

**THE POWER COMPANY LIMITED LINE BUSINESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

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

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2007 Information Disclosure package issued by The Power Company Limited has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

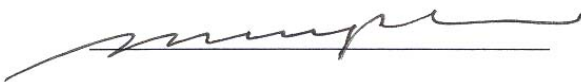
The Requirements require the information to be disclosed in the manner it is presented.

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

The financial information presented is for the line business as described within the Electricity Information Disclosure Requirements 2004. There are also additional activities of the Company that are not required to be reported under the Requirements.

APPROVAL BY DIRECTORS

The Directors have approved the Consolidated Financial Statements of The Power Company Limited Line Business for the period ended 31 March 2007 on pages 2 to 21.



Maryann Macpherson
Director



Doug Fraser
Director

For and on behalf of the
Board of Directors

February 2008

THE POWER COMPANY LIMITED LINE BUSINESS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Operating Revenue	(2)	32,658	29,390	15,852	14,095
Operating Expenses	(3)	(28,544)	(25,946)	(11,389)	(10,765)
Net Surplus Before Taxation		4,114	3,444	4,463	3,330
Taxation Expense		(2,065)	(2,115)	(2,130)	(2,044)
Net Surplus After Taxation		2,049	1,329	2,333	1,286

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

THE POWER COMPANY LIMITED LINE BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total Recognised Revenues and Expenses:					
Net Surplus for the Year		2,049	1,329	2,333	1,286
Movement in Revaluation Reserve		37,620	-	37,620	-
		39,669	1,329	39,953	1,286
Add Contributions from Owners During the Year:					
- Funds Released from Other Business		-	-	-	-
		-	-	-	-
Deduct Distributions to Owners During the Year:					
- Dividend		(4,000)	(143)	(4,000)	(143)
		(4,000)	(143)	(4,000)	(143)
Movements in Equity for the Year		35,669	1,186	35,953	1,143
Equity at Beginning of Year		209,923	208,737	208,896	207,753
Equity at End of Year	(4)	245,592	209,923	244,849	208,896

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

THE POWER COMPANY LIMITED LINE BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2007

	Note	Group		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Equity	(4)	245,592	209,923	244,849	208,896
<i>Represented By:</i>					
Current Assets					
Receivables and Prepayments	(5)	2,190	3,199	1,232	1,301
Inventories		60	51	-	-
Total Current Assets		2,250	3,250	1,232	1,301
Non Current Assets					
Intercompany Advance		-	-	2,181	2,325
Property, Plant and Equipment	(6)	247,946	207,084	246,914	206,079
Capital Work in Progress		9,560	6,871	9,447	6,843
Total Non Current Assets		257,506	213,955	258,542	215,247
Total Assets		259,756	217,205	259,774	216,548
Current Liabilities					
Bank Overdraft		4,475	2,538	8,023	5,352
Accounts Payable and Provisions	(7)	5,604	4,601	2,817	2,157
Provision for Taxation		-	-	-	-
Provision for Dividend		-	143	-	143
Total Current Liabilities		10,079	7,282	10,840	7,652
Non Current Liabilities					
Shareholder Loan		4,085	-	4,085	-
Total Non Current Liabilities		4,085	-	4,085	-
Total Liabilities		14,164	7,282	14,925	7,652
Net Assets		245,592	209,923	244,849	208,896

