

Electricity Corporation of New Zealand Limited



ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010



Electricity Corporation of New Zealand Limited
Financial Statements
For the year ended 30 June 2010

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REPORT FROM THE CHAIRMAN

Electricity Corporation of New Zealand (ECNZ) Residual Company's role

Since 1999 the ECNZ residual company's ("ECNZ") primary objectives have been:

- to manage and maximise asset realisations,
- to maximise the value of existing contractual obligations,
- to effect economical settlement of liabilities,
- to conclude the windup process while ensuring commitments are appropriately terminated without unnecessary loss of value,
- to ensure there are zero defaults that would expose the Crown to an event that would trigger a call on the Crown guarantees given to creditors on 31 March 1999.

These objectives have been accomplished with the exception of the transfer of some land titles currently subject to litigation in the High Court and the sale of a property at lake Coleridge, purchased under the 1980 House Purchase Scheme introduced by the New Zealand Electricity Department (NZED) in 1980 and transferred to ECNZ in 1988.

The property has been available for resale since March 2010 but due to its remote and not particularly desirable location, little buyer interest to date and the falling property market, an impairment loss of \$67k has been allowed for in the financial accounts.

Review of activities

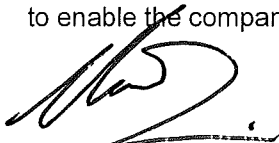
In this period all the performance measures and targets set for the year have been met.

- Sound commercial disciplines have been applied to achieve resolution of outstanding matters.
- Commitments have been appropriately terminated without unnecessary loss of value.
- There have been zero defaults that could expose the Crown to an event triggering a "call" on its guarantees given to creditors on 31 March 1999.
- The legislative requirements of the State-Owned Enterprises Act and the Companies Act have been complied with.
- Operating costs have been managed to the levels budgeted.
- The Crown is currently involved in litigation over some land titles to be transferred from ECNZ Limited to another electricity company in which the High Court decision has been appealed by the plaintiffs to the court of appeal. Crown Law has advised delaying the transfer of any land titles subject to this litigation. More generally, the process of land title transfer has proved to be very time consuming and there are potential risks if ECNZ Limited is wound up before the land title transfer process is complete. Further, as the Crown was not a party to some of the earlier contracts in which ECNZ Limited transferred certain assets to other electricity companies, it is considered prudent for ECNZ Limited to continue to act as the responsible party to formalise these transfers to avoid the Crown being directly responsible to the other electricity companies. Treasury officials are working to ensure the land transfer process is completed as rapidly as possible and in the interim the directors of ECNZ Limited have resolved to continue operating the company on a year by year basis. The directors, in consultation with the shareholder, consider it appropriate to retain ECNZ Limited with its present management and operational structure until the satisfactory completion of the land title transfer process.
- The level of funds retained within the Company is reviewed regularly by the Board. The aim is at all times to maintain net assets at an amount that is commensurate with ECNZ's obligations and ability to satisfy solvency requirements and to retain the minimum amount of funds for operational purposes.

Financial summary

For the year to 30 June 2010 ECNZ Limited incurred a net operating loss of \$158k against a budget loss of \$96k. The result is considered satisfactory.

As at 30 June 2010 the company had net assets of \$1,371k which amount is considered adequate to enable the company to meet its commitments to its future wind up.



Victor Wu

Chairman

Date: 13th September 2010

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting the Annual Report of the Electricity Corporation of New Zealand Limited (ECNZ), for the year ended 30 June 2010.

Principal Activities

The company is operated as a going concern. The primary activity of ECNZ is to manage the company's residual contractual and statutory requirements.

Financial Performance

A full set of financial statements of ECNZ (including the report of the Auditor-General) for the year are included on pages 6 to 20 of this report.

Donations

The Company made no donations during the year ended 30 June 2010 (2009: \$nil).

Names and Remuneration of Directors

The following table sets out the names of and the total remuneration (including remuneration for committee membership) and the value of other benefits received from ECNZ by each Director.

Name	Total Received
Victor Wu (Chairman)	\$ 36,000
Grant Graham	\$ 18,000
Daphne Rawstone	\$ 18,000

Remuneration of Employees

ECNZ had no employees during the year ended 30 June 2010 (2009: nil).

