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OTAGONET JOINT VENTURE

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

**OTAGONET JOINT VENTURE LINES BUSINESS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007**

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

INFORMATION DISCLOSURE DISCLAIMER

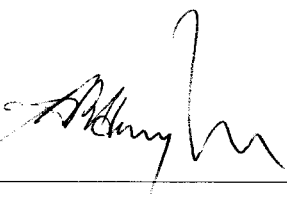
The information disclosed in this 2007 Information Disclosure package issued by OtagoNet Joint Venture has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

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.

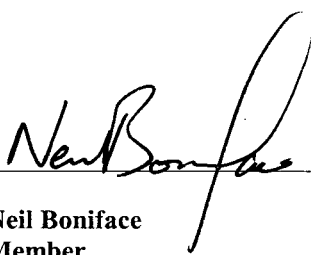
APPROVAL BY GOVERNING COMMITTEE

The Governing Committee have approved for issue the Lines Business Financial Statements of OtagoNet Joint Venture for the period ended 31 March 2007 on pages 2 to 21



Alan Harper
Chairman

For and on behalf of the
Governing Committee



Neil Boniface
Member

30 November 2007

<p style="text-align: center;">OTAGONET JOINT VENTURE LINES BUSINESS STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007</p>

	Note	31 March 2007 \$000	31 March 2006 \$000
Operating Revenue	(1)	19,994	17,117
Operating Expenses	(2)	(14,315)	(11,614)
Operating Surplus		5,679	5,503

The accompanying notes on pages 6 to 16 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	31 March 2007 \$000	31 March 2006 \$000
Total Recognised Revenues and Expenses			
Net Surplus for the Year		5,679	5,503
Revaluation of Assets		16,999	-
		22,678	5,503
Contributions from Joint Venture Parties			
Capital Introduced		-	-
		-	-
Distributions to Joint Venture Parties			
Withdrawals		(4,450)	(5,300)
		(4,450)	(5,300)
Movements in Equity for the Year		18,228	203
Equity at Beginning of Year		105,045	104,842
Equity at End of Year	(3)	123,273	105,045

The accompanying notes on pages 6 to 16 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2007

	Note	As At 31 March 2007 \$000	As At 31 March 2006 \$000
Equity			
Capital	(3)	108,500	108,500
Revaluation Reserve	(3)	16,999	-
Accumulated Deficit	(3)	(2,226)	(3,455)
Total Equity		123,273	105,045
Represented By:			
Current Assets			
Cash and Bank Deposits	(4)	1,101	162
Receivables and Prepayments	(5)	1,392	1,897
Total Current Assets		2,493	2,059
Non Current Assets			
Property, Plant and Equipment	(6)	108,818	91,166
Capital Work in Progress		1,866	962
Intangibles	(7)	11,545	12,302
Total Non Current Assets		122,229	104,430
Total Assets		124,722	106,489
Current Liabilities			
Creditors, Accruals and Provisions	(8)	1,449	1,444
Total Current Liabilities		1,449	1,444
Total Liabilities		1,449	1,444
Net Assets		123,273	105,045

The accompanying notes on pages 6 to 16 form part of and should be read in conjunction with these financial statements.

OTAGONET JOINT VENTURE LINES BUSINESS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	31 March 2007 \$000	31 March 2006 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
Receipts from Customers		20,473	16,724
Interest Received		25	17
		20,498	16,741
Cash Was Applied To:			
Payments to Suppliers and Employees		8,958	7,005
Interest Paid		25	1
		8,983	7,006
Net Cash Flows From Operating Activities	(9)	11,515	9,735
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided from:			
Sale of Property, Plant and Equipment		-	4
		-	4
Cash Was Applied To:			
Purchase of Property, Plant and Equipment		6,125	4,440
		6,125	4,440
Net Cash Flows (Used in) Investing Activities		(6,125)	(4,436)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Was Applied To:			
Withdrawals by Owners		4,450	5,300
		4,450	5,300
Net Cash Flows (Used in) Financing Activities		(4,450)	(5,300)
Net Increase/(Decrease) in Cash Held		940	(1)
Add Opening Cash Brought Forward		162	163
Closing Cash Carried Forward		1,102	162

The accompanying notes on pages 6 to 16 form part of and should be read in conjunction with these financial statements.