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

THE POWER COMPANY LIMITED LINE BUSINESS
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group		Parent	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
CASHFLOWS FROM OPERATING ACTIVITIES					
Cash was Provided From:					
Receipts from Customers		29,989	25,954	13,405	11,606
Sundry Income		3,485	2,915	2,165	1,579
Interest Received		-	-	252	215
		33,474	28,869	15,822	13,400
Cash was Applied To:					
Payments to Suppliers		16,662	14,809	1,542	912
Payments to Employees		1,287	1,086	-	-
Taxes Paid		2,065	2,115	2,130	2,044
Interest Paid		126	52	-	-
		20,140	18,062	3,672	2,956
Net Cash From Operating Activities	(8)	13,334	10,807	12,150	10,444
CASHFLOWS FROM INVESTING ACTIVITIES					
Cash was Provided From:					
Sale of Property, Plant and Equipment		44	20	43	18
Intercompany Advance		-	-	144	-
		44	20	187	18
Cash was Applied To:					
Purchase of Property, Plant and Equipment		15,172	10,417	14,865	10,173
Intercompany Advance		-	-	-	434
		15,172	10,417	14,865	10,607
Net Cash Used in Investing Activities		(15,128)	(10,397)	(14,678)	(10,589)
CASHFLOWS FROM FINANCING ACTIVITIES					
Cash was Provided From:					
Shareholder Advance		4,000	-	4,000	-
		4,000	-	4,000	-
Cash was Applied To:					
Payment of Dividends		4,143	130	4,143	130
		4,143	130	4,143	130
Net Cash Used in Financing Activities		(143)	(130)	(143)	(130)
Net Increase/(Decrease) In Cash Held		(1,937)	280	(2,671)	(275)
Add Opening Cash Brought Forward		(2,538)	(2,818)	(5,352)	(5,077)
Closing Cash Carried Forward		(4,475)	(2,538)	(8,023)	(5,352)

The accompanying notes on pages 6 to 13 form part of and should be read in conjunction with these financial statements.

THE POWER COMPANY LIMITED LINE BUSINESS

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The Power Company Limited is wholly owned by a Consumer Trust and is registered under the Companies Act 1993.

The Parent Entity consists of the network assets of The Power Company Limited.

The Group consists of the Line Business network assets of The Power Company Limited, along with the joint venture interests in PowerNet Limited, held by The Power Company Limited's wholly owned subsidiary Last Tango Limited.

Purpose of the Financial Statements

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

The activities of the Parent have been separately disclosed in these Financial Statements as that is a requirement of generally accepted accounting practice. The Parent activities are not required under the Requirements.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed by the Group with the exception that certain property, plant and equipment have been revalued.

Specific Accounting Policies

a) *Principles of Consolidation*

The interest in PowerNet Limited has been accounted for at the Group level on a line by line consolidation of revenue and expenses after the elimination of all significant inter-company transactions.

b) *Revenue*

Network Charges

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

Investment Income

Interest and dividend income are accounted for as earned.

Customer Contributions

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

c) *Avoidable Cost Allocation Methodology*

The Avoidable Cost Allocation Methodology as described in the Electricity Information Disclosure Handbook has been used to separate "Other" activities from The Power Company Limited and PowerNet Limited. Other activities or non Line Business activity has been excluded from these accounts.

d) Receivables

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

e) Inventories

Inventories are stated at the lower of cost (at weighted average cost price) and net realisable value.

f) Property, Plant and Equipment

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

Revaluation

The network system assets were revalued by means of a "Directors' Revaluation" on 31 March 2007 to assessed fair value. The assessed fair value was achieved by taking the previously revalued assets at their 2004 carrying values and updating those values in terms of today's material and labour costs. Previously these assets were recorded at cost less accumulated depreciation.

Network assets are revalued on a cyclical basis to fair value using a Depreciated Replacement Cost methodology with no asset being recognised at a valuation undertaken more than five years previously.

Revaluation increments are transferred to the Asset Revaluation Reserve.

g) Depreciation

Property, Plant and Equipment is depreciated on the basis of valuation or cost price less estimated residual value over the period of their estimated useful life.

Rates used are:

Buildings	2.50% – 15.00%	Straight Line/Diminishing Value
Office Equipment & EDP Equipment	9.00% – 80.40%	Diminishing Value
Network Assets	1.82% – 16.67%	Straight Line/Diminishing Value

h) Impairment

Where the estimated recoverable amount of an asset is less than its carrying value, the asset is written down to its estimated recoverable amount and an impairment loss is recognised in the Statement of Financial Performance.

i) Income Tax

The income tax expense charged against the profit for the year is the estimated liability calculated at 33 cents in the dollar in respect of that profit.

j) Capital Work In Progress

Capital Work In Progress is stated at cost and is not depreciated.

k) Goods And Services Tax

These accounts have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are GST inclusive.

l) Financial Instruments

The Line Business is party to financial instrument arrangements as part of its everyday operations. Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance on an accrual basis.

