and foreign currency rates and to trade in and profit from short-term movementsin exchange rates.

(i) Forward foreign currency exchange contracts - held for trading

The group from time to time has entered into forward foreign currency exchange contracts to mitigate currency risk but have elected not to hedge account.

These contracts are fair valued by comparing the contracted rate to the market rates for contracts with the same length of maturity. All movements in fair value are recognised in the Comprehensive Income Statement in the period they occur.

The notional principal amounts of outstanding forward foreign exchange contracts in NZ$ were $0 (2011 $792,784 and the foreign currency principal amounts totaled EUR€175,800 and USD$367,992)

(ii) Interest rate swaps

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

The notional principal amounts of the outstanding interest rate swap contracts were $28,000,000 (2011 $28,000,000). The fixed interest rates of interest rate swaps vary from 3.94% to 5.58%.

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
18 Contingent Liabilities				
Performance Bonds in relation to contract work	**16,378**	8,860	**16,378**	8,860
Letters of credit in relation to contract work	**2,559**	1,931	**2,559**	1,931
Total Performance Bonds & Letters of Credit in relation to contract work	**18,937**	10,791	**18,937**	10,791

Performance bonds relate to guarantees given to customers for work completed.

Letters of Credit relate to guarantees given to off-shore customers for work completed.

Northpower is a participant in the DBP Contributors Scheme (the Scheme) which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, Northpower could be responsible for the entire deficit of the Scheme (see note 23). Similarly, if a number of employers ceased to partipate in the Scheme, Northpower could be responsible for an increased share of the deficit.

19 Commitments

As lessee in Operating leases

The parent and Group leases property plant & equipment in the normal course of business. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

Due within 1 year	**3,728**	3,984	**2,876**	3,094
Due within 2-5 years	**4,706**	6,376	**3,871**	4,465
Due later than 5 years	**-**	-	**-**	-
Total non-cencelable operating leases	**8,434**	10,360	**6,747**	7,559

As lessor in Operating leases

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Due within 1 year	**41**	37	**41**	37
Due within 2-5 years	**72**	72	**72**	72
Due later than 5 years	**74**	92	**74**	92
Total non-cencelable operating leases	**186**	201	**186**	201

No contingent rents have been recognised during the period

Capital commitments contracted for at balance sheet date	**-**	793	**-**	793

Commitments relate to purchase of plant & equipment.

Northpower is a party to certain options contracts which, when exercised, will require Northpower to purchase A shares from Crown Fibre Holdings. As at balance date, the exercise of these options are considered to be unlikely since the conditions that trigger them have not been met. Furthermore, the value of these options are assessed to be not significate since its exercise prince is equivalent to the market price on exercise date.

Notes to and forming part of the financial statements

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s

20 Related Parties

(a) Subsidiaries

(i) Terms and conditions of transactions with related parties

1. Sales to and purchases from related parties are made in arms length transactions both at normal market prices and on normal commercial terms.

(ii) Outstanding balances

1. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

Transactions during the year		
Sales to subsidiaries	**583**	3,993
Purchases from subsidiaries	**-**	-
Market support payment to West Coast Energy	**2,043**	6,427
Outstanding balances as at 31 March		
Accounts payable to subsidiaries	**-**	-
Accounts receivable from subsidiaries	**48**	49
Debenture to subsidary	**19,410**	19,410
Loan to Subsidary	**5,320**	1,259

(b) Associates (Refer to Note 21)

Transactions during the year		
Sales to associates	**8,159**	-
Purchases from associates	**-**	-
Other transactions	**40**	-
Outstanding balances as at 31 March		
Accounts payable to associates	**-**	-
Accounts receivable from associates	**227**	-

(c) Directors

One of the Directors of Northpower Ltd is also a Director of West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd.

(d) Key Management

The compensation of the directors and executives, being the key management personnel of the entity is set out below:

Compensation of key management personnel				
Short-term employee benefits	**2,727**	1,920	**2,253**	1,901

There are close family members of key management personnel employed by the Group. The terms and conditions of these arrangements are no more favourable than the Group would otherwise have adopted if there were no relationships to key management personnel.