Disclosure of Interest

Declaration of general interest as at 30 June 2010 pursuant to section 140(2) of the Companies Act 1993:

Grant Graham	KordaMentha – Partner
	North Harbour Rugby Union – Director
	Turners Auctions Limited – Director
	Auckland Zoo – Trustee
	Anglican Trust Board - Director

No Director of ECNZ is a shareholder of ECNZ.

Auditors

In accordance with section 19 of the State-Owned Enterprises Act 1986, the Audit Office is required to express an audit opinion on the financial statements. Pursuant to section 45D(2) of the Public Finance Act 1989 the Auditor-General has appointed Karen Shires with the assistance of PricewaterhouseCoopers to undertake the audit on behalf of the Auditor-General. The auditors' report is set out on pages 21 to 22 of this report.

The audit fees and fees for other services paid or payable to the auditor by ECNZ are:

Audit Fees	\$ 7,375
Fees for Taxation services	\$ 3,900

Corporate Governance

ECNZ has a strong focus on corporate governance and aims to comply with international recommended best corporate governance practices. The manual of Corporate Governance Policy and Practice has been updated in accordance with recommended government practice.

Features of our corporate governance practices include:

All Directors of ECNZ are non-executive directors.

All appointments to the ECNZ Board are made by the shareholding Ministers in a manner consistent with section 36(1) (a) (I) of the Companies Act 1993.

In making appointments, shareholders are mindful of the wide range of skills, qualifications and experience required by the Board, including commerce and finance.

The ECNZ constitution requires that Directors be appointed to the ECNZ Board for a fixed term not exceeding three years. Shareholding Ministers may choose to renew an appointment for further fixed terms of up to three years.

The members of the Board currently meet on a regular basis for Board meetings. Before each meeting, directors receive a copy of the minutes for the previous meeting and advice of the agenda items for the upcoming meeting.

Shareholding Ministers advise the ECNZ Board of the total amount of fees that may be allocated to directors of the company. The ECNZ Board then allocates that sum.

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

The Board of Directors of the Company authorised these financial statements presented on pages 6 to 20 for issue on 13th September 2010.

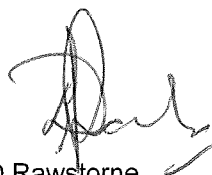
For and on behalf of the Board:



Victor Wu

Chairman

Date: 13th September 2010



D Rawstorne

Director

Date: 13th September 2010

FINANCIAL STATEMENTS

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 \$000	2009 \$000
Other Income		-	22
Expenses – Administration	5	(148)	(144)
Impairment Loss	11	(67)	-
Finance Income – net	6	57	94
Loss before income tax		(158)	(28)
Income tax expense	7	-	-
Loss for the year attributable to the equity holders of the Electricity Corporation of New Zealand Limited		(158)	(28)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to the equity holders of the Electricity Corporation of New Zealand Limited		(158)	(28)

The above statement of comprehensive income should be read in conjunction with the accompanying notes on pages 10 – 20.

Statement of Changes in Equity

For the year ended 30 June 2010

	Notes	Attributable to the Equity Holders of the Electricity Corporation of New Zealand Limited		
		Contributed equity \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2008		1,000,100	(998,543)	1,557
Loss for the year		-	(28)	(28)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(28)	(28)
Balance at 30 June 2009		1,000,100	(998,571)	1,529
Balance at 1 July 2009		1,000,100	(998,571)	1,529
Loss for the year		-	(158)	(158)
Other comprehensive income		-	-	-
Total comprehensive loss		-	(158)	(158)
Balance at 30 June 2010	15, 16	1,000,100	(998,729)	1,371

The above statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 – 20.

Cash Flow Statement

For the year ended 30 June 2010

	Notes	2010 \$000	2009 \$000
Cash flows from operating activities			
Interest received		73	55
Payments to suppliers		(128)	(209)
Interest paid		-	(1,280)
Purchase of property		(242)	-
Net cash used in operating activities	14	(297)	(1,434)
Cash flows from financing activities			
Interest received		-	1,335
Net decrease in cash & cash equivalents		(297)	(99)
Cash & cash equivalents at the beginning of the year :			
Cash at bank and on short term deposit		1,478	1,577
Cash & cash equivalents at the end of the year :			
Cash at bank and on short term deposit		1,181	1,478

The above cash flow statement should be read in conjunction with the accompanying notes on pages 10 – 20.