The Line Business has no off-balance sheet exposures. The Line Business values all financial instruments at fair value in the Statement of Financial Position.

m) Operating Leases

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

n) Foreign Currency

Transactions covered by short-term forward exchange contracts are translated at the exchange rates specified in those contracts. Other foreign currency transactions are translated to New Zealand currency at the exchange rates ruling at the dates of the transactions. There are no assets or liabilities in foreign currencies at balance date.

o) Employee Entitlements

Provision is made in respect of the Company's liability for annual and long service leave. Leave has been calculated on an actual entitlement basis at current rates of pay.

Changes in Accounting Policies

There have been no changes in accounting policies during the year ended 31 March 2007.

THE POWER COMPANY LIMITED LINE BUSINESS
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
2. Operating Revenue				
<i>Operating Revenue Comprises:</i>				
Network Charges	29,172	26,474	13,435	12,302
AC Loss Rental Rebates	881	1,191	-	-
Interest on Investments	-	-	252	215
Other Revenue	2,605	1,725	2,165	1,578
Total Operating Revenue	32,658	29,390	15,852	14,095
3. Operating Expenses				
<i>Operating Expenses Include:</i>				
Auditors Remuneration:				
- Statutory Audit	27	31	18	17
- Other	16	29	6	29
Bad Debts Written Off	-	5	-	-
Depreciation:				
- Office Equipment	131	167	1	1
- Network	9,645	9,484	9,645	9,484
- Buildings	5	8	-	-
- Plant & Equipment	58	86	-	-
Directors' Fees	129	132	82	82
Interest Expense	302	53	176	-
Loss on Disposal of Fixed Assets	351	239	351	238
4. Equity				
Capital Reserve	28,847	28,847	28,847	28,847
Asset Revaluation Reserve (see below)	198,714	161,093	198,714	161,093
Retained Earnings	18,031	19,983	17,288	18,956
Total Equity	245,592	209,923	244,849	208,896
<i>Asset Revaluation Reserve</i>				
Opening Balance	161,093	161,093	161,093	161,093
Revaluation in the Year	37,621	-	37,621	-
Closing Balance	198,714	161,093	198,714	161,093
5. Receivables and Prepayments				
Trade Debtors	2,028	3,050	1,170	1,243
Prepayments	162	149	62	58
Total Receivables and Prepayments	2,190	3,199	1,232	1,301

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
6. Property, Plant and Equipment				
Land	43	45	-	-
Buildings (At Cost)	294	310	-	-
Accumulated Depreciation	(164)	(168)	-	-
	130	142	-	-
Customer Billing & Information System Assets (At Cost)	2,757	2,757	2,757	2,757
Accumulated Depreciation	(2,757)	(2,757)	(2,757)	(2,757)
	-	-	-	-
Plant and Equipment (At Cost)	1,142	1,070	8	8
Accumulated Depreciation	(892)	(835)	(4)	(4)
	250	235	4	4
Office Equipment (At Cost)	2,079	1,951	13	8
Accumulated Depreciation	(1,459)	(1,362)	(6)	(6)
	620	589	7	2
Network Assets (At Valuation)	247,305	224,885	247,305	224,885
Accumulated Depreciation	(402)	(18,812)	(402)	(18,812)
	246,903	206,073	246,903	206,073
Total Property, Plant & Equipment	247,946	207,084	246,914	206,079

Directors consider book value to be an indication of the fair value of Land and Buildings.