Transactions between the company and key management personnel	**78**	100	**6**	43

Mr Anthony Davies-Colley is a Trustee of Northpower. He is also the Director of Pipiwai Investments Ltd. During the year Northpower did not provide services to Pipiwai investments. (2011 $41,139)

Chairman of Northpower Mr Warren Moyes and West Coast Energy Chairman Mr David Wright were also Directors of Tonga Power Ltd up until they resigned from Tonga Power in 2011. During the financial year Northpower Provided services to Tonga Power Ltd totalling $11,357. (2011 $52,132)

Mrs Nicole Davies-Colley is a director of both Northpower and its subsidiary West Coast Energy and also a Director of Farmlands Trading Society ltd. During the year northpower made purchases from Farmlands Trading Society to the value of $1,412.

Jo Brosnahan is the Chairperson of Northpower's associate company Whangarei Local fibre Company Ltd and is also the Chairperson of Leadership NZ. During the year Northpower made purchases from Leadership NZ to the value of $14,950.

Mr Lloyd Brian Richards is a board member of the Electricity Engineers Association and during the year Northpower made purchases from this organisation totalling $57,045.

Mr Warren Moyes is also a council member of NorthTec polytechnic. During the year Northpower made purchases from NorthTec totalling $14,776.

Mr Mark Giglia is a director of Northpower's two Australian subsidiaries (West Coast Energy Ltd & Northpower Western Australia Pty Ltd) who also provides accountancy and taxation services to Northpower's Australian group via Anderson Redman Chartered Accountants.

During the year fees totalling $71,947 were paid or payable for services provided (2011 $56,895)

No provision has been required, nor any expense recognised for impairment of receivables from related parties. (2011 $ Nil).

Notes to and forming part of the financial statements

21 Investment in Associates - Whangarei Local Fibre Company Limited

Whangarei Local Fibre Company Limited (WLFC) has been established to construct and operate an ultra-fast broadband (UFB) network in the Whangarei area, as part of the Government's objective to roll-out UFB to 75% of the New Zealand population over ten years. Northpower has partnered with Crown Fibre Holdings Limited (CFH) to establish, manage and fund the operations of WLFC. Under a shareholders' agreement between Northpower and CFH, Northpower's obligation during the initial ten year period includes:

(a) Provide working capital to the WLFC in return for shares.

(b) Purchase shares in WLFC from CFH, as and when end users are connected to the UFB network.

(c) Participate in the governance and management of WLFC, including the appointment of two directors to the Board of WLFC and the provision of management services to WLFC.

(a) Movements in the carrying amount of the Group's investment in associates

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Beginning balance	**-**	-	**-**	
Additional investment made	**3,411**	-	**3,411**	-
Share of profits after income tax	**(176)**	-	**-**	-
Unrealised profit adjustment	**(506)**	-	**-**	
Ending balance	**2,729**	-	**3,411**	-

b) Summarised financial information

Extract from the associate's statement of financial position:

Current assets	**1,430**	-
Non-current assets	**5,746**	-
Current liabilities	**257**	-
Non-current liabilities	**-**	-
Net assets	**6,919**	-
Share of associate's net assets	**3,228**	-

Extract from the associate's statement of comprehensive income:

Revenue	**112**	-
Net profit/(loss)	**(377)**	-

Notes to and forming part of the financial statements

22 Categories of other financial assets and liabilities

The carrying amount of financial assets and liabilities in each of the NZ IAS 39 categories are as follows:

	GROUP		PARENT	
	2012	2011	**2012**	2011
	$000s	$000s	**$000s**	$000s
Financial Assets at fair value	**-**	21	**-**	21
Loans and Receivables				
Cash and cash equivalents	**2,159**	1,713	**1,397**	1,041
Trade and other receivables	**29,323**	28,175	**24,625**	24,257
Total loans and receivables	**31,482**	29,888	**26,022**	25,298
Available for sale instruments				
Unlisted shares	**578**	576	**578**	576
Financial liabilities at fair value	**1039**	1021	**1039**	1021
Financial liabilities measured at amortised cost				
Short term borrowings	**22,694**	14,467	**17,145**	9,267
Long term borrowings	**48,103**	50,419	**45,101**	44,928
Trade and other payables	**20,180**	19,033	**17,137**	17,433
	90,976	83,919	**79,383**	71,628

