ANNUAL REPORT

Electra Limited
2005-2006

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All values in this report are in thousands (000's) of New Zealand dollars (rounded) and are for years ended 31 March unless otherwise stated.

"This year" means the year ended 31 March 2006
"Last year" means the year ended 31 March 2005
"Next year" means the year ending 31 March 2007

ELECTRA

Electra Limited operates as an electricity line owner and operator in the Kapiti and Horowhenua region on the west coast of the lower North Island, New Zealand.

Ownership is vested in the Electra Trust on behalf of 40,458 beneficiaries. At 31 March 2006, the Group had total assets of $165 million, shareholders' funds of $97.2 million and employed 125 (full-time-equivalent) people.

Electra owns 100% of Electra Contracting Limited, an electrical contracting and maintenance business, and Oxford Finance Corporation Limited, which specialises in Financial Services.

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ELECTRA PERFORMS SOLIDLY

The Electra Group once again performed solidly during a trading period made more challenging by tight market conditions in terms of electricity usage, shortage of skilled labour and the requirements of regulatory compliance.

This solid performance is reflected in Electra's annual sales discount figure credited to consumer's accounts which this year was $8.1 million (including GST).

The value of the Group's subsidiary business units and the importance of the current growth strategy, in which Electra will invest further when the right opportunities arise, have contributed to this result.

The major highlight for the company this year was the overwhelmingly positive vote in favour of retaining Trust ownership.

The fact that over 96% of respondents voted to retain Trust ownership indicates Electra's consumers are very pleased with how the company is performing on their behalf. It provides a very strong platform and mandate for the future development of the company and the wider Group.

Other highlights for Electra were its continued excellent performance in the area of price and reliability.

Based on Ministry of Economic Development data, Electra's network charges, as at February 2006, were in the lower 25% of all line companies. Considering that Electra's network revenue per consumer is the second lowest in the country, this is an excellent achievement.

The company also improved its network reliability from the previous year. This is the result of hard work over a number of years, although with continued growth reliability gets more difficult to maintain without spending a great deal of extra money.

We note that electricity use across the network was down slightly compared to last year, due largely to a very mild winter, but also to some extent from the cumulative affects of price increases and talk about low lake levels.

Nevertheless, issues facing the company this coming year and beyond include work to prepare the network to cater for the continued growth the region is experiencing – particularly in the Kapiti area, but also more recently in Horowhenua.

Underlying load growth from around 700 new connections per annum means predicted demand growth will require around $40 million of investment in infrastructure over the coming ten years.

This projected expenditure comes against the backdrop of regulatory control, in the form of Electricity Commission and Commerce Commission requirements that limits the company’s ability to improve core revenue. At some stage this may restrict funding for essential network maintenance and development and the company sees this as a driver to embrace more innovative ways of doing things.

This issue in particular underscores the value of the Group’s growth strategy and over the next five years Electra aims to derive a growing proportion of Group profit from subsidiary companies.

Another issue, which the Group will continue to actively manage, is that of obtaining and retaining skilled staff. This is particularly important for the specialised service teams within Linework and Stones that operate in a very competitive market. The Group is developing a range of solutions to address this immediate problem, and provide those companies with a longer-term competitive edge.

Notwithstanding these challenges, the Group is well positioned for future growth and to continue to deliver the excellent service and reliability that we believe is now synonymous with the Electra brand.

Directors and management are confident the coming financial year will be another positive one for Electra.

Warren Thessman
Chairman

John Yeoman
Chief Executive

Chairman and CEO’s Report

Key FACTS

- 40,458 electricity users are connected to the Electra network, making it the 8th largest electricity network company in the country
- Electra Group total assets are worth $165.2 million
- We are owned by the Electra Trust representing all the electricity users connected to the Electra distribution network in the Kapiti/Horowhenua region
- The Electra Trust holds all shares in the company which has shareholder funds of $97.2 million
- All dates are as at 31 March 2006 unless otherwise stated

	2006	2005	2004	2003	2002
Financial					
Total revenue ($'000)	**$42,801**	$41,345	$37,551	$30,949	$25,996
Discount paid to consumers ($'000)	**$7,233**	$7,000	$6,921	$6,955	$6,951
Surplus (after tax) ($'000)	**$1,305**	$926	$465	$1,419	$2,576
Total assets ($'000)	**$165,182**	$170,900	$171,521	$134,834	$86,536
Total shareholders funds ($'000)	**$97,218**	$96,072	$95,058	$69,259	$67,560
Shareholders funds to total assets	**59%**	56%	55%	51%	78%
Net Asset backing per share	**$3.97**	$3.93	$3.88	$2.85	$2.76
Network Usage					
GWh sold by retailers	**384.9**	388.3	368.9	369.2	358.4
Maximum demand (MW)	**92**	91	82	81	84
Consumer Information					
Number of consumers	**40,458**	39,906	39,541	39,015	38,292
Network reliability					
System Average Interruption Duration Index (SAIDI)	**69.6**	78.0	119*	55.9	65.8
System Average Interruption Frequency Index (SAIFI)	**1.34**	1.56	2.72*	0.90	1.31

Parent Only	2006	2005	2004	2003	2002
Operating costs per consumer	**$122**	$126	$135	$146	$141
Operating costs per kWh (cents)	**1.28**	1.30	1.44	1.54	1.51

* Includes February 2004 Civil Defence Emergency floods and wind storms.
Excluding these events SAIDI & SAIFI would have been - SAIDI – 40.37
SAIFI – 0.973

FIVE YEAR performance highlights

- Total Group Profit before Sales Discount and tax increased to $9.5 million
- Increase in shareholder value to $97.2 million
- $7.2 million in sales discounts returned to electricity users
- New network connections number around 700 for the year
- Network reliability maintained at very high levels
- Oxford Finance completes another good year
- Linework and Stones Electrical Contractors prosper in competitive market.

Asset Value of the Electra Network

Using adjusted Optimised Deprival Values (ODV) as at October 2004 in millions of dollars:

2,219 transformers	$ 12.8
10 sub-stations	$ 17.0
183 kilometres of 33,000 volt lines and cables (including fibre optic)	$ 10.9
174 kilometres of 11,000 volt underground lines	$ 14.5
790 kilometres of 11,000 volt overhead line	$ 13.3
Switchgear	$ 4.4
458 kilometres of 400 volt underground lines including street lights	$ 14.2
460 kilometers of 400 volt overhead lines	$ 7.5
Customer Service connections	$ 5.1
Communication and Information Systems	$ 1.2
Emergency Spares	$ 0.3
Total ODV	**$101.2***

* Based on “Handbook for Optimised Deprival Value of System Fixed Assets of Electricity Lines Businessess, August 2004” Commerce Commission.

KEY ACHIEVEMENTS for 2005/2006

Front: **John Yeoman** Chief Executive Electra Group

Centre: **John Fallen** Electra Network Manager, **Vivien Wright** Company Secretary

Back left to right: **Todd Campbell** Group Finance Manager, **Jenni Williams** General Manager Oxford Finance Corporation Limited, **Ross Leggett** General Manager Business Development, **Allen Hutchison** General Manager Electra Contracting Limited

ELECTRA
Executives

NETWORK EXPANSION PLANS

Electra is planning to invest over $40 million in the next ten years to expand and develop its network to cater for predicted population growth and increased electricity demand.

The company has experienced ongoing growth over a period of several years as the region continues to develop, and it is essential for network infrastructure planning to anticipate load requirements.

While population growth is driving much of this increased demand, households in the region are also using more electricity than previously. Commercial load has also grown, particularly in the Horowhenua area, reflecting a strong economy.

The company expects that pressure on its electricity network will be exacerbated when Transmission Gully goes ahead as this will likely drive increased population growth in both Kapiti and Horowhenua.