Statement of Financial Position

As at 30 June 2010

	Notes	2010 \$000	2009 \$000
ASSETS			
Current assets			
Cash and cash equivalents	9	1,181	1,478
Trade and other receivables	10	28	72
Property held for sale	11	175	-
Total current assets		1,384	1,550
Non current assets			
Property, Plant and equipment	12	-	-
Total assets		1,384	1,550
LIABILITIES			
Current liabilities			
Trade and other payables	13	13	21
Total liabilities		13	21
Net assets		1,371	1,529
EQUITY			
Contributed equity	15	1,000,100	1,000,100
Retained earnings	16	(998,729)	(998,571)
Total equity		1,371	1,529

The above Statement of Financial Position should be read in conjunction with the accompanying notes on pages 10 – 20.

Notes to the financial statements

1. General Information

Electricity Corporation of New Zealand Limited (the Company) manages the various residual issues arising from its previous and divested business activities.

The Company is wholly owned by Her Majesty the Queen in the Right of New Zealand (the Crown) which is the ultimate controlling party.

The Company was incorporated on 26 February 1987, pursuant to the State-Owned Enterprises Act 1986, and commenced business on 1 April 1987. With effect from that date, the Company acquired under a sale and purchase agreement with the Crown the electricity generation business of the Electricity Division of the Ministry of Energy.

On 1 April 1999 pursuant to a direction given by the Minister of Finance and the Minister for State Owned Enterprises under section 98 of the Electricity Industry Reform Act, the Company sold its business to three new State-Owned Enterprises.

The Company's principal activity is to manage the various residual issues arising from its previous and divested business activities.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 50 Customhouse Quay, Wellington.

2. Summary of significant accounting policies

Reporting entity

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-orientated entities. The financial statements comply with International Financial Reporting Standards (IFRS).

New Standards

New and amended standards adopted by the Company

The Company has adopted the following new and amended NZ IFRSs as of 1 July 2009:

NZIAS1 Presentation of financial statements (revised) – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses in the statements of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation of the financial statements.

Relevant standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

NZ IAS 24 – *Related party disclosures* simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. NZ IAS 24 is effective for accounting periods beginning 1 July 2011. The revision is not expected to have any impact on the financial statements.

NZ IFRS 9 – *Financial instruments* specifies how an entity should classify and measure financial assets, including some hybrid contracts. NZ IFRS 9 is intended to replace NZ IAS 39. NZ IFRS 9 is effective for accounting periods beginning 1 January 2013. The standard is not expected to have an impact on the Company.

a) Basis of preparation

These financial statements have been prepared on a going concern basis.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements for the Company are for the Electricity Corporation of New Zealand Limited as a separate legal entity. The Company has no subsidiary companies.

The company is designated as a profit-orientated entity for financial reporting purposes.

Statutory base

The Company is registered under the Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts.

Interest income is recognised on a time-proportion basis using the effective interest method.

c) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

d) Goods and Services Tax (GST)

The statement of comprehensive income has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of trade receivables and trade payables, which include GST invoiced.

e) Impairment of non financial assets

Assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for doubtful debts. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other expenses' in the statement of comprehensive income.

h) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the

items. All repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Fixtures and fittings 10% - 33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount.

These are included in the statement of comprehensive income in 'other gains/losses'.

i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are initially recognised at fair value and subsequently at amortised cost, using the effective interest method.

j) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3. Financial risk management

a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with trading banks, as well as credit exposures arising from outstanding receivables. Deposits are only held with major trading banks.

The Company holds cash with Westpac and ASB. These banks are part of the Crown Retail Deposit Scheme. Deposits up to \$1 million held with these banks are guaranteed by the Crown.

Outstanding receivables, representing interest, are also from these major trading banks. The table below shows the outstanding balances at the balance sheet date:

	Rating	2010	2009
		\$'000	\$'000
Westpac Bank	AA	695	590
ASB	AA	509	927

Prudent liquidity management implies maintaining sufficient cash and cash equivalents and the ability to close out market positions. Due to the static nature of the business, management maintains liquidity via cash and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year
	\$'000
As at 30 June 2010	
Trade and other payables	13
As at 30 June 2009	
Trade and other payables	21

Capital risk management

The Company's objective when managing capital is to manage and maximise asset realisations, maximise the value of existing contractual obligations, effect economical settlement of liabilities, conclude the windup process while ensuring the commitments are appropriately terminated without unnecessary loss of value, and ensure there are zero defaults that would expose the Crown to an event that would trigger a call on the Crown guarantees given to creditors at 31st March 1999.