7. Accounts Payable and Provisions

Accounts Payable and Accruals	5,422	4,429	2,817	2,157
Provision for Employee Entitlements	182	172	-	-
Total Accounts Payable and Provisions	5,604	4,601	2,817	2,157

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
8. Reconciliation of Net Surplus After Taxation with Cashflow from Operating Activities				
Net Surplus After Tax	2,049	1,329	2,333	1,286
Add Non Cash Items				
Depreciation	9,839	9,745	9,646	9,485
Loss on Sale	351	239	351	238
	12,239	11,313	12,330	11,009
Plus/(Less) Movement in Working Capital Items:				
(Increase)/Decrease in Accounts Receivable	1,021	(520)	158	(679)
(Increase)/Decrease in Prepayments	(13)	(9)	(4)	(16)
(Increase)/Decrease in Stock	(9)	(4)		-
Increase/(Decrease) in Provision for Tax	-	-		-
Increase/(Decrease) in Accounts Payable and Provisions	96	27	(334)	130
Net Cash From Operating Activities	13,334	10,807	12,150	10,444

9. Commitments

Operating Lease Commitments:

Operating Lease Commitments are payable as follows:

➤ Not Later than one year	77	59	-	-
➤ Later than one year and not later than two years	37	29	-	-
➤ Later than two years and no later than five years	31	24	-	-
➤ Later than five years	-	-	-	-

10. Financial Instruments

Off Balance Sheet Financial Instruments

The Line Business does not have any off balance sheet financial instruments.

Credit Risk

Financial instruments which potentially subject the Line Business to credit use principally consist of bank balances and accounts receivable. Bank deposits are placed with high credit - quality financial institutions. The Line Business performs credit evaluations on all customers requiring credit and generally does not require collateral.

Maximum exposures to credit risk at balance date are:

Trade Debtors	2,028	3,050	1,170	1,243
	2,028	3,050	1,170	1,243

The above exposures are net of any recognised provision for losses on these financial instruments.

No collateral is held on the above amounts.

Concentrations of Credit Risk

The Line Business is exposed to a Concentration of Credit Risk by one significant energy retailer. This entity is considered to be a high credit quality entity.

Foreign Exchange Risk

The Line Business is not exposed to any foreign exchange risk.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Line Business is exposed to normal fluctuations in market interest rates.

Fair Values

The estimated fair value of the Line Business' financial instruments are represented by the carrying values.

11. Related Parties

The Power Company Limited "Line Business" consists of line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited. The Power Company Limited "Other Business" consists of other or non-line activities conducted in The Power Company Limited and its joint venture company PowerNet Limited.

All related party transactions between The Power Company Limited Line Business and PowerNet Limited Line Business have been eliminated in the preparation of the financial statements.

During the year related party transactions took place between The Power Company Limited Line Business and The Power Company Limited Other Business. All related party transactions have been conducted on a commercial and arms length basis.

The Line Business purchased goods and services at cost, including overheads where applicable, from the Other Business. The value of the transactions, parties involved, and description of goods or services purchased were as follows:

The Power Company Limited Line Business purchased from PowerNet Limited Other Business:

	31 March 2007	31 March 2006
	\$000	\$000
Construction of:		
➤ Subtransmission assets	2,461	2,167
➤ Zone substations	6,561	2,180
➤ Distribution lines and cables	3,126	3,309
➤ Medium voltage switchgear	575	340
➤ Distribution transformers	1,461	1,172
➤ Distribution substations	547	862
➤ Low voltage lines and cables	153	124

The above amounts represent the capital works programme undertaken by PowerNet Limited on behalf of The Power Company Limited.

PowerNet Limited's Line Business purchased from The Power Company Limited Other Business:

Rent	19	21
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The value of transactions owing at balance date were as follows:

The Power Company Limited Line Business owes PowerNet Limited Other Business \$4,045,728 (2006: \$2,501,000).

PowerNet Limited's Line Business owes The Power Company Limited Other Business \$3,000 (2006: \$3,000).

The Southland Electric Power Supply Consumer Trust, which owns 100% of the shares in The Power Company Limited, is a related party. During the year expenses are paid out on behalf of the Trust, at 31 March 2007 these totalled \$91,000 (2006: \$143,000). The Trust has an outstanding debt to The Power Company Limited at balance date of Nil (2006: \$143,000) for which a dividend has been provided for in the current year by The Power Company Limited.

No related party debts have been written off or forgiven during 2007 or 2006.