Electra's immediate priorities over the coming year include the total replacement of the Shannon zone substation, which has come to the end of its economic life and upgrading the 11kV overhead lines in the Levin and Paraparaumu beach areas.

It is also watching closely Transpower's decision relating to the grid exit point at Valley Road, Paraparaumu.

This very important exit point is under pressure and Electra needs to work with Transpower to find a solution that will protect consumers using the network while being acceptable to all parties.

Electra has again returned excellent results in the key regulatory performance areas of reliabilityand price.

Electra customers use only 60% of the national electricity consumption average and the company has the second lowest load factor. This means it is difficult to use the lines and transformers at maximum efficiency.

In addition Electra's network charges during the year were well below the average of all lines companies (Electra customers pay the fourth lowest costs) and the company had the second lowest revenue per customer ratio.

The company works with a low revenue per customer base, faces high costs in network maintenance and development, and regulatory compliance, but manages to maintain excellent reliability and efficiency figures and a very satisfactory sales discount to local consumers.

Electra Contracting Limited's Stones and Linework brands have gained increasing awareness and traction in the all-important Wellington market, and the company has performed soundly this year as a result.

They have consolidated their positions very strongly, can now provide a unique business offering in the market and are well positioned for future growth.

Clients are provided with a total 'turn key' solution on both sides of the meter and the diverse range of skills and competencies within Linework and Stones gives them a competitive advantage.

The Wellington market has remained buoyant this year and the focus has been on building and positioning the Stones' brand in the capital.

Electra Contracting has concentrated on further developing its skilled workforce - almost 20% of staff are trainees and apprentices as Stones - and Linework - seek to maintain expertise in a tight labour market. The company is exploring innovative schemes to retain staff.

Efforts this year have won both Stones and Linework several large tenders. Electra Contracting has also returned a sizeable dividend to Electra on top of making a major CAPEX investment in plant and equipment.

While Wellington is an exceptionally competitive environment and is not a traditional 'home' market, Stones is on track to being recognised as a leading provider in the city.

Linework has been equally successful this year, completing a significant and logistically challenging project on the Chatham Islands, and continuing to expand its strategic relationship as a preferred supplier to Vector. The latter reflects the company's ability to recruit and train skilled staff.

The focus now is to leverage this position and to identify new business opportunities and markets outside of Wellington for both Linework and Stones as part of the company's expansion policy.

RECOGNITION

For Stones and Linework Brands

A planned move into the business finance market underpinned this year for Oxford Finance Corporation Limited (OFC).

The company's move follows its development of a successful and steadily growing personal lending portfolio in the previous period, and broadens its range of financial services products.

The company has employed a business finance specialist to lead this new market development programme.

While OFC continues to prioritise local business, the diversification means it can expand its client base and business range, and provide a stronger platform for company growth and returns.

The company has $48 million on loan, which is backed by $43.5 million of investment funding, mostly from the local market. It has 7,000 loan customers.

OFC remains committed to offering motor vehicle finance despite the tightening of the car sales market, which has come under increasing pressure following de-regulation and the continuous flood of vehicles imported from Japan. While this has created significantly more choice for purchasers and borrowers and increased competition for dealers and finance companies, OFC believes it continues to be highly competitive in this area.

The company's overall development strategy is supported by active marketing, building increased client loyalty, securing better quality lending, and further developing in-house skills and expertise to add value to service offerings.

The latter is an area where OFC is already very fortunate with experienced and highly valued staff, an essential factor in the business' success to date.

Oxford Finance targets NEW MARKETS

Deloitte.

AUDIT REPORT

TO THE READERS OF ELECTRA LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2006

The Auditor-General is the auditor of Electra Limited (the Company) and Group. The Auditor-General has appointed me, G R Mitchell, using the staff and resources of Deloitte, to carry out the audit of the financial statements and performance information of the Company and Group, on his behalf, for the year ended 31 March 2006.

Unqualified Opinion

In our opinion:

- The financial statements of the company on pages 16 to 33:
  - 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 2006; and
    - the results of its operations and cash flows for the year ended on that date.
- The performance information of the company on page 30 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 31 March 2006.
- Based on our examination the Company and Group kept proper accounting records.

The audit was completed on 9 June 2006, 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 (the Board) 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 and performance information 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 and performance information. 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 and performance information. 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;

Deloitte.

- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements and performance information. 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 is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must give a true and fair view of the financial position of the company as at 31 March 2006. They must also give a true and fair view of the results of its operations and cash flows for the year ended on that date. The Board is also responsible for preparing performance information that gives a true and fair view of service performance achievements for the year ended 31 March 2006. The Board's responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This 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

Other than the audit, we have no relationship with or interests in the company.

GRMitchell

G R MITCHELL

DELOITTE

ON BEHALF OF THE AUDITOR-GENERAL

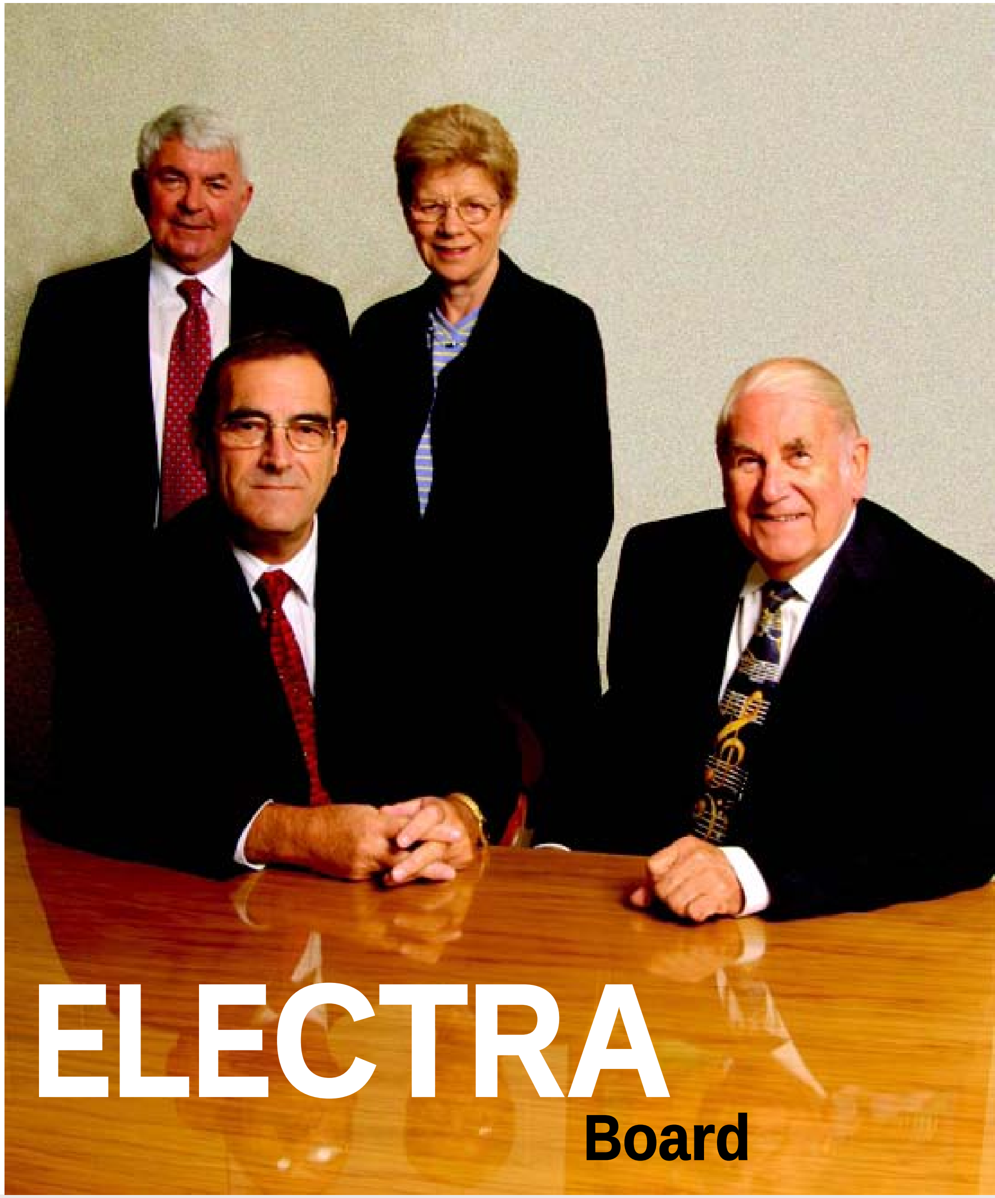
WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of Electra Ltd for the year ended 31 March 2006 included on Electra's website. The Board of Directors is responsible for the maintenance and integrity of Electra's website. We have not been engaged to report on the integrity of Electra's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 9 June 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS Report