**OTAGONET JOINT VENTURE LINES BUSINESS
NOTES TO AND FORMING PART
OF THE FINANCIAL STATEMENTS
FOR THE FOR THE YEAR ENDED 31 MARCH 2007**

GENERAL ACCOUNTING POLICIES**Reporting Entity**

OtagoNet is an unincorporated Joint Venture. The parties to the Joint Venture are Marlborough Lines Limited (51%), Electricity Invercargill Limited (24.5%) and The Power Company Limited (24.5%). These interests are represented through their wholly owned subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. Effective control of the Joint Venture is shared by all investors through the Joint Venture Agreement; for this reason OtagoNet is treated as a Joint Venture.

These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Joint Venture'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 principal activity of OtagoNet Joint Venture is that of an electricity lines business.

Measurement Base

The accounting principles applied to the measurement and reporting of earnings and financial position is the historical cost basis.

Specific Accounting Policies

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

a) Receivables

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

b) Revenue**Goods and Services**

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

Investment Income

Interest and rental 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) 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.

*(Notes to the Consolidated Financial Statements Continued)***d) Depreciation**

Depreciation is provided on a straight line basis on all tangible property, plant and equipment with the exception of land, easements and information system data at rates calculated to allocate the costs of the assets, less any estimated residual value, over their estimated useful lives.

The primary annual rates used are:

Buildings	1.0-1.4%	Straight Line
Network Assets (excluding land)	1.4-15.0%	Straight Line
Plant and Equipment	6.79%	Straight Line
Office Equipment and EDP	6.6-15.0%	Straight Line

e) Capital Work in Progress

Capital work in progress is stated at cost and is not depreciated.

f) Intangibles

Goodwill arising on the acquisition of a business represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. The carrying value will be reviewed annually by the Management Committee and adjusted where it is considered necessary.

Goodwill is amortised to the Statement of Financial Performance over 20 years.

g) Impairment

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

h) Taxation

All amounts in the financial statements are shown exclusive of Goods and Services Tax, with the exception of receivables and payables which are shown inclusive.

The Income Tax liability is the responsibility of the Joint Venture parties and therefore is not reflected in the financial statements of the Joint Venture.

i) 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.

j) Avoidable Cost Allocation Methodology

The Avoidable Cost Allocation Methodology is able to be used to separate 'other' activities from the Lines Business. Other activities or non Lines Business activity have not been excluded from these accounts as they represent less than five percent of the total assets and revenues of the OtagoNet Joint Venture.

Changes in Accounting Policies

There have been no changes in Accounting Policies. These have been applied on a consistent basis throughout the period.

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
1. OPERATING REVENUE		
Network/External Revenue	19,386	16,367
Interest Revenue	25	17
Rental Income	100	97
Transmission Rebate	483	636
Other Income	-	-
Total Operating Revenue	19,994	17,117
2. OPERATING EXPENSES		
Amortisation of Goodwill	757	757
Audit Fees (statutory) – Deloitte		
- Annual Accounts	29	32
- Disclosure	4	4
Audit Fees (regulatory) - PricewaterhouseCoopers	11	15
Depreciation		
- Buildings	29	32
- Plant and Equipment	37	17
- Office Equipment and EDP	16	16
- Network Assets	4,452	3,474
Direct Costs	2,872	2,194
Interest	24	-
Legal Fees/Consultant Fees	103	67
Loss on Disposal of Property, Plant and Equipment	33	123
Governing Committee Members' Fees	73	50
Management Fees	780	522
Operating Lease Expenses:		
- Tenancy and Repeater Site Leases	2	2
Transmission Charges	4,913	4,142