12. Annual Valuation Reconciliation Report

	31 March 2007	31 March 2006
	\$000	\$000
System fixed assets at ODV – end of the previous financial year	209,109	213,780
<i>Add</i> system fixed assets acquired during the year at ODV	11,505	5,911
<i>Less</i> system fixed assets disposed of during the year at ODV	(709)	(871)
<i>Less</i> depreciation on system fixed assets at ODV	(9,787)	(9,711)
System fixed assets at ODV – end of the financial year	210,118	209,109

THE POWER COMPANY LIMITED LINE BUSINESS

DISCLOSURE OF INFORMATION

Pursuant to Requirement 6(2) of the Electricity Information Disclosure Requirements 2004, Schedule 1 Part 2.

	31 March 2007 \$000	31 March 2006 \$000
Current Assets		
(a) Cash and bank balances	-	-
(b) Short-term investments	-	-
(c) Inventories	60	51
(d) Accounts receivable	2,028	3,050
(e) Other current assets not listed in (a) to (d)	162	149
Total Current Assets	2,250	3,250
Fixed Assets		
(a) System fixed assets	246,903	206,073
(b) Consumer billing and information system assets	-	-
(c) Motor vehicles	-	-
(d) Office equipment	620	589
(e) Land and buildings	173	187
(f) Capital works under construction	9,560	6,871
(g) Other fixed assets not listed in (a) to (g)	250	235
Total Fixed Assets	257,506	213,955
Other tangible assets not listed above	-	-
Total Tangible Assets	259,756	217,205
Intangible Assets		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
Total Intangible Assets	-	-
TOTAL ASSETS	259,756	217,205
Current Liabilities		
(a) Bank overdraft	4,474	2,538
(b) Short-term borrowings	-	-
(c) Payables and accruals	5,605	4,601
(d) Provision for dividends payable	-	143
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e) above	-	-
Total Current Liabilities	10,079	7,282
Non-Current Liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	4,085	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
Total Non-Current Liabilities	4,085	-
Equity		
(a) Shareholders' equity:		
(i) Share capital	28,847	28,847
(ii) Retained earnings	18,031	19,983
(iii) Reserves	198,714	161,093
Total Shareholders' equity	245,592	209,923
(b) Minority interests in subsidiaries	-	-
Total Equity	245,592	209,923
(c) Capital notes	-	-
Total Capital Funds	245,592	209,923
TOTAL EQUITY AND LIABILITIES	259,756	217,205

	31 March 2007	31 March 2006
	\$000	\$000
Operating Revenue		
(a) Revenue from line/access charges	33,635	29,409
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	-	-
(d) AC loss-rental rebates	881	1,191
(e) Other revenue not listed in (a) to (d)	2,605	1,725
(f) Line charge discount to consumers	(4,463)	(2,935)
Total Operating Revenue	32,658	29,390
Operating Expenditure		
(a) Payment for transmission charges	8,325	7,115
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	20	20
Total transfer payment to the "Other" business	20	20
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	5,143	4,020
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
Total of specified expenses to non-related parties (sum of (i) to (v))	5,143	4,020
(d) Employee salaries, wages and redundancies	1,287	1,086
(e) Consumer billing and information system expense	147	156
(f) Depreciation on:		
(i) System fixed assets	9,645	9,484
(ii) Other assets not listed in (i)	194	261
Total depreciation	9,839	9,745
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other intangibles	-	-
Total Amortisation of intangibles	-	-
(h) Corporate and administration	1,505	1,425
(i) Human resource expenses	103	151
(j) Marketing/advertising	98	93
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-

	31 March 2007	31 March 2006
	\$000	\$000
(n) Consultancy and legal expenses	46	94
(o) Donations	-	-
(p) Directors' fees	129	132
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors	27	31
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by principal and other auditors	16	29
Total Auditors' fees	43	60
(r) Costs of offering credit:		
(i) Bad debts written off	-	5
(ii) Increase in estimated doubtful debts	-	-
Total cost of offering credit	-	5
(s) Local authority rates expense	131	143
(t) AC loss-rentals (distribution to retailers/customers) expense	881	1,191
(u) Rebates to consumers due to ownership interest	-	-
(v) Subvention payments	-	19
(w) Unusual expenses	-	-
(x) Other expenditure not listed in (a) to (w)	545	438
Total operating expenditure	28,242	25,893
Operating surplus before interest and income tax	4,416	3,497
Interest expense		
(a) Interest expense on borrowings	302	53
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
Total interest expense	302	53
Operating surplus before income tax	4,114	3,444
Income tax	(2,065)	(2,115)
Net surplus after tax	2,049	1,329