Martin Devlin,
Patricia McKelvey

Piers Hamid,
Warren Thessman
Chairman



Directors statutory REPORT

The Directors take pleasure in presenting their Report and financial statements of Electra Limited for the year ended 31 March 2006.

Principal activities

The group's principal activities during the year were:

- to be a successful electricity line owner and operator maximising value for owners through competitive prices, quality and efficient operations
- to operate a successful electricity network construction and maintenance contracting business
- to invest in business activities and projects that add value to the Company.

Group results and distributions

	2006 $000	2005 $000
Operating revenue	**42,801**	**41,345**
Discount to Consumers*	**(8,325)**	**(7,000)**
Group profit before tax for the financial year	**1,149**	**926**
Taxation	**156**	**-**
Net profit after taxation	**1,305**	**926**
Dividend	**(160)**	**(175)**
Retained earnings brought forward	**$13,824**	**$13,073**
Retained earnings carried forward	**$14,969**	**$13,824**

* Includes $1.1m provision for 2006/07 sales discount

Directors interests

Directors have declared interests in transactions with the company during the year as set out in note 22 of these financial statements.

Directors have no direct interest in equity securities issued by the company. Directors may also be beneficiaries of Electra Trust, which holds the shares in the Company for end-consumers of the day.

Retirement of directors

In accordance with the Constitution of the Company Mr M Devlin and Miss P McKelvey retire by rotation at the annual general meeting of the Company. Mr Devlin and Miss McKelvey being eligible, offer themselves for re-election.

Use of company information

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

Auditor

Graeme Mitchell of Deloitte was appointed as Auditor on behalf of the Controller and Auditor General, in accordance with Section 45 of the Electricity Companies Act 1992.

For and on behalf of the Board

Warren Thessman
Director

Piers Hamid
Director

9 June 2006

Statement of financial performance

for the year ended 31 March 2006

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Sales and Interest Revenue		**42,801**	41,345	**23,836**	22,813
Dividends from Subsidiaries		**-**	-	**1,900**	1,900
Operating revenue	*2*	**42,801**	41,345	**25,736**	24,713
Discount to Consumers		**(8,325)**	(7,000)	**(8,325)**	(7,000)
Net profit/(loss) before taxation	*2*	**1,149**	926	**1,111**	757
Taxation	*3*	**156**	-	**-**	-
Net profit after taxation		**$1,305**	$926	**$1,111**	$757

Statement of movements in equity

for the year ended 31 March 2006

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Equity at beginning of the year		**96,072**	95,058	**97,074**	95,607
Net profit after taxation for the year		**1,305**	926	**1,111**	757
Revaluation of assets	*6*	**1**	263	**1**	263
Revaluation of subsidiary shares	*6*	**-**	-	**(619)**	622
Total recognised revenues and expenses		**1,306**	1,189	**493**	1,642
Dividend paid	*4*	**(160)**	(175)	**(160)**	(175)
Total other movements		**(160)**	(175)	**(160)**	(175)
Equity at end of the year		**$97,218**	$96,072	**$97,407**	$97,074

The notes on pages 19 to 33 form part of these financial statements.

Statement of financial position

as at 31 March 2006

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Equity					
Share capital	*5*	**18,000**	18,000	**18,000**	18,000
Reserves	*6*	**64,249**	64,248	**67,389**	67,989
Retained earnings		**14,969**	13,824	**12,018**	11,085
Total equity		**97,218**	96,072	**97,407**	97,074
Non-current liabilities					
Borrowings	*7*	**10,600**	16,600	**10,600**	16,600
Oxford Finance secured debenture stock	*8*	**14,374**	11,092	-	-
Total non-current liabilities		**24,974**	27,692	**10,600**	16,600
Current liabilities					
Oxford Finance - current borrowings	*8*	**27,973**	35,967	-	-
Current borrowings - Other	*7*	**7,500**	2,600	**7,500**	2,600
Accounts payable and accruals	*9*	**7,517**	8,569	**5,247**	5,060
Total current liabilities		**42,990**	47,136	**12,747**	7,660
Total equity and liabilities		**$165,182**	$170,900	**$120,754**	$121,334

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Non-current assets					
Property, plant and equipment	10	**106,652**	106,929	**104,367**	105,165
Investment in subsidiaries	11	-	-	**11,015**	11,635
Oxford Finance receivables	15	**19,658**	25,844	-	-
Intangible assets	12	**4,680**	5,422	**1,601**	1,892
Total non-current assets		**130,990**	138,195	**116,983**	118,692
Current assets					
Cash	13	**7,669**	4,999	**2,662**	1,060
Receivables and prepayments	14	**3,462**	4,092	**1,109**	1,582
Oxford Finance receivables - current	15	**22,766**	23,312	-	-
Inventories	16	**43**	53	-	-
Work in progress	16	**252**	249	-	-
Total current assets		**34,192**	32,705	**3,771**	2,642
Total assets		**$165,182**	$170,900	**$120,754**	$121,334

The notes on pages 19 to 33 form part of these financial statements.

The Board of Electra Limited authorised these financial statements for issue on 9 June 2006.

For and on behalf of the Board

Warren Thessman
Director

Piers Hamid
Director

9 June 2006

Statement of cash flows

for the year ended 31 March 2006

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Cash flows from operating activities					
Cash was received from:					
Receipts from customers		**28,797**	27,807	**15,797**	14,143
Dividends received		**-**	-	**1,900**	1,900
Oxford Finance - interest received		**5,569**	5,684	**-**	-
Other interest received		**134**	16	**113**	16
		34,500	33,507	**17,810**	16,059
Cash was disbursed to:					
Payments to suppliers and employees		**(23,927)**	(22,376)	**(10,431)**	(9,120)
Oxford Finance - interest paid		**(3,240)**	(3,225)	**-**	-
Interest paid		**(1,339)**	(1,592)	**(1,339)**	(1,567)
Income tax paid		**(188)**	-	**-**	-
		(28,694)	(27,193)	**(11,770)**	(10,687)
Net cash flows from operating activities	*19*	**5,806**	6,314	**6,040**	5,372
Cash flows to investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		**80**	48	**28**	10
Oxford Finance - loans advanced		**6,653**	705	**-**	-
		6,733	753	**28**	10
Cash was applied to:					
Purchase of property, plant and equipment		**(3,866)**	(3,197)	**(3,206)**	(3,010)
		(3,866)	(3,197)	**(3,206)**	(3,010)
Net cash flows from/(to) investing activities		**2,867**	(2,444)	**(3,178)**	(3,000)

	Note	Group 2006 $000	Group 2005 $000	Parent 2006 $000	Parent 2005 $000
Cash flows from financing activities					
Cash was provided from:					
Oxford Finance - Secured Debenture Stock issued		**2,026**	27,692	**-**	-
		2,026	27,692	**-**	-
Cash was applied to:					
Oxford Finance - Repayment of Debenture Funds		**(6,769)**	(26,177)	**-**	-
Repayment of loans		**(1,100)**	(2,000)	**(1,100)**	(2,000)
Payment of dividends		**(160)**	(175)	**(160)**	(175)
		(8,029)	(28,352)	**(1,260)**	(2,175)
Net cash flows to financing activities		**(6,003)**	(660)	**(1,260)**	(2,175)
Net increase/(decrease) in cash held		**2,670**	3,210	**1,602**	197
Add opening cash brought forward		**4,999**	1,789	**1,060**	863
Ending cash carried forward		**$7,669**	$4,999	**$2,662**	$1,060

The notes on pages 19 to 33 form part of these financial statements.