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
3. EQUITY		
Joint Venture Capital	108,500	108,500
Revaluation Reserve		
Opening Balance	-	-
Revaluation of Assets	16,999	-
Closing Balance	16,999	-
Accumulated Deficit		
Opening Balance	(3,455)	(3,658)
Net Surplus for the Year	5,679	5,503
Withdrawals	(4,450)	(5,300)
Closing Balance	(2,226)	(3,455)
Total Equity	123,273	105,045
4. CASH AND BANK DEPOSITS		
Current Account	81	22
Bank Deposits (short term)	1,020	140
Total Cash and Bank Deposits	1,101	162
5. RECEIVABLES AND PREPAYMENTS		
Trade Debtors	1,359	1,860
Prepayments	33	37
Total Receivables and Prepayments	1,392	1,897

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
6. PROPERTY, PLANT AND EQUIPMENT		
Land (At Cost)	111	87
Buildings (At Cost)	1,089	1,034
Accumulated Depreciation	(107)	(77)
	982	957
Plant and Equipment (At Valuation/Cost)	253	197
Accumulated Depreciation	(37)	(61)
	216	136
Office Equipment and EDP Equipment (At Cost)	119	118
Accumulated Depreciation	(40)	(24)
	79	94
Network Assets (At Valuation/Cost)	111,877	102,535
Accumulated Depreciation	(4,447)	(12,643)
	107,430	89,892
Total Property, Plant and Equipment	108,818	91,166

Network Assets and Plant and Equipment

The network assets and associated plant and equipment were revalued to \$106,522,000 as at 1 April 2006 in accordance with FRS3 at Depreciated Replacement Cost as determined by PricewaterhouseCoopers (with technical support from Stronach Power Consulting Limited).

7. INTANGIBLES

Opening Goodwill Arising on Acquisition	15,140	15,140
Accumulated Amortisation	(3,595)	(2,838)
Total Intangibles	11,545	12,302

Goodwill has been amortised over 20 years as prescribed by FRS36 Accounting for Acquisitions Resulting in Combinations of Entities.

It is the view of the Management Committee that amortisation of goodwill as prescribed by FRS36 is inappropriate. The assets purchased have an average life of 53 years and were valued and purchased on the basis that they would continue in perpetuity.

The Governing Committee believe that amortisation of goodwill over a 20 year period results in the understatement of the operating surplus in these accounts by an amount of \$757,000 (2006: \$757,000).

There is considerable industry concern that the acquisition of infrastructure assets is not appropriately treated under FRS36, particularly in relation to the establishment of goodwill and the minimum amortisation requirements for goodwill.

Under the New Zealand equivalents of International Financial Reporting Standards (NZ IFRS) goodwill is not amortised. It is instead subject to an annual impairment test. OtagoNet will adopt NZ IFRS for the year ended 31 March 2008.

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
8. CREDITORS, ACCRUALS AND PROVISIONS		
Otago Power Services Limited	686	610
Other Trade Creditors & Accruals	717	733
GST Payable	46	101
Total Creditors, Accruals and Provisions	1,449	1,444
9. RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES		
Net Surplus After Taxation	5,679	5,503
Plus/(Less) Non Cash Items:		
Depreciation	4,535	3,539
Amortisation of Goodwill	757	757
	5,292	4,296
Plus/(Less) Items Classified as Investing:		
Loss on Disposal of Property, Plant and Equipment	33	123
	33	123
Plus/(Less) Movements in Working Capital:		
Decrease/(Increase) in Receivables and Prepayments	505	(376)
Decrease in Accounts Payable and Provisions	6	189
	511	(187)
Net Cash Flows from Operating Activities	11,515	9,735
10. CAPITAL COMMITMENTS		
Capital expenditure contracted for at balance date but not provided for in the Financial Statements totals \$2,132,000 (2006: \$1,233,000).		
11. CONTINGENT LIABILITIES		
OtagoNet Joint Venture has no contingent liabilities as at 31 March 2007 (2006: Nil).		
12. OPERATING LEASE COMMITMENTS		
OtagoNet Joint Venture has the following operating lease commitments for tenancy and repeater sites payable as follows:		
Not later than one year	3	2
Later than one year and not later than two years	3	1
Later than two years and not later than five years	5	3
Later than five years	6	2

13. FINANCIAL INSTRUMENTS**Off Balance Sheet Financial Instruments**

The Company does not have any off balance sheet financial instruments.