**THE POWER COMPANY LIMITED LINE BUSINESS
FINANCIAL AND EFFICIENCY
PERFORMANCE MEASURES**

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

FINANCIAL PERFORMANCE MEASURES

	2007	2006	2005	2004
Return on Funds	2.05%	1.56%	1.22%	3.75%
Return on Funds (excluding discount)	4.19%	2.94%	1.22%	4.88%
Return on Equity	0.94%	0.53%	0.26%	2.65%
Return on Equity (excluding discount)	2.42%	1.48%	0.26%	3.44%
Return on Investment	1.01%	0.54%	0.33%	34.52%
Return on Investment (excluding revaluation and discount)	2.45%	1.47%	0.33%	3.32%

EFFICIENCY PERFORMANCE MEASURES

	2007	2006	2005	2004
Direct Line Costs per Kilometre	\$820	\$714	\$682	\$638
Indirect Line Costs per Electricity Customer	\$71	\$60	\$54	\$44

**PERFORMANCE MEASURE CALCULATIONS INCLUDING DISCOUNT
SCHEDULE 1 - PART 7**

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	4,415,609							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	4,415,609							
Interest on cash, bank balances, and short-term investments (ISTI)	0							
OSBIIT minus ISTI	4,415,609	a		4,415,609				4,415,609
Net surplus after tax from financial statements	2,048,524							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	2,048,524	n				2,048,524		
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add	0	add	0
Subvention payment	0	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	9,644,547							
Depreciation of SFA at ODV (y)	9,787,000							
ODV depreciation adjustment	-142,453	d	add	-142,453	add	-142,453	add	-142,453
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	99,690	q					deduct	99,690
Revaluations	0	r					add	0
Income tax	2,064,993	p					deduct	2,064,993
Numerator				4,273,156		1,906,071		2,108,472
Fixed assets at end of previous financial year (FA ₀)	213,954,936							
Fixed assets at end of current financial year (FA ₁)	257,506,497							
Adjusted net working capital at end of previous financial year (ANWC ₀)	-1,350,886							
Adjusted net working capital at end of current financial year (ANWC ₁)	-3,354,607							
Average total funds employed (ATFE)	233,377,970 (or regulation 33 time-weighted average)	c		233,377,970				233,377,970
Total equity at end of previous financial year (TE ₀)	209,923,510							
Total equity at end of current financial year (TE ₁)	245,592,285							
Average total equity	227,757,898 (or regulation 33 time-weighted average)	k				227,757,898		
WUC at end of previous financial year (WUC ₀)	6,870,958							
WUC at end of current financial year (WUC ₁)	9,560,394							
Average total works under construction	8,215,676 (or regulation 33 time-weighted average)	E	deduct	8,215,676	deduct	8,215,676	deduct	8,215,676
Revaluations	0	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA ₀)	0							
Intangible assets at end of current financial year (IA ₁)	0							
Average total intangible asset	0 (or regulation 33 time-weighted average)	m			add	0		
Subvention payment at end of previous financial year (S ₀)	19,273							
Subvention payment at end of current financial year (S ₁)	0							
Subvention payment tax adjustment at end of previous financial year	6,360							