1. Statement of accounting policies

Reporting entity

The financial statements of the Parent are for Electra Limited, a company registered under the Companies Act 1993.

The consolidated financial statements of the Group consist of Electra Limited ("The Company") and its subsidiaries.

The Company and Group financial statements of Electra Limited have been prepared in accordance with the Financial Reporting Act 1993, the Companies Act 1993 and Electricity Companies Act 1992.

The Trustees of Electra Trust hold 100% of the shares in Electra Limited.

Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Company and Group, with the exception that certain property, plant and equipment have been re-valued. Revenue and expenditure are reported on an accrual basis with the exception of those items referred to in specific accounting policies.

Specific accounting policies

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

a) Basis of consolidation - purchase method

The consolidated financial statements include the Parent Company, and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation.

In the Parent Company financial statements, the investment in Oxford Finance is accounted for at cost and the investment in Electra Contracting is stated at net tangible asset value.

b) Property, plant and equipment

The Company and Group has six classes of property, plant and equipment:

1. Land and Buildings
2. Distribution Assets
3. Leasehold Improvements
4. Plant and Equipment
5. Vehicles
6. Work in progress

All owned items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment comprises its purchase price plus any other costs directly attributable to bringing the item to working condition for its intended use.

The cost of self-constructed property, plant and equipment includes the cost of all materials used in construction, direct labour, costs of obtaining resource management consents, financing costs that are attributable to the project and an appropriate proportion of the variable and fixed overheads. Costs cease to be capitalised as soon as the property, plant and equipment is ready for productive use and do not include any inefficiency costs.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential, or is necessarily incurred to enable future economic benefits to be obtained, and that expenditure would have been included in the initial cost of the item had the expenditure been incurred at that time.

Distribution system assets are revalued every three years to fair value, or more regularly if necessary to ensure that no individual item of property, plant and equipment within a class is included at a valuation that is materially different from its fair value. Fair value is determined using Optimised Deprival Value.

Any revaluation increment or decrement is recognised in the statement of movements in equity. If the revaluation results in a revaluation deficit, the revaluation deficit is recognised in the statement of financial performance. To the extent that a revaluation reverses a previous revaluation deficit that was recognised in the statement of financial performance, such revaluation increment is recognised in the statement of financial performance.

Land and buildings other than those included in distribution assets, are stated at market valuation. (refer note 10).

All other property, plant and equipment is recorded at cost less accumulated depreciation.

Where the estimated recoverable amount of an asset is less than the carrying amount, the asset is written down. The impairment loss is recognised in the statement of financial performance.

c) Depreciation

Depreciation is provided on either a diminishing value (DV), or straight line (SL) basis on all property, plant and equipment, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful lives.

Main depreciation rates are:

Substation assets	2.2% - 7.8% straight line
Other Distribution Assets	1.4% – 6.7% straight line
Buildings	1% - 2.5% straight line and 4% diminishing value
Leasehold Improvements	11% - 31% diminishing value
Plant and equipment	10% - 50% diminishing value
Computer equipment	20% - 50% straight line
Motor vehicles	20% - 25% diminishing value and 20% straight line

d) Goodwill arising on acquisition

Goodwill arising on the acquisition of a subsidiary represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised to the statement of financial performance on a straight line basis over the period during which benefits are expected to be derived – a period not exceeding 10 years.

Annually the carrying value of goodwill is assessed to ensure that it has not been subject to impairment. If any impairment loss occurs it is recognised in the statement of financial performance.

e) Receivables

Receivables are stated at their estimated realisable value after providing against debts where collection is doubtful.

Finance Receivables:

Finance Receivables, comprising finance leases, hire purchase contracts and secured fixed term advances, are included in the financial statements at the amount of total instalments yet to be paid less unearned income and provision for doubtful debts.

Financing Receivables include:

i) impaired assets, comprising -

1. "non-accrual loans" being loans where we do not expect to be able to collect all the amounts owing in terms of the contract.
2. "assets acquired through security enforcement" being assets acquired in full or partial satisfaction of outstanding loans.
3. "restructured loans" being loans on which the original contracted terms have been concessionally modified, and on which interest continues to be accrued at a rate which is equal to or greater than the Company's average cost of funds at the date of restructuring.

ii) past due assets -

"past due assets" are Finance Receivables which have not been operated by the counterparty within the key terms of the agreement for at least 90 days but which are not impaired assets.

f) Bad Debts and Doubtful Debts Provisioning

Bad Debts are identified on a counterparty by counterparty basis, and where there is reasonable doubt as to their collectability, they are written down, by way of a specific write off, to their expected net collectable amounts with the amount written off recognised as an expense in the Statement of Financial Performance.

In addition, a non-specific provision is maintained for doubtful debts which are inherent in the portfolio of Finance Receivables, but which have not been specifically identified and provided for. This is based on new loans advanced and having regard to the level of potential credit risk inherent in the overall loan portfolio based on arrears, recovery trends and current and projected economic conditions.

Any movements in the non-specific provision are recognised in the Statement of Financial Performance.

g) Revenue recognition

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

Interest is included in hire purchase and leasing contracts at the time of origination and income is allocated over the term of each agreement using the “Rule of 78” method for loans originating prior to 1 April 2005 and the “accrual”method for loans originating after 1 April 2005. Income written into contracts, but not yet earned, has been excluded from gross income. On other loan contracts, income is brought to account on a day-to-day basis. Further income on non-accrual loans is not recognised.

h) Income tax

The tax expense charged against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences plus any adjustments arising from prior years.

The Group follows the liability method of accounting for deferred tax, applied on a partial basis.

The partial basis considers the cumulative income tax effect of all timing differences. The income tax effect of timing differences is only recognised as deferred tax for those timing differences that can be expected to reverse in the foreseeable future.

Future tax benefits attributable to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised.

h) Inventories

Inventories are stated at the lower of cost, determined on a weighted average cost basis, and net realisable value.

Work in progress includes the cost of direct material and direct labour. Losses on contract work in progress are recognised as soon as they are identified.

i) Financial instruments

Financial instruments recognised on the statement of financial position include cash, receivables, finance receivables, accounts payable, borrowings and debenture stock. The particular recognition method is disclosed in the individual policy statement associated with each item.

The Parent and Group have no unrecognised financial instruments

j) Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

k) Statement of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

1) Cash is considered to be cash on hand and current accounts at banks, net of bank overdrafts.
2) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

3) Financing activities are those activities, which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
4) Operating activities include all transactions and other events that are not investing or financing activities.

l) Changes in accounting policies

There were no changes in accounting policies during the year.

m) Comparatives

To ensure consistency with current period presentation, comparative figures have been restated where appropriate.

This involved a transfer of $2,843,000 of Oxford bank investments from Receivables to Cash.