Credit Risk -

Credit risk is the risk that a third party will default on its obligation to the Joint Venture, causing the Joint Venture to incur a loss.

Financial instruments which potentially subject the Joint Venture to credit risk principally consist of cash and short term deposits and accounts receivables. Bank deposits are placed with high credit quality financial institutions. The Joint Venture performs credit evaluations on all customers requiring credit, and the Joint Venture may in some circumstances require collateral. No collateral is held at 31 March 2007.

Maximum exposures to credit risk at balance date are:

	31 March 2007	31 March 2006
	\$000	\$000
Current Account	81	22
Short Term Bank Deposits	1,020	140
Receivables	1,359	1,860
	2,460	2,022

The above maximum 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 Joint Venture has a concentration of credit risk with regard to the amounts owing by energy retailers at balance date for Line Charges as disclosed in Note 5 Receivables and Prepayments (amongst Trade Debtors). However, these entities are considered to be high credit quality entities.

Foreign Exchange Risk -

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Joint Venture does not use foreign exchange instruments for speculative purposes.

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 Joint Venture is exposed to normal fluctuations in market interest rates.

Fair Values -

The estimated fair value of the Joint Venture's financial instruments is represented by the carrying values.

(Notes to the Consolidated Financial Statements Continued)

14. RELATED PARTIES

The parties to the OtagoNet Joint Venture consist of Marlborough Lines Limited, Electricity Invercargill Limited and The Power Company Limited through their respective subsidiaries Southern Lines Limited, Pylon Limited and Last Tango Limited. All transactions between OtagoNet Joint Venture and its joint venture parties relate to normal trading conditions and have been conducted on an “arms length” basis.

Otago Power Services Limited and OtagoNet Limited have the same ownership as the OtagoNet Joint Venture, and their control is governed by the same Joint Venture Agreement. All transactions between the OtagoNet Joint Venture and Otago Power Services Limited relate to normal trading conditions and have been conducted on an “arms length” basis. OtagoNet Limited was established to hold easement arrangements on behalf of the OtagoNet Joint Venture. There were no transactions between OtagoNet Limited and OtagoNet Joint Venture.

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

Goods and Services Provided by Otago Power Services Limited were:

	31 March 2007 \$000	31 March 2006 \$000
Construction of:		
➤ Subtransmission assets	166	119
➤ Zone substations	679	208
➤ Distribution lines and cables	1,412	1,183
➤ Medium voltage switchgear	34	80
➤ Distribution transformers	200	211
➤ Distribution substations	157	199
➤ Low voltage lines and cables	308	366
➤ Other system fixed assets	-	-
Maintenance of assets	2,330	1,706
Consumer connections and disconnections	-	-

Capital work is subject to open tender or competitive pricing.

Maintenance work is charged in accordance with a competitively priced facilities management contract established for a fixed term. The maintenance of assets undertaken by Otago Power Services Limited of \$2,330,000 (2006 \$1,706,000) is also disclosed in note 16 as operating expenditure (c)(i).

At year end \$686,000 (2006 \$610,000) was owing to Otago Power Services Limited.

Goods and Services Provided to Otago Power Services Limited were:

Rent	30	28
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At year end \$3,000 (2006 \$3,000) was owing by Otago Power Services Limited.