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	6,456	v		add 6,456	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	206,072,617				
System fixed assets at end of current financial year at book value (SFA _{bv1})	246,903,209				
Average value of system fixed assets at book value	226,487,913 (or regulation 33 time-weighted average)	f	deduct 226,487,913	deduct 226,487,913	deduct 226,487,913
System Fixed assets at year beginning at ODV value (SFA _{odv0})	209,109,000				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	210,118,019				
Average value of system fixed assets at ODV value	209,613,510 (or regulation 33 time-weighted average)	h	add 209,613,510	add 209,613,510	add 209,613,510
Denominator			208,287,890 ATFE ^{ADJ} = c - e - f + h	202,674,275 Ave TE ^{ADJ} = k - e - m + v - f + h	208,287,890 ATFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measure:			2.05 ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	0.94 ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	1.01 ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100
Excluding Revaluations					1.01

t = maximum statutory income tax rate applying to corporate entities
BV = book value
ave = average
odv = optimised deprival valuation
subscript '0' = end of the previous financial year
subscript '1' = end of the current financial year
ROF = return on funds
ROE = return on equity
ROI = return on investment

THE POWER COMPANY LIMITED LINE BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

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

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES YEARS ENDING 31 MARCH 2004, 2005, 2006 AND 2007

	2007	2006	2005	2004
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	69.9%	67.5%	68.3%	67.9%
Loss Ratio (Transmission losses over energy entering the system)	7.4%	7.8%	8.3%	8.4%
Capacity Utilisation (Maximum demand over total transformer capacity)	33.5%	34.0%	33.7%	34.5%

The loss ratio is derived from electricity supplied information provided by other parties. The Power Company Limited is unable to audit this information and is not confident with its accuracy.

STATISTICS

		66kV	33kV	11kV	400V	Total
System Length (km's)	2003/04	357	476	6,654	985	8,472
	2004/05	357	462	6,688	991	8,498
	2005/06	357	463	6,701	1,019	8,540
	2006/07	357	463	6,721	1,004	8,545
Overhead Lines (km's)	2003/04	357	472	6,569	865	8,263
	2004/05	357	459	6,598	864	8,278
	2005/06	357	459	6,606	862	8,284
	2006/07	357	459	6,622	859	8,297
Underground Cables (km's)	2003/04	-	4	85	120	209
	2004/05	-	3	90	127	220
	2005/06	-	4	95	158	257
	2006/07	-	4	99	145	248

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2003/04	320,740	110,520	657,269,620	601,929,800	31,875
2004/05	332,875	112,173	671,083,840	615,162,069	31,967
2005/06	335,489	114,010	673,940,046	621,158,633	32,243
2006/07	339,680	113,916	697,834,101	646,260,603	32,568

Retailer	kWh (2006/07)	kWh (2005/06)	kWh (2004/05)	kWh (2003/04)
Retailer A	44,927	-	-	-
Retailer B	16,552,858	16,369,056	14,749,281	12,742,402
Retailer C	431,365,958	414,451,245	390,352,970	341,002,613
Retailer D	132,208,777	127,129,121	146,791,042	188,904,810
Retailer E	18,727,825	17,688,033	15,463,788	13,139,523
Retailer F	23,930,010	23,867,866	24,100,091	21,482,377
Retailer G	90,605	13,891	-	-
Electricity Invercargill Limited	23,339,643	21,639,421	23,704,897	24,658,075
Total	646,260,603	621,158,633	615,162,069	601,929,800

The Electricity Conveyed details are provided by other parties. The Power Company Limited is unable to audit this information and is not confident with its accuracy.