In addition borrowings have been split to show separate disclosures of the finance segment and non finance company balances.

n) Adoption of New Zealand Equivalents to International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand International Financial Reporting Standards ("NZ IFRS") will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007. Entities have the option to adopt NZ IFRS for periods beginning on or after 1 January 2005.

Electra and its subsidiaries intend to implement NZ IFRS in the annual financial statements for the year ending 31 March 2008.

Transition Management

Electra has started a project to:

- assess the key differences in accounting policies under NZ IFRS and current accounting policies;
- determine the impacts on the financial statements from transition; and
- determine and to implement processes to deal with any related business impacts.

Change in accounting policies on transition to NZ IFRS

Significant differences identified are outlined below. It should not be regarded as a complete list of changes in accounting policies that will result from the transition to NZ IFRS, as some decisions have not yet been finalised where choices of accounting policies are available.

Electra has not yet completed an exercise to quantify the effects of the differences in accounting policies discussed below, and are therefore currently unable to reliably quantify impacts on the financial statements, which will arise from transitioning to NZ IFRS. It is possible that the actual impact of adopting NZ IFRS may vary from the information presented below, and the variation may be material.

The company's preliminary work has identified a number of changes which will occur. The major changes are as follows:

Goodwill

Currently goodwill is amortised on a straight-line basis over the period during which the benefits are expected to be received, up to a maximum of 10 years. Under NZ IFRS goodwill is no longer amortised but is instead tested for impairment. Goodwill will be allocated to the cash-generating units (CGU) to which it relates and tested for impairment annually. Impairment losses will be recognised in the Statement of Financial Performance.

Hire Purchase Revenue

Currently the application fees chargeable on new loans are recognised in the period charged. Under NZ IFRS all revenue for Hire Purchase contracts will need to be amortised over the expected life of the loan.

Provisioning

Currently the company holds a general provision for doubtful debts. Under NZ IFRS general provisions are prohibited, as an impairment provision is to be recognised only when there is objective evidence that a loss event has occurred, not when it is expected to occur.

The Company currently provides for retirement gratuities when the employees concerned reach 55 years of age. Under NZ IFRS the Company will need to provide for this liability as the service is performed, not when the employee reaches 55 years of age.

Income Taxes

Under NZ IFRS, deferred tax will be calculated using the balance sheet liability approach rather than the tax effect income statement approach currently used. This new approach recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. This will have a significant impact on the level of deferred tax assets and liabilities recorded by the group.

Revaluations

The company plans to utilise the "deemed cost" exemption on adoption of IFRS. This approach will cause some of the revaluation reserve to be reclassified as another class of equity. Any subsequent downwards revaluation of any component of property, plant and equipment will be recognised in the statement of financial performance until such a time as that component has been revalued upwards. Assets must also be revalued individually (by component) and not by class. Both of these changes will cause some volatility in future net surpluses.

2. Net Profit before taxation

Operating revenue

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
Sales	**37,078**	35,828	**23,723**	22,796
Interest revenue - Oxford Finance	**5,589**	5,500	**-**	-
Interest revenue -Bank deposits	**134**	17	**113**	17
Dividend revenue	**-**	-	**1,900**	1,900
Operating revenue	**$42,801**	$41,345	**$25,736**	$24,713

Net profit before taxation

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
Net Profit before Taxation	**$1,149**	$926	**$1,111**	$757
After charging / (crediting)				
Audit fees - Deloitte	**58**	-	**32**	-
Audit fees - PricewaterhouseCoopers	**8**	56	**8**	27
- Other Auditors	**28**	27	**-**	-
Other services: PricewaterhouseCoopers	**64**	125	**50**	120
Bad debts	**486**	503	**8**	37
Change in provision for doubtful debts	**110**	52	**30**	-
Depreciation*	**4,173**	4,195	**3,887**	3,913
Goodwill amortisation	**742**	751	**291**	291
Directors' fees	**167**	146	**167**	146
Interest - Oxford Finance	**3,275**	3,238	**-**	-
Interest - Bank borrowning	**1,339**	1,505	**1,339**	1,508
(Gain) / loss on sale of property, plant & equipment	**82**	388	**90**	387
Rental and lease costs	**365**	358	**61**	48
**Depreciation by category*				
- Buildings	**30**	30	**-**	-
- Distribution Assets	**3,669**	3,708	**3,669**	3,708
- Leasehold Improvements	**17**	14	**8**	10
- Plant and Equipment	**292**	295	**190**	161
- Vehicles	**165**	148	**20**	34
	4,173	4,195	**3,887**	3,913

Consumer sales discount

A total of $7.2 million plus GST was credited to consumers during the year to 31 March 2006 ($7.0 million plus GST during the year to 31 March 2005). An additional provision of $1.1 million was made during the year towards the 2006/07 sales discount.

3. Taxation

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Profit before taxation	**1,149**	926	**1,111**	757
Prima facie taxation at 33%	**379**	306	**367**	250
Plus / (Less) taxation effect of permanent differences	**1,356**	524	**578**	(255)
Timing items not recognised	**(693)**	145	**(779)**	94
Benefit of tax losses not previously recognised	**(1,042)**	(975)	**(166)**	(89)
Prior period adjustment	**(156)**	-	-	-
Taxation expense / (benefit)	**(156)**	-	-	-
Represented by:				
Deferred tax	**9**	(975)	-	(89)
Current tax	**147**	975	-	89
	156	-	-	-

The Group has a potential deferred tax liability net of future tax benefits of $13,224,509 Parent $13,410,406 (2005: Group $11,392,160, Parent $11,502,200) which is not recorded in the financial statements. This balance is made up of a deferred tax liability for the Group and Parent of $13,496,956 (2005: $12,720,229) which arises mainly from the revaluation of assets for accounting purposes, and a future tax benefit for the Group of $272,447, Parent $86,550 (2005: Group $1,328,069, Parent $1,218,029). These balances are not expected to crystallise in the foreseeable future and have therefore not been recorded in the financial statements.

The future tax benefit above comprises the benefit of tax losses available to carry forward for the Group and Parent of $30,349 (2005: Group and Parent $1,148,269) and the benefit of other timing differences for the Group of $242,098, Parent $56,201 (2005: Group $179,800, Parent $69,760).

The carrying forward of tax losses is subject to continuing to meet shareholder continuity requirements under the Income Tax Act 2004.

The Group and Parent have imputation credits to carry forward as at 31 March 2006 of $616,174 and $394,029 (2005: Group $415,283 and Parent $394,029).

Deferred tax liability

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Opening balance	**9**	9	-	-
Current year movement	**(9)**	-	-	-
Closing balance	-	$9	-	-

Imputation Credit Account

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Opening balance	**415**	414	394	349
Imputation credits attached to dividends received/(paid)	-	-	-	-
Payments during the year	**202**	-	-	-
Other	**(1)**	1	-	-
Closing balance	**$616**	$415	**$394**	$394

4. Dividends

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Dividends Paid	**$160**	$175	**$160**	$175

Dividends were paid, during the year to the Electra Trust. There is no proposed final dividend.

5. Share capital

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
24,464,922 ordinary shares issued and fully paid	**18,000**	18,000	**18,000**	18,000
Total shares issued	**$18,000**	$18,000	**$18,000**	$18,000

All ordinary shares rank equally with one vote attached to each fully paid share.