The Company's funding consists of amounts owed to trade creditors. The Company's significant end-of-year concentrations of funding by geographic and economic sector are as follows:

	2010	2009
	\$000	\$000
Geographic area		
New Zealand	13	21
Economic Sector		
Energy	13	21

b) Market risk

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to fair value interest rate risk is limited to its short-term bank deposits which are held at fixed rates of interest.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the Company to cash flow interest rate risk. The Company has no variable interest rate investments.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to currency risk, as it does not enter into foreign currency transactions.

c) Liquidity risk

Liquidity risk is the risk that the Company 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 adequate amount of committed credit facilities and the ability to close out market positions. The Company aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the Company maintains a target level of investments that must mature within specified timeframes.

Maturity Analysis

Deposit	Amount	Maturity Date
ASB	\$500,000	23/07/2010
Westpac	\$600,000	19/08/2010

4. Critical Accounting estimates and assumptions

The following significant accounting estimates or judgements have been made in preparing these accounts:

Property Held for Sale

The property purchased under the 1980 House Purchase Scheme, introduced by the New Zealand Electricity Department (NZED) in 1980 and transferred to ECNZ in 1988, has been available for re-sale since purchase date. Due to deteriorating market conditions, an impairment loss has been provided for. The impairment loss was derived with reference to the likely sale price taking account of the location, buyer interest and cost to sell. The property was purchased for \$242,000 with an impairment loss of \$67,000 recognised.

5. Expenses

	2010	2009
	\$000	\$000
Amounts paid under operating leases	7	7
Fees paid to auditors – statutory audit services	7	7
– taxation services	4	6
– other services	-	6
Directors' fees	72	72
Accounting/management fees	24	23
Insurance	15	16
Legal fees	10	1
Other expenses	9	6
Total Expenses	148	144

6. Finance Income (net)

	2010	2009
	\$000	\$000
Interest expense - Bonds	-	(1,013)
Total finance costs	-	(1,013)
Interest Income		
Short term bank deposits	57	94
Loans to other SOEs	-	1,013
Total finance income	57	1,107
Net finance income	57	94

7. Taxation expense

	2010	2009
	\$000	\$000
Loss before tax	(158)	(28)
Prima facie tax at 30%	(47)	(8)
Adjust for tax effect of:		
Tax loss not recognised	26	15
Non-assessable	4	-
Timing differences not recognised	17	(5)
Tax expense	-	-

The taxation expense is represented by:

- Current tax	-	-
- Deferred tax	-	-

A deferred tax asset (tax effect) of \$3,029,372 (2009: \$2,786,836) has not been recognised as it is not considered probable that the asset will be realised in the future.

The unrecognised deferred tax asset comprises timing differences relating to an impairment loss and accruals of \$23,344 (2009: \$6,375) and a tax loss of \$3,006,028 (2009: \$2,780,461). The current tax rate is 30%. The corporate tax rate has decreased from 30 to 28% with effect from the beginning of the 2012 income year. This is not anticipated to have an impact on the deferred tax balance, as ECNZ does not recognise the deferred tax asset, because it is not probable future taxable profit will be available against which the temporary difference can be offset.

Imputation credit account

Imputation credits at start of year	1,014	1,014
Imputation credits at end of year	1,014	1,014

8. Financial instruments by category

Assets as per balance sheet	Loans & receivables \$'000	Total \$'000
At 30 June 2010		
Trade and other receivables	25	25
Cash and cash equivalents	1,181	1,181
	<u>1,206</u>	<u>1,206</u>
At 30 June 2009		
Trade and other receivables	67	67
Cash and cash equivalents	1,478	1,478
	<u>1,545</u>	<u>1,545</u>
	Measured at amortised cost \$'000	Total \$'000
Liabilities per balance sheet		
At 30 June 2010		
Trade and other payables	13	13
	<u>13</u>	<u>13</u>
At 30 June 2009		
Trade and other payables	21	21
	<u>21</u>	<u>21</u>

9. Cash and cash equivalents

	2010 \$000	2009 \$000
Cash at bank	81	78
Term Deposits maturing in less than three months	1,100	1,400
Total cash and cash equivalents	1,181	1,478

10. Trade and other receivables

	2010 \$000	2009 \$000
Current		
Other receivables	2	28
Interest receivable	23	39
GST	3	5
	28	72

There are no receivables which are past due or impaired. No collateral is held in relation to any of the receivables.