15. ANNUAL VALUATION RECONCILIATION REPORT

System fixed assets at ODV – end of the previous financial year	89,423	89,980
Add system fixed assets acquired during the year at ODV	4,252	3,190
Less system fixed assets disposed of during the year at ODV	(242)	(302)
Less depreciation on system fixed assets at ODV	(3,769)	(3,445)
Add revaluations of system fixed assets	-	-
System Fixed Assets at ODV – end of the financial year	89,664	89,423

*(Notes to the Consolidated Financial Statements Continued)***16. DISCLOSURE OF INFORMATION****PURSUANT TO REQUIREMENT 6(1) OF THE ELECTRICITY INFORMATION DISCLOSURE
REQUIREMENTS 2004, SCHEDULE 1 PART 2**

	As At 31 March 2007 \$000	As At 31 March 2006 \$000
Current Assets		
(a) Cash and bank balances	81	22
(b) Short-term investments	1,020	140
(c) Inventories	-	-
(d) Accounts receivable	1,359	1,860
(e) Other current assets not listed in (a) to (d)	33	37
Total Current Assets	2,493	2,059
Fixed Assets		
(a) System fixed assets	107,646	90,027
(b) Consumer billing and information system assets	47	56
(c) Motor vehicles	-	-
(d) Office equipment	-	-
(e) Land and buildings	1,094	1,045
(f) Capital works under construction	1,866	962
(g) Other fixed assets not listed in (a) to (f) plant eg air conditioners	31	38
Total Fixed Assets	110,684	92,128
Other Tangible Assets not listed above	-	-
Total Tangible Assets	113,177	94,187
Intangible Assets		
(a) Goodwill	11,545	12,302
(b) Other intangibles not listed in (a) above	-	-
Total Intangible Assets	11,545	12,302
TOTAL ASSETS	124,722	106,489
Current Liabilities		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,449	1,444
(d) Provision for dividends payable	-	-
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e) above	-	-
Total Current Liabilities	1,449	1,444
Non-Current Liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
Total Non-Current Liabilities	-	-
Equity		
(a) Shareholders' equity:		
(i) Share capital	108,500	108,500
(ii) Retained earnings	(2,226)	(3,455)
(iii) Reserves	16,999	-
Total Shareholders' equity	123,273	105,045
(b) Minority interests in subsidiaries	-	-
Total Equity	123,273	105,045
(c) Capital notes	-	-
Total Capital Funds	123,273	105,045
TOTAL EQUITY AND LIABILITIES	124,722	106,489

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
Operating Revenue		
(a) Revenue from line/access charges.	18,219	15,487
(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	25	17
(d) AC loss-rental rebates	483	636
(e) Other revenue not listed in (a) to (d)	1,267	977
Total Operating Revenue	19,994	17,117
Operating Expenditure		
(a) Payment for transmission charges	4,913	4,142
(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	-	-
Total Transfer Payment to the "Other" Business	-	-
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance (refer note 14)	2,851	2,260
(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	2,851	2,260
(d) Employee salaries, wages and redundancies	-	-
(e) Consumer billing and information system expense	-	-
(f) Depreciation on:		
(i) System fixed assets:	4,490	3,491
(ii) Other assets not listed in (i)	45	48
Total Depreciation	4,535	3,539
(g) Amortisation of:		
(i) Goodwill:	757	757
(ii) Other intangibles:	-	-
Total Amortisation of Intangibles	757	757
(h) Corporate and administration:	941	691
(i) Human resource expenses:	-	-
(j) Marketing/advertising:	16	-
(k) Merger and acquisition expenses:	-	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-
(n) Consultancy and legal expenses:	104	67
(o) Donations:	-	-
(p) Directors' fees:	73	50

(Notes to the Consolidated Financial Statements Continued)