6. Reserves

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
Investment revaluation reserve	**-**	-	**3,312**	3,913
Asset revaluation reserve	**64,249**	64,248	**64,077**	64,076
	$64,249	$64,248	**$67,389**	$67,989
Reconciliation of reserve movements				
Investment Revaluation Reserve				
Opening balance	**-**	-	**3,913**	3,291
Revaluation of subsidiary shares	**-**	-	**(619)**	622
Transfer between Equity accounts	**-**	-	**18**	-
Closing balance	**-**	-	**$3,312**	$3,913
Asset Revaluation Reserve				
Opening balance	**64,248**	63,985	**64,076**	63,813
Revaluation of assets	**1**	263	**1**	263
Closing balance	**$64,249**	$64,248	**$64,077**	$64,076

7. Debt Financing
(Excluding Oxford Finance Corporation Limited)

	Group		Parent	
	2006	2005	**2006**	2005
	$000	$000	**$000**	$000
Borrowings				
Bank borrowings	**18,100**	19,200	**18,100**	19,200
Total debt funding	**18,100**	19,200	**18,100**	19,200
less current borrowings	**(7,500)**	(2,600)	**(7,500)**	(2,600)
Non current borrowings	**$10,600**	$16,600	**$10,600**	$16,600
Repayable as follows:				
Within one year	**7,500**	2,600	**7,500**	2,600
Within two years	**6,600**	6,000	**6,600**	6,000
Beyond two years	**4,000**	10,600	**4,000**	10,600
Total borrowings	**$18,100**	$19,200	**$18,100**	$19,200

All bank borrowings are secured by a General Securities Agreement over the parent's assets only.

Interest Rates

Interest rates payable on the parent company bank facilities range from 6.75 – 7.51% (2005: 6.46 – 7.86%)

8. Oxford Finance – Secured Debenture Stock

	Oxford Finance	
	2006	2005
	$000	$000
Borrowings		
Total Secured Debenture Stock	42,347	47,059
Less current Debenture Stock	**(27,973)**	(35,967)
Non current Debenture Stock	**$14,374**	$11,092
Repayable as follows:		
Within one year	**27,973**	35,967
Within two years	**13,438**	10,976
Beyond two years	**936**	116
Total	**$42,347**	$47,059

Secured Debenture Stock - security

The Secured Debenture Stock is secured by a floating charge in favour of the Trustee over the assets of Oxford Finance Corporation Limited.

	Group			
	2006		2005	
Due for Repayment	**$000**	**Avg Rate %**	$000	Avg Rate %
Within one year	**27,973**	**7.53**	35,967	7.19
Between one and two years	**13,438**	**8.05**	10,976	7.78
Over two years	**936**	**8.16**	116	7.26
Total	**$42,347**	**7.71**	$47,059	7.33

Concentrations of funding

The majority of funds lent to the Company by way of debenture is from the Horowhenua region.

9. Accounts payable and accruals

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Creditors				
Trade	**2,696**	4,153	**830**	801
Other	**2,537**	3,436	**2,522**	3,404
Inter-company payables	**-**	-	**250**	430
Accruals	**1,545**	320	**1,451**	229
Accrued employee entitlements	**739**	660	**194**	196
	$7,517	$8,569	**$5,247**	$5,060

10. Property, Plant and Equipment

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Distribution assets				
Land	**544**	544	**544**	544
Buildings	**6,842**	6,839	**6,842**	6,839
Substation equipment	**10,743**	10,736	**10,743**	10,736
Lines	**59,569**	64,627	**59,569**	64,627
Switchgear	**4,916**	4,537	**4,916**	4,537
Transformers	**13,770**	13,460	**13,770**	13,460
Network easements	**17**	-	**17**	-
Other Network assets	**16,709**	10,274	**16,709**	10,274
Depreciation on Network assets	**(10,350)**	(6,686)	**(10,350)**	(6,686)
Total Distribution Assets	**102,760**	104,331	**102,760**	104,331
Non-distribution assets				
Land	**577**	215	**362**	-
Buildings	**746**	698	**-**	-
Accumulated Depreciation	**(60)**	(30)	**-**	-
	1,263	883	**362**	-
Leasehold improvements	**187**	185	**142**	142
Accumulated Depreciation	**(122)**	(108)	**(113)**	(105)
	65	77	**29**	37
Plant and equipment	**2,160**	2,093	**1,011**	1,034
Accumulated Depreciation	**(1,612)**	(1,375)	**(867)**	(736)
	548	718	**144**	298
Vehicles	**2,056**	1,815	**92**	118
Accumulated Depreciation	**(1,266)**	(1,329)	**(53)**	(53)
	790	486	**39**	65
Capital Work in Progress	**1,226**	434	**1,033**	434
Total Property, Plant and Equipment	**$106,652**	$106,929	**$104,367**	$105,165

Valuation

Land and buildings owned by the Company, other than those referred to above as being part of distribution assets, are stated at market valuation, which was assessed as at 31 March 2004 by DTZ NZ Limited (Registered Valuers). The Land and Improvements value at valuation date was $215,000 and $675,000 respectively. The valuations are undertaken using the "highest & best use" method and are carried out on a three yearly basis.

The Optimised Deprival Value (ODV) at which distribution assets are stated, was assessed by Electra and independently reviewed by PricewaterhouseCoopers as at 31 March 2004. The report placed an ODV on Distribution assets of $101,173,265.

The ODV valuations are undertaken on a three yearly basis. The next assessment will be as at 31 March 2007. For the intervening years the distribution assets are updated for additions during the year at cost.

All other assets are recorded at cost.

11. Investment in Subsidiaries

The investment in Oxford Finance is accounted for at cost and the investment in Electra Contracting is stated at net tangible asset value.

		Interest held by Group	
Name of Entity	**Principal activities**	**2006**	2005
Electra Contracting Limited	Electrical Contracting	**100%**	100%
Oxford Finance Limited	Financial Services	**100%**	100%
Oxford Finance Corporation Limited	Financial Services	**100%**	100%
Electra Generation Limited	Non Trading	**100%**	100%
DeFrost Limited	Non Trading	**100%**	100%
Horowhenua Wind Energy Limited	Non Trading	**100%**	100%

All subsidiaries have a balance date of 31 March and are incorporated in New Zealand.

12. Intangible Assets

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Balance at beginning of year	**5,422**	6,173	**1,892**	2,183
Amortisation	**(742)**	(751)	**(291)**	(291)
Balance at end of year	**$4,680**	$5,422	**$1,601**	$1,892

13. Cash and Bank investments

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Non Finance Business				
Cash on hand	**1,019**	1,340	**662**	460
Investments with other financial institutions	**2,500**	600	**2,000**	600
Finance Business				
Cash on hand	**81**	216	**-**	-
Investments with other financial institution	**4,069**	2,843	**-**	-
Total Cash & Bank Investments	**$7,669**	$4,999	**$2,662**	$1,060

14. Receivables and prepayments

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Trade debtors	**3,051**	6,525	**1,083**	1,160
Intercompany receivable	**-**	-	**22**	8
GST refund due	**-**	398	**-**	398
Prepayments	**461**	32	**44**	26
	3,512	6,955	**1,149**	1,592
Less provision for doubtful debts	**(50)**	(20)	**(40)**	(10)
	$3,462	$6,935	**$1,109**	$1,582

15. Finance receivables

Finance Receivables

Finance lending is provided to clients in the form of hire purchase contracts, leasing advances, mortgages and dealer floorplans.

	Group	
	2006 $000	2005 $000
Finance Receivables	**44,293**	55,479
Less provision for Unearned Interest	**(1,461)**	(5,995)
Less provision for Doubtful Debts	**(408)**	(328)
Total	**$42,424**	$49,156

Due for Repayment

	Group	
	2006 $000	2005 $000
Within one year	**23,174**	23,640
Less provision for Doubtful Debts	**(408)**	(328)
Net within one year	**22,766**	23,312
Between one and two years	**13,839**	17,489
Over two years	**5,819**	8,355
Total	**$42,424**	$49,156

16. Inventories and Work in Progress

	Group	
	2006 $000	2005 $000
Construction stock	**43**	53
Work in progress	**252**	249
Total	**$296**	$302

17. Financial instruments (Excluding Oxford Finance Corporation Limited)

Credit risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

Financial assets which potentially subject the company and the subsidiaries to credit risk principally consist of bank balances, accounts receivable and in the case of the Company, advances to subsidiaries.