23 Defined benefit superannuation scheme

Northpower contributes to a multi-employer defined benefit superannuation scheme operated by National Provident Fund. The scheme is not open to new members and currently 3 employees are members of the scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine, from the terms of the Scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2011, the Scheme had a past service surplus of $37.582 million (16.4% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

Notes to and forming part of the financial statements

24 PERFORMANCE REPORT:	2011-12 Target	2010-11 Results	2011-12 Results	2011-12 Results Summary
Group				
Net Profit After Tax Shareholders' Funds	6.00%	3.27%	4.03%	Net profit after tax was $9.6m for the group. NZ operations recorded NPAT of 10m while Australian operations broke even. Losses from Associates were $0.7m, foreign currency losses $1.3m and elimination of inter-company transactions a gain of $1.6m.
Network division				
Earnings Before Interest and Tax Total Assets	5.00%	5.33%	5.91%	The Network division recorded earnings before tax of $16.4m, which is 15% up on last year. Network assets amounts to $282m at 31 March 2012.
Network Reliability (SAIDI)				
Planned	<30	27.0	46.39	Carrying out a considerable conductor replacement programme has resulted in planned SAIDI being above the long term target.
Unplanned	<90	102.18	98.91	
Average Number of Faults per 100 km of Line	< 10	7.39	8.23	
Customer Satisfaction (Residential)	> 85% satisfied	90%	89%	Result from Colmar Brunton survey shows Northpower customers continues to be very satisfied.
Customer Satisfaction (Commercial)	> 85% satisfied	87%	88%	
Contracting Division NZ				
Earnings Before Interest and Tax Total Assets	15.00%	12.90%	11.24%	The contracting division recorded earnings before interest & tax below budget for the year.
Lost Time Accidents per million hours worked	0	1.12	2.06	4 lost time accidents was recorded for the year.
West Coast Energy				
Earnings Before Interest and Tax Total Capital Employed	5.00%	4.51%	2.43%	Earnings before interest and tax were $0.7m, after a market support payment of $2m.
Lost Time Accidents per million hours worked	0	11.75	4.1	1 lost time accident occured during the year.

The New Zealand Contracting division fell short on meeting its Key Performance Indicator (KPI) for return on assets (EBIT/Total Assets). The Contracting division had a difficult year particularly in the major cities. In the period leading up to the Rugby World Cup and during the RWC the type of work that could be performed was heavily restricted, impacting adversely on the Contracting division's financial result. The impact of the RWC was that the actual return achieved for the year came to 11.24% against a target of 15%.

The result for West Coast Energy (WCE) was also below the KPI. For the first six months of the year, work volumes were low in Perth resulting in significant losses. In the second six months, WCE's main customer released more work and an operational surplus was achieved for that period. After receiving a market support payment of $2m, WCE recorded a return on assets of 2.43% against a target of 5%.

As a result of the above, the KPI for the Group was also below target. The Group recorded a return on shareholders' funds of 4.03% against a target of 6% for the year.

Notes to and forming part of the financial statements

25 Employee entitlements

	GROUP		PARENT	
	2012	2011	**2012**	2011
Current employee entitlements are represented by:	**$000s**	$000s	**$000s**	$000s
Accrued salaries and wages	**2,883**	1,850	**1,435**	1,491
Annual leave	**4,099**	4,494	**4,099**	3,820
Sick leave	**25**	25	**25**	25
Total current portion	**7,007**	6,369	**5,559**	5,336
Non-current employee entitlements are represented by:				
Retirement and long service leave	**1,451**	1,547	**1,451**	1,547
Total non-current portion	**1,451**	1,547	**1,451**	1,547
Total employee entitlements	**8,458**	7,916	**7,010**	6,883

26 Inventory

Inventory held for use in the provision of goods and services	**8,981**	7,758	**8,821**	7,758

The carrying amount of inventories held for distribution are measured at cost.

The write-down of inventories held for distribution were nil and there have been no reversals of write-downs

No inventories are pledged as security for liabilities, however some inventories are subject to retention of title clauses.