	31 March 2007 \$000	31 March 2006 \$000
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	33	36
(ii) Audit fees paid to other auditors:	11	15
(iii) Fees paid for other services provided by principal and other auditors:	-	-
Total Auditors' fees:	44	51
(r) Costs of offering credit:		
(i) Bad debts written off:	2	-
(ii) Increase in estimated doubtful debts:	-	-
Total Cost of Offering Credit:	2	-
(s) Local authority rates expense:	54	57
(t) AC loss-rentals (distribution to retailers/customers) expense:	-	-
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	-	-
Total Operating Expenditure	14,290	11,614
Operating Surplus before Interest and Income Tax	5,704	5,503
Interest Expense		
(a) Interest expense on borrowings	-	-
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	25	-
Total Interest Expense	-	-
Operating Surplus before Income Tax	5,679	5,503
Income Tax	-	-
Net Surplus after Tax	5,679	5,503

<p align="center">OTAGONET JOINT VENTURE LINES BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES</p>
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**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	7.85%	6.89%	3.77%	6.17%
Return on Equity	7.82%	6.90%	3.72%	6.08%
Return on Investment	7.86%	6.90%	3.76%	42.72%
Return on Investment (excluding revaluation)	7.86%	6.90%	3.76%	6.17%

Efficiency Performance Measures

	2007	2006	2005	2004
Direct Line Costs per Kilometre	\$817	\$622	\$500	\$534
Indirect Line Costs per Electricity Customer	\$40	\$36	\$32	\$33

FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS
SCHEDULE 1 – PART 7

DEVIATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	5,679,365				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	5,679,365				
Interest on cash, bank balances, and short-term investments (ISTI)	25,225				
OSBIT minus ISTI	5,654,140	a	5,654,140		5,654,140
Net surplus after tax from financial statements	5,679,365				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	5,679,365	n		5,679,365	
Amortisation of goodwill and amortisation of other intangibles	757,020	g	757,020	add	757,020
Subvention payment	0	s	0	add	0
Depreciation of SFA at BV (x)	4,489,662				
Depreciation of SFA at ODV (y)	3,769,000				
ODV depreciation adjustment	720,662	d	720,662	add	720,662
Subvention payment tax adjustment	0	s*t		deduct	0
Interest tax shield	-8,324	q			-8,324
Revaluations	0	r		add	0
Income tax	0	p		deduct	0
Numerator			7,131,822	7,157,047	7,140,146
			OSBIT ^{Adj} = a + g + s + d	NSAT ^{Adj} = n + g + s - s*t + d	OSBIT ^{Adj} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	92,127,940				
Fixed assets at end of current financial year (FA ₁)	110,683,705				
Adjusted net working capital at end of previous financial year (ANWC ₀)	453,535				
Adjusted net working capital at end of current financial year (ANWC ₁)	-56,931				
Average total funds employed (ATFE)	101,604,125	c	101,604,125		101,604,125
	(or regulation 33 time-weighted average)				
Total equity at end of previous financial year (TE ₀)	105,044,645				
Total equity at end of current financial year (TE ₁)	123,272,975				
Average total equity	114,158,810	k		114,158,810	
	(or regulation 33 time-weighted average)				
WUC at end of previous financial year (WUC ₀)	962,086				
WUC at end of current financial year (WUC ₁)	1,865,874				
Average total works under construction	1,413,980	e	deduct 1,413,980	deduct 1,413,980	deduct 1,413,980

DEVIATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Revaluations	(or regulation 33 time-weighted average)				
Half of revaluations	0	r			
Intangible assets at end of previous financial year (IA_0)	12,301,634	r/2			deduct
Intangible assets at end of current financial year (IA_1)	11,544,614				0
Average total intangible asset	11,923,124	m			
	(or regulation 33 time-weighted average)			deduct	11,923,124
Subvention payment at end of previous financial year (S_0)	0				
Subvention payment at end of current financial year (S_1)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add	0
System fixed assets at end of previous financial year at book value (SFA_{BV0})	90,027,311				
System fixed assets at end of current financial year at book value (SFA_{BV1})	107,646,492				
Average value of system fixed assets at book value	98,836,901	f	deduct	98,836,901	deduct
	(or regulation 33 time-weighted average)				
System Fixed assets at year beginning at ODV value (SFA_{ODV0})	89,423,221				
System Fixed assets at end of current financial year at ODV value (SFA_{ODV1})	89,663,630				
Average value of system fixed assets at ODV value	89,543,426	h	add	89,543,426	add
	(or regulation 33 time-weighted average)				
Denominator			90,896,669	91,528,230	90,896,669
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - 1/2r - f + h$
Financial Performance Measure:			$ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$
			7.85	7.82	7.86