The Company and the Group manages its principal credit risks by having Use of System Agreements with its major customers to maintain a minimum credit rating of BBB or better and performing credit evaluations on customers requiring advances.

Maximum exposures to credit risk as at balance date are:

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Bank balances	**3,519**	1,940	**2,662**	1,060
Receivables	**2,854**	3,605	**1,109**	1,582

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

Bank balances and investments in short term deposits are made with registered banks with satisfactory credit ratings.

Concentrations of credit risk

The company has exposures to concentrations of credit risk by having six line customers. This is managed as mentioned above through the Use of System Agreements.

Currency risk

The Company and Group has no material exposure to foreign exchange risk.

Interest rate risk

Liabilities

The interest rate risk exposure is limited to bank borrowings. The Company has no interest hedge contracts.

Fair values

The carrying amounts recorded in the Statement of Financial Position as at 31 March 2006 are considered to be their fair values for all classes of financial instruments with the exception of bank borrowings. It is not practical to estimate the fair value of the borrowings with an acceptable level of reliability due to the wide variance in interest rates attaching to those borrowings.

Liquidity Risk

Facilities of $21.3 million exist with the Bank of New Zealand, of which amounts are drawn down to cover shortfalls in liquidity.

18. Financial Instruments (Oxford Finance Corporation Limited)

Credit Risk

Credit risk is the potential that the counterparty to a financial transaction will fail to perform according to the terms and conditions of the contract, thus causing loss.

Financial instruments which potentially subject the Company to credit risk principally consist of hire purchase contracts, leasing advances, dealer floorplans and bank deposits.

The Company performs credit evaluation on the majority of customers requiring advances. Hire purchase contracts and leasing advances are principally made through motor vehicle dealer clients and dealer floorplans are secured by first charges taken over vehicle stock, which are subject to conservative lending margins.

Maximum exposures to credit risk as at balance date are:

	2006 $000	2005 $000
Bank Balance	**81**	216
Bank Investments	**4,069**	2,843
Hire Purchase Contracts, Leasing Advances, Mortgages and Dealer Floorplans	**42,424**	49,156
Other Receivables	**243**	897

Currency risk

The Company and Group has no material exposure to foreign exchange risk.

Interest Rate Risk

The provision of loans at fixed rates means that Oxford Finance exposes itself to a shifting interest rate environment.

The interest rate risk profile of on-balance sheet financial assets and financial liabilities has been prepared on the basis of maturity or contractual repricing whichever is the earlier.

	Effective Interest Rate		Total	
Financial Assets	**2006 %**	2005 %	**2006 $000**	2005 $000
Finance Receivables	**15.33%**	16.95%	**42,424**	49,156
Investments	**7.23%**	6.87%	**4,069**	2,843
Financial Liabilities				
Dealer Retention Account	**2.40%**	3.63%	**390**	1,710
Secured Debenture Stock	**7.70%**	7.33%	**42,347**	47,059

Management Policies

Interest rate risks are monitored on a regular basis and advice taken on likely trends. The Company's policy to match interest rate risk and interest rate exposures are reported to and reviewed regularly by the Board of Directors.

Liquidity Risk

Liquidity risk arises from the mismatch in the final maturity of financial assets and liabilities.

The Company policy for managing liquidity is to limit borrowings to the amount specified in the Debenture Trust Deed being no more than fifteen times Shareholders Funds.

The Directors monitor the liquidity position on a monthly basis and endeavour to limit borrowings to a lesser amount than specified in the Debenture Trust Deed.

Liquidity Profile

	Finance Receivable		Debenture Payable	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Within 6 months	**11,999**	12,111	**15,633**	20,111
Within 7 to 12 months	**10,767**	11,201	**12,642**	15,856
Within 13 to 24 months	**13,839**	17,489	**13,136**	10,976
Within 25 to 60 months	**5,819**	8,355	**936**	116
Total	**$42,424**	$49,156	**$42,347**	$47,059

Fair Values

The carrying amounts recorded in the Statement of Financial Position as at 31 March 2006 are considered to be their fair values for all classes of financial instrument set out in the schedule of maximum exposures with the exception of the finance receivables and bank borrowings. It is not practical to estimate the fair value of the finance receivables and borrowings with an acceptable level of reliability due to the wide variance in the terms of the receivables and the variance in interest rates attaching to those receivables and borrowings.

Recognition of Expenses for Financial Instrument

Interest expenditure for Debentures and borrowing are recognised and brought to account on a day to day basis.

Overdues

Total amount owing by all debtors with any amounts owing over 3 months

	2006 $000	2005 $000
Non Accrual Loans and Assets Acquired Through Enforcement of Security		
Balance at beginning of period	**868**	180
Less sold repossessions	**(58)**	(34)
Net increase/(decrease) for period	**850**	752
Less bad debts written off	**(393)**	(30)
Balance at end of period	**$1,267**	$868
Past Due Assets		
Balance at beginning of period	**299**	1,844
Less bad debts written off during the period	**(69)**	(385)
Net increase/(decrease) in past due assets	**19**	(1,160)
Balance at end of period	**$249**	$299

Restructured Loans

	2006 $000	2005 $000
Restructured Loans		
Balance at beginning of period	**82**	-
Net restructured loans during the period	**(36)**	82
Balance at end of period	**$46**	$82

Floorplan Exposure

The maximum amount available to existing motor vehicle dealers on floorplan arrangements is $1,030,000 (2005: $870,000).

The current borrowings by motor vehicle dealers under these facilities is $948,000 (2005: $698,000).

Concentrations of Lending

The majority of the Company's funds are advanced through motor vehicle dealers on hire purchase agreements. These dealers are throughout the North Island of New Zealand. The Company also provides finance on personal loans, mortgage advances, motor vehicle floorplans and other areas of the retail sector.

Concentrations of Funding

The majority of the funds lent to the Company by way of debenture is from the Horowhenua/Kapiti region.

Large Counterparties

There are no counterparties with credit exposure equalling or exceeding 10% of group equity.

19. Reconciliation of net profit after tax with cash inflow from operating activities

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Reported Profit after taxation	**1,305**	926	**1,111**	757
Add / (less) non-cash items				
Goodwill Write Off	**744**	749	**291**	291
Depreciation	**4,173**	4,195	**3,887**	3,913
Doubtful Debt provision movement	**110**	52	**30**	-
Asset Revaluation	**1**	-	**1**	-
Add item classified as investing activity				
Capital (gain) / loss on sale of fixed assets	**82**	388	**90**	387
Movements in working capital				
Increase / (decrease) in accounts payable and other provisions	**(1,202)**	(1,403)	**187**	(659)
(Increase) / decrease in receivables	**584**	939	**443**	683
(Increase) / decrease in inventory	**9**	468	**-**	-
Net cash inflow from operating activities	**$5,806**	$6,314	**$6,040**	$5,372

20. Contingent liabilities

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
a) Guarantee of bank facilities for a subsidiary to a limit of	-	-	**950**	950
At balance date the amount of the bank facilities so guaranteed was	-	-	**-**	-

b) The Group has not fully provided for a liability to some employees which would be payable on their retirement. The Group begins providing for this liability when the employees concerned attain 55 years of age.

21. Commitments

Capital commitments

At balance date, there was $884,593 unaccrued expenditure contracted for and approved by the Company and Group (2005 – $4,500).

The Group has entered into a Forward Exchange contract to purchase JPY15,249,848 (YEN) for NZ$221,301 being settlement of one of the capital commitment contracts outstanding at year end.