27 Capitalised Borrowing Cost

The assets under construction account includes capitalised borrowing costs amounting to $64,368. (2011: $99,684).

The weighted average interest rate used to determine the amount of borrowing costs eligible for capitalisation is 4.34%. (2011: 4.16%).

28 Energy Companies Act 1992 Compliance

Section 44(3) of the Energy Companies Act 1992 requires that the audited Annual Report of Northpower (and the audited Annual Reports of each of Northpower's subsidiaries) are delivered to Northpower's shareholders within 3 months after balance date. This requirement is not complied with this year. The Board of Director's of Northpower have determined that this non-compliance does not have material financial or operational impact.

29 Prior Period Adjustment

An error occurred in the prior periods relating to the determination of the foreign currency translation reserve. This error resulted in a misstatement of both the retained earnings and the foreign currency translation reserve accounts. This error did not have an effect on the total reported net assets of the Group. This prior period error has been corrected by reducing the beginning balance of retained earnings by $1,302,000 with the corresponding credit to the current year's foreign currency translation movement. The net effect of the adjustments is to correctly state all the closing balances of the accounts included in the Statement of Changes in Equity.

Directory

Northpower Limited:

Chairman

W W Moyes, BA, AM Inst D.

Directors:

D J Ballard, BE (Hons), MBA.

N P Davies-Colley, BBS, MBA. AM Inst D.

K C Hames, BAg, M Inst D.

J J Ward, BE (Hons), MIPENZ.

R J Black, BE(Civil) (Hons), FREng, FIPENZ

Executive officers:

Chief Executive

M R Gatland, BE, MIPENZ, MBA.

Chief Financial Officer

B Petersen, ACIS, ACCM, Dip. Mgt.

General Manager, Network

G A C Dawson, NZCE.

General Manager, Business Support

B S Harrison, BBus.

General Manager, Contracting

L B Richards, NZCE, REA, Tec IPENZ.

General Manager, Business Development, Strategy & Marketing

S Horgan, BMS (Hons), MMS, AMS (INSEAD).

West Coast Energy Pty Limited:

Chairman

D Wright, MBA Distinction, B Tech (Food) (Hons).

Directors:

M Giglia, B.Bus, CA.

N P Davies-Colley, BBS, MBA. AM Inst D.

Executive officers:

Chief Executive

Ross Caldwell, BSc (Eng), MSc BIS, MBA, CITP, MBCS, GAICD.

Area Manager Perth

Wally Huia.

Area Manager Melbourne

Ross Wilson, NZCE Electrical.

Commercial Operations Manager

Nigel Ellett, BAppMgt, CSCP, AIMM.

Solicitors	Henderson Reeves Connell Rishworth, Whangarei. Simpson Grierson, Auckland.
Bankers	The Bank of New Zealand, Whangarei. Westpac Banking Corporation, Whangarei.
Head Office	Mount Pleasant Road, Raumanga, Whangarei.
Auditors	Audit New Zealand, Whangarei, on behalf of the Auditor-General.
Registered Office	28 Mount Pleasant Road, Whangarei.

Northpower

"safe, reliable, hassle free service"

NEW ZEALAND

Auckland	09 274 4545	Tauranga	07 542 9310
Dargaville	09 439 3114	Tokoroa	07 886 1039
Hamilton	07 846 9760	Waiheke	09 372 7969
Matamata	07 888 4326	Warkworth	09 425 8015
Maungaturoto	09 431 8228	Wellington	04 912 2190
Paeroa	07 862 8412	Whangarei	09 430 1803
Rotorua	07 348 6800	Whitianga	021 497 340

AUSTRALIA

Melbourne	0061 3 9020 1820	Perth	0061 8 9456 9100

KEY NORTHPOWER CONTACT NUMBERS

Northpower General Enquiries:	0800 66 78 47
Northpower Fibre:	0800 66 78 47
Northpower Electrical Services:	0800 66 78 47
No Hot Water Fault:	0800 10 40 40
Northpower Vegetation Department:	0800 66 78 47
Complaints & Compliments:	0800 66 78 47
Northpower Electric Power Trust (NEPT):	0800 43 41 00

FAULTS 0800 10 40 40
www.northpower.com
www.northpowerfibre.co.nz