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

OTAGONET JOINT VENTURE LINES BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES

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.)	78.8%	78.0%	78.8%	76.0%
Loss Ratio (Transmission losses over energy entering the system)	6.4%	6.8%	7.4%	7.4%
Capacity Utilisation (Maximum demand over total transformer capacity)	37.3%	37.8%	38.7%	39.3%

Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	2003/04	74	550	251	2,912	52	516	4,355
	2004/05	74	555	252	2,931	47	511	4,370
	2005/06	74	550	260	2,938	12	510	4,344
	2006/07	74	552	265	2,951	11	527	4,380
Overhead Lines (km's)	2003/04	74	550	251	2,906	51	511	4,343
	2004/05	74	555	252	2,922	46	502	4,351
	2005/06	74	549	260	2,929	10	498	4,320
	2006/07	74	551	265	2,939	10	513	4,352
Underground Cables (km's)	2003/04	-	0.3	-	6	1	5	12
	2004/05	-	0.3	-	9	1	9	19
	2005/06	-	1	-	9	2	12	24
	2006/07	-	1	-	12	1	14	28

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2003/04	140,301	55,134	366,923,353	339,953,778	14,542
2004/05	142,285	54,996	379,844,706	351,736,031	14,585
2005/06	144,055	54,495	372,488,540	347,164,602	14,497
2006/07	145,939	54,474	375,796,841	351,571,103	14,692

Retailer	kWh (2006/07)	KWh (2005/06)	KWh (2004/05)	KWh (2003/04)
Retailer B	107,919,891	111,183,187	115,337,409	115,660,621
Retailer C	15,864,096	13,351,999	13,902,042	10,650,070
Retailer D	225,607,771	221,158,354	221,515,638	212,633,760
Retailer E	786,303	174,418	160,794	153,326
Retailer F	1,393,042	1,296,644	820,148	856,001
Total	351,571,103	347,164,602	351,736,031	339,953,778

OTAGONET JOINT VENTURE LINES 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 2004, 2005, 2006 and 2007

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2003/04	2	115	197	1	-	-	-	-	-	315
	2004/05	2	153	131	2	-	-	-	-	-	288
	2005/06	-	295	188	4	-	-	-	-	-	487
	2006/07	1	347	230	3	-	-	-	-	-	581
Predicted 2007/2008			300	185							
5-Year Average Target			285	180							

SAIDI	2003/04	45.2	59.0	395.4	4.3	-	-	-	-	-	503.9
	2004/05	0.7	75.8	98.0	19.6	-	-	-	-	-	194.1
	2005/06	-	174.1	133.0	6.1	-	-	-	-	-	313.2
	2006/07	0.3	293.4	176.8	14.3	-	-	-	-	-	484.8
Predicted 2007/2008			204.8	138.8							
5-Year Average Target			193.0	133.3							

SAIFI	2003/04	0.23	0.29	2.87	0.10	-	-	-	-	-	3.49
	2004/05	-	0.45	1.27	0.40	-	-	-	-	-	2.12
	2005/06	-	0.76	1.99	1.22	-	-	-	-	-	3.97
	2006/07	0.02	1.31	2.21	0.65	-	-	-	-	-	4.19
Predicted 2007/2008			0.93	1.85							
5-Year Average Target			0.88	1.78							

CAIDI	2003/04	196.5	203.6	137.8	42.6	-	-	-	-	-	144.4
	2004/05	-	168.4	77.2	49.0	-	-	-	-	-	91.6
	2005/06	-	228.8	67.1	5.0	-	-	-	-	-	79.0
	2006/07	17.3	223.5	79.9	22.0	-	-	-	-	-	115.5
Predicted 2007/2008			220.0	75.0							
5-Year Average Target			220.1	75.0							