11. Property held for sale

	2010 \$000	2009 \$000
Current		
8 Acheron Ave, Lake Coleridge, Canterbury	242	-
Impairment loss	(67)	-
	175	-

During the year the Company purchased a property under the 1980 House Purchase Scheme introduced by the New Zealand Electricity Department in 1980 and transferred to the Company in 1988. The property has been available for resale since March 2010 but due to its remote and not particularly desirable location, little buyer interest to date and the falling property market, an impairment loss of \$67k has been allowed for in the financial statements. The carrying value reflects the fair value, less costs to sell.

12. Property plant and equipment

	2010 \$000	2009 \$000
Office equipment		
Cost	14	14
Accumulated depreciation	(14)	(14)
Net book amount	-	-

There was no depreciation charge in the year as the assets are fully depreciated, and there have been no additions in the year. No property, plant or equipment is held as security over any borrowings.

13. Trade and other payables

	2010 \$000	2009 \$000
Trade payables	2	10
Accrued expenses	11	11
	13	21

All trade and other payables are classified as current.

14. Reconciliation of cash flows from operating activities

	2010 \$000	2009 \$000
Loss before income tax	(158)	(28)
Adjustments for:		
Movement in interest accrual	16	(55)
Movement in trade and other receivables	28	(75)
Movement in trade and other payables	(8)	4
Impairment loss – non cash	67	-
Purchase of property	(242)	-
Interest paid	-	(1,280)
Cash flow from operations	(297)	(1,434)

15. Contributed equity

	2010	2009
Ordinary shares – value \$'000	\$1,000,100	\$1,000,100
Ordinary shares – number '000	1,000,100	1,000,100

Ordinary shares

As at 30 June 2010 there were 1,000,100,000 shares issued and fully paid (2009: 1,000,100,000). All ordinary shares rank equally with one vote attached to each fully paid ordinary share. Ordinary shares do not have a par value.

16. Reserves and retained earnings

	2010 \$000	2009 \$000
Retained earnings		
Balance 1 July	(998,571)	(998,543)
Net loss for the year	(158)	(28)
Balance 30 June	(998,729)	(998,571)

17. Commitments

The Company has no commitments at balance sheet date (2009: Nil).

18. Related party transactions

The shareholder of the Company is the Crown. The Company undertakes a number of transactions with other State-Owned Enterprises and Government entities, all of which are carried out on normal commercial terms.

The loan to Mighty River Power Limited was settled in April 2009. The interest received on this loan for the year ended 30 June 2010 amounted to Nil. (2009: \$1,013,479).

19. Events occurring after the balance date

There are no events occurring after balance date that would require adjustment for or disclosure in the financial statements (2009: Nil).

AUDIT REPORT

TO THE READERS OF THE ELECTRICITY CORPORATION OF NEW ZEALAND LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The Auditor-General is the auditor of The Electricity Corporation of New Zealand (the Company). The Auditor-General has appointed me, Karen Shires, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements of the Company, on her behalf, for the year ended 30 June 2010.

Unqualified Opinion

In our opinion:

- The financial statements of the Company on pages 6 to 20:
 - comply with generally accepted accounting practice in New Zealand;
 - comply with International Financial Reporting Standards; and
 - give a true and fair view of:
 - the company's financial position as at 30 June 2010; and
 - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the Company kept proper accounting records.

The audit was completed on 16 September 2010 and 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 the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

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

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board of Directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board of Directors and the Auditor

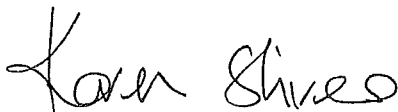
The Board of Directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Company as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date. The Board of Directors' responsibilities arise from the State-Owned Enterprises Act 1986 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 19(1) of the State-Owned Enterprises Act 1986.

Independence

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

In addition to the audit we have carried out assignments in the areas of tax compliance, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the company.



Karen Shires
On behalf of the Auditor-General
Wellington



PricewaterhouseCoopers