THE POWER COMPANY LIMITED LINE BUSINESS

RELIABILITY PERFORMANCE MEASURES

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

RELIABILITY STATISTICS FOR YEARS ENDING 31 MARCH 2003, 2004, 2005 AND 2006

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2003/04	-	85	391	3	-	-	-	-	-	479
	2004/05	-	63	354	-	-	-	-	-	-	417
	2005/06	-	152	416	1	-	1	-	-	-	570
	2006/07	-	356	475	1	-	1	-	-	-	833
Predicted 2007/2008			161	405							
5-Year Average Target			168	397							
SAIDI	2003/04	-	11.1	140.8	5.4	-	-	-	-	-	157.3
	2004/05	-	7.7	117.8	-	-	-	-	-	-	125.5
	2005/06	-	14.8	143.5	2.79	-	0.08	-	-	-	161.2
	2006/07		42.4	135.1	4.9	-	0.5	-	-	-	182.9
Predicted 2007/2008			18.9	149.3							
5-Year Average Target			17.2	135.7							
SAIFI	2003/04	-	0.10	3.42	0.61	-	-	-	-	-	4.13
	2004/05	-	0.04	2.96	-	-	-	-	-	-	3.00
	2005/06	-	0.08	2.91	0.08	-	-	-	-	-	3.07
	2006/07		0.23	2.80	0.25	-	-	-	-	-	3.28
Predicted 2007/2008			0.11	2.91							
5-Year Average Target			0.10	2.91							
CAIDI	2003/04	-	111.3	41.2	8.9	-	-	-	-	-	38.1
	2004/05	-	188.3	39.8	-	-	-	-	-	-	41.9
	2005/06	-	197.0	49.3	33.21	-	26.67	-	-	-	52.5
	2006/07		188.6	48.3	20.04	-	167.00	-	-	-	56.0
Predicted 2007/2008			171.9	51.3							
5-Year Average Target			165.2	46.6							

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2003/04	1.68	3.37	6.03	5.62
	2004/05	1.40	2.18	5.06	4.71
	2005/06	0.28	1.74	5.65	5.15
	2006/07	1.12	1.74	6.58	6.02
UG per 100km	2003/04	-	-	-	-
	2004/05	-	29.07	2.22	3.20
	2005/06	-	52.63	6.30	8.08
	2006/07	-	26.32	8.08	8.76
Total per 100km	2003/04	1.68	3.34	5.96	5.56
	2004/05	1.40	2.38	5.02	4.69
	2005/06	0.28	2.16	5.66	5.19
	2006/07	1.12	1.94	6.61	6.06
Predicted 2007/2008		0.56	1.94	5.88	5.38
5-Year Average Target		0.55	1.90	5.76	5.28

Class C Interruptions Not Restored in	3 hours	20.42%
Class C Interruptions Not Restored in	24 hours	1.26%

**THE POWER COMPANY LIMITED
CERTIFICATION OF FINANCIAL STATEMENTS
PERFORMANCE MEASURES AND STATISTICS
DISCLOSED BY DISCLOSING ENTITIES
(OTHER THAN TRANSPower)**

We, Maryann Louise Macpherson and Douglas William Fraser, Directors of The Power Company Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

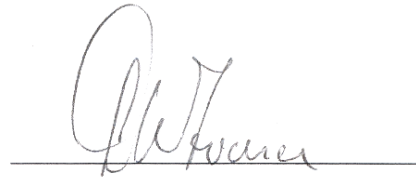
- a) The attached audited financial statements of The Power Company Limited, prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- b) The attached information being the derivation table, financial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

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

Signed:



[Director]



[Director]

Dated:

February 2008

AUDITORS' REPORT

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE POWER COMPANY LIMITED – LINE BUSINESS FOR THE YEAR ENDED 31 MARCH 2007

We have audited the financial statements of The Power Company Limited – Line Business (“the Company”) and Group on pages 2 to 13. The financial statements provide information about the past financial performance and cash flows of the Line Business of the Company and Group for the year ended 31 March 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of the Line Business of the Company and Group as at 31 March 2007, and the results of their operations and cash flows for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

Basis of Opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors and providers of other professional services we have no relationship with or interests in The Power Company Limited or any of its subsidiaries.

Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by The Power Company Limited – Line Business as far as appears from our examination of those records; and
- the financial statements of the Line Business of the Company and Group on pages 2 to 13:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of the financial position of the Line Business Company and Group as at 31 March 2007 and the results of their operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 20 February 2008 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Dunedin

**AUDITOR'S OPINION ON THE PERFORMANCE MEASURES OF
THE POWER COMPANY LIMITED – LINE BUSINESS**

We have examined the information on pages 13, 18 and 19, being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by The Power Company Limited – Line Business (“the Company”) and Group, and dated 20 February 2008 for the purposes of the Commerce Commission’s Electricity Information Disclosure Requirements 2004.

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



Chartered Accountants
20 February 2008

Dunedin