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2003/04	1.35	1.66	5.83	5.16
	2004/05	-	0.72	3.97	3.43
	2005/06	-	2.00	5.10	4.55
	2006/07	-	1.09	6.60	5.68
UG per 100km	2003/04	-	-	-	-
	2004/05	-	-	-	-
	2005/06	-	-	10.83	8.73
	2006/07	-	107.53	-	7.03
Total per 100km	2003/04	1.35	1.66	5.82	5.15
	2004/05	-	0.72	3.96	3.42
	2005/06	-	2.00	5.11	4.56
	2006/07	-	1.27	6.57	5.68
Predicted 2007/2008		-	1.27	4.68	4.10
5-Year Average Target		-	1.10	4.32	3.78

Class C Interruptions Not Restored in	3 hours	25.2%
Class C Interruptions Not Restored in	24 hours	3.5%

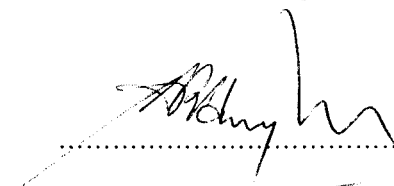
**OTAGONET JOINT VENTURE
CERTIFICATION OF FINANCIAL STATEMENTS
PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY
DISCLOSING ENTITIES
(OTHER THAN TRANSPower)**

We, Alan Bertram Harper and Neil Douglas Boniface, Directors of companies that are party to the OtagoNet Joint Venture certify that, having made all reasonable enquiry, to the best of our knowledge:

- a) The attached audited financial statements of OtagoNet Joint Venture, 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 OtagoNet Joint Venture, 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:

30/11/07

Deloitte**AUDITOR'S REPORT****TO THE READERS OF THE FINANCIAL STATEMENTS OF OTAGONET JOINT VENTURE LINES BUSINESS.**

We have audited the accompanying financial statements of OtagoNet Joint venture Lines Business. The financial statements provide information about the past financial performance of OtagoNet Joint venture and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 6 and 7.

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 OtagoNet Joint venture Lines Business as at 31 March 2007, and results of operations and cash flows for the year then ended.

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 judgments made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to OtagoNet Joint venture Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed my/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 auditor we have no relationship with or interests in OtagoNet Joint venture.

Unqualified Opinion

We have obtained all the information and explanations we have required.
In our opinion-

- proper accounting records have been maintained by OtagoNet Joint venture as far as appears from our examination of those records; and
- the financial statements referred to above-

Deloitte

- (a) comply with generally accepted accounting practice; and
- (b) give a true and fair view of the financial position of OtagoNet Joint venture Lines Business as at 31 March 2007 and the results of its operations and cash flows for the year then ended; and
- (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 30 November 2007 and our opinion is expressed as at that date.



M. Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Christchurch, New Zealand

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS
IN THE NEW ZEALAND GAZETTE**

This audit report relates to the financial statements of OtagoNet Joint Venture Lines Business for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of OtagoNet Joint Venture Lines Business for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of OtagoNet Joint Venture Lines Business that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 30 November 2007 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Deloitte**AUDITOR'S OPINION OF PERFORMANCE MEASURES**

We have examined the attached information, being-

- (a) a derivation table; and
- (b) an annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures,

that were prepared by OtagoNet Joint Venture Lines Business and dated 31 March 2007 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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



M. Wilkes
Deloitte
Appointed Auditor
On behalf of the Auditor-General
Christchurch, New Zealand
30 November 2007

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES IN THE
NEW ZEALAND GAZETTE**

This audit report relates to the performance measures of OtagoNet Joint Venture Lines Business for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of OtagoNet Joint Venture Lines Business for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of OtagoNet Joint Venture Lines Business that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 30 November 2007 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

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