Operating lease commitments

Lease commitments under a non-cancellable operating lease

	Group		Parent	
	2006 $000	2005 $000	**2006 $000**	2005 $000
Not later than one year	**420**	340	**42**	37
Within two years	**214**	289	**-**	12
Within two to five years	**61**	207	**-**	-
After five years	**-**	-	**-**	-
	$695	$836	**$42**	$49

22. Transactions with related parties

During the year the Company purchased construction and maintenance services from a subsidiary Electra Contracting Limited, to an amount of $2.9 million (2005: $3.3 million). The amount outstanding at year end was $250k (2005: $408k).

During the year, and in the normal course of business, Electra Limited group purchased goods from Pre-Cast Components Limited, a company in which director Mr P A T Hamid is a director. These services and goods amounted to $190 (2005: $70,232). The amount outstanding at year end was $Nil (2005: $Nil).

During the year Oxford Finance Corporation Limited provided funding to Electra Limited and Electra Contracting Limited and received $29,229 (2005: $28,199) in revenue. At year end there were no inter-company loans unpaid and Electra Limited owed $Nil (2005: $Nil) in unpaid interest to Oxford Finance Corporation Limited.

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

23. Segment information

The predominant activities of Electra are ownership and operation of an electricity distribution network, electrical contracting and the provision of financial services. All significant operations and activities are conducted within New Zealand.

Industry segments

	Parent		Contracting		Finance		Eliminations		Group	
	2006 $000	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000
Operating Revenue										
External customers	**25,736**	24,713	**12,165**	11,646	**6,800**	6,886	**(1,900)**	(1,900)	**42,801**	41,345
Internal customers	**-**	-	**2,913**	3,348	**29**	28	**(2,942)**	(3,376)	**-**	-
Total Revenue	**25,736**	24,713	**15,078**	14,994	**6,829**	6,914	**(4,842)**	(5,276)	**42,801**	41,345
Result										
Segment net surplus	**1,111**	757	**1,102**	1,138	**1,436**	1,383	**(2,344)**	(2,352)	**1,305**	926
Assets										
Segment total assets	**120,754**	121,334	**5,274**	4,776	**47,353**	53,303	**(8,199)**	(8,513)	**165,182**	170,900

(All intersegment sales are on an arm's length basis.)

24.Subsequent Events

There have been no material events since balance date to the 9th of June 2006 that require disclosure in these financial statements.

25. Required disclosures

The Company reported the following performance measures in its 2005/06 Statement of Corporate Intent:

	Actual	Target
Capital ratio – Shareholders funds to total assets	**59%**	40%
Operating Surplus	**$0.6m**	$1.6m
Operating Cost per consumer	**$122**	$135
Network Reliability		
- average interruption duration	**70**	78
- average frequency index	**1.34**	1.50

The following performance measures are disclosed in accordance with the Ministry of Commerce Disclosure regulations for Electricity Distribution Companies.

	2006	2005
Energy performance measures		
Direct line cost per kilometre	**$1,533**	$1,534
Indirect line cost per electricity customer	**$35**	$39
Energy delivery efficiency performance measures		
Load factor	**48%**	49%
Loss ratio	**6.69%**	6.58%
Capacity utilisation	**31.84%**	31.95%
Statistics		
System length (km)	**2,179**	2,165
Transformer capacity (kVA)	**288,716**	284,881
Maximum demand (MW)	**92.0**	91.0

	2006	2005
Total electricity supplied from system (kWh)	**384,874,760**	388,342,188
Total customers	**40,458**	39,906
SAIDI (system average interruption duration index)	**69.6**	78.0
SAIFI (system average interruption frequency index)	**1.34**	1.56
CAIDI (customer average interruption duration index)	**51.9**	50.0
Number of faults per 100 kilometres	**7.9**	6.9

Non financial performance MEASURES

Directors and remuneration

The following persons holding office as Directors during the year were authorised and received the following remuneration:

Electra Limited	
W R Thessman	$68,580
M H Devlin	$32,855
P A T Hamid	$32,855
P F McKelvey	$32,855

Entries recorded in the interest register

The following entries were recorded in the Interest Register of the Company and its subsidiaries during the year:

a) Directors' interests in transactions

The following Directors gave notice of an interest in transactions between a related party and Electra Limited or its subsidiary:

- P A T Hamid as a director of Pre-Cast Components Limited

A number of the directors are also consumers of the Company. All transactions were undertaken at the Company's normal terms and conditions.

b) Share dealings of Directors

Directors did not purchase or sell shares in Electra Limited or its subsidiaries during the year.

c) Loans to Directors

There were no loans made to Directors by Electra Limited or its subsidiaries during the year.

d) Directors' indemnity and insurance

The Company has insured its Directors, and the Directors of its subsidiaries, against liabilities to other parties that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

Executive employees' remuneration

During the year the following numbers of employees received remuneration and/or other benefits within the following bands:

	Group and Parent Company	
	Year ended 31 March 06	Year ended 31 March 05
Continuing Employees		
$100,000 - $110,000	1	-
$120,001 - $130,000	1	1
$200,001 - $220,000	1	1
Discontinued Employees		
$100,000 - $110,000	-	-
$110,001 - $120,000	-	-
$170,000 - $180,000	-	-

All the above employees are provided with the use of a Company motor vehicle not included in the above calculation.

Changes in accounting policy

There were no changes in accounting during the year.

Donations

During the year no donations were made by the Company.

Statutory INFORMATION

DIRECTORY

Trustees

C A Hercus (Chairperson)
L R Burnell
T M Hayward
J M Keall
R J Latham
C R Turver

Directors

W R Thessman (Chairperson), BE (Civil), CEng, FIPENZ, MICE, MASCE, MASHRAE
M H Devlin, ED, BA, M.Com, MAIIE, GRAD.DBS
P A T Hamid, BCA, CA
P F McKelvey, CNZM, MBE, TTC (Physical Education)

Executives

J L Yeoman (CEO – Electra Group), BBS, FCIS, ACCM, ANZIM
T B Campbell (Group Finance Manager) BBS, CA
J E Fallen (Network Manager - Electra)
A L Hutchison (GM – Electra Contracting)
R N Leggett (GM – Business Development), BA
J M Williams (GM – Oxford Finance)
V M Wright (Company Secretary)

Registered office

Electra Limited Cnr Salisbury and Durham Streets LEVIN

Postal address

P O Box 244 LEVIN
Telephone 06 366 0944
Fax 06 366 0949

Auditors

Deloitte Wellington
Fluker Denton & Co Levin
On behalf of the Controller and Auditor General

Solicitors

Quigg Partners, Wellington

Bankers

Bank of New Zealand

Notice of AGM

Notice is hereby given that the Annual Meeting of Shareholders of Electra Limited will be held at the Company's Registered Office, Cnr Salisbury and Durham Streets, Levin on Friday 28 July 2006 at 2.00pm.

Ordinary business

1. To receive and consider the Directors' Report, the Financial Statements and the Auditors' Report
2. To consider the Directors' recommendations as to dividends
3. To elect Directors. M Devlin and P McKelvey retire by rotation at the annual general meeting of the company. M Devlin and P McKelvey being eligible, offer themselves for re-election
4. To fix remuneration of the Directors for the ensuing year
5. To record the re-appointment the Auditor General (or his appointee) as Auditor of the Company and to authorise the Directors to fix their remuneration for the ensuing year

By order of the Board

V M Wright
Company Secretary

9 June 2006

Any shareholder of the Company entitled to attend and vote at the Meeting may appoint another person as proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. Proxy forms must be lodged at the registered office of the Company, cnr Salisbury and Durham Streets, P O Box 244, Levin.

Laser Light Show, Levin Centennial Celebrations