SUPPLEMENT TO

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WELLINGTON: FRIDAY, 27 NOVEMBER 2009 — ISSUE NO. 172

TRANSPOWER NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

Chartered Accountants

ERNST & YOUNG

Auditor's Report

To the readers of the financial statements of Transpower New Zealand Limited Lines Business for the year ended 30 June 2009

We have audited the accompanying financial statements of Transpower New Zealand Limited Lines Business. The financial statements provide information about the past financial performance of Transpower New Zealand Limited Lines Business and its financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

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 Transpower New Zealand Limited Lines Business as at 30 June 2009, and the results of its 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 Transpower New Zealand Limited 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 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 Transpower New Zealand Limited.

Unqualified Opinion

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

- proper accounting records have been maintained by Transpower New Zealand Limited Lines Business as far as appears from our examination of those records; and
- the financial statements referred to above:
  - comply with generally accepted accounting practice;
  - give a true and fair view of the financial position of Transpower New Zealand Limited Lines Business as at 30 June 2009 and the results of its operations and cash flows for the year then ended; and
  - comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 19 November 2009 and our opinion is expressed as at that date.

Ernst & Young

Wellington

ERNST & YOUNG

Chartered Accountants

Auditor's Opinion on the performance measures of Transpower New Zealand Limited Lines Business

We have examined the attached information, being:

- a derivation table;
- an annual ODV reconciliation report;
- financial performance measures; and
- financial components of the efficiency performance measures

that were prepared by Transpower New Zealand Limited Lines Business and dated 30 June 2009 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.

Ernst & Young

Wellington

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	LINES BUSINESS 2009 $000	2008 $000
Operating revenue	2	629,880	593,884
Finance revenue	5	5,579	1,789
Operating expenditure	4	402,795	373,824
Earnings before interest, tax and changes in the fair value of financial Instruments		**232,664**	**221,849**
Finance costs	5	72,277	59,958
Earnings before changes in the fair value of financial instruments and tax		**160,387**	**161,891**
Gain (loss) in the fair value of financial instruments	6	(61,245)	(44,533)
Earnings before tax		**99,142**	**117,358**
Income tax expense	7	18,307	37,153
NET PROFIT (LOSS)		**80,835**	**80,205**

These statements are to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009

	LINES BUSINESS 2009 $000	2008 $000
Equity at the beginning of the year	1,233,016	1,153,414
Available for sale financial assets	(470)	(603)
Net income (expenses) recognised directly in equity	(470)	(603)
Net profit for the year	80,835	80,205
Total recognised income and expense for the year	80,365	79,602
Equity at the end of the year	1,313,381	1,233,016

These statements are to be read in conjunction with the accompanying notes.

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

BALANCE SHEET
AS AT 30 JUNE 2009

	Notes	LINES BUSINESS 2009 $000	2008 $000
ASSETS EMPLOYED			
Current assets			
Cash and cash equivalents		36,402	2,910
Trade and other receivables	8	57,798	26,294
Current tax asset		-	7,685
Investments	10	23,572	99,569
Derivatives in gain	10	163,050	77,410
Other financial assets	10	-	172
Inventories	11	6,763	3,544
		287,585	217,584
Non current assets			
Non current receivables		656	3,125
Other financial assets	12	3,609	3,995
Capital work in progress	13	439,816	316,765
Property, plant and equipment	13	2,220,103	2,191,559
Intangibles	14	46,535	17,060
		2,710,719	2,532,504
TOTAL ASSETS EMPLOYED		2,998,304	2,750,088
FUNDS EMPLOYED			
Current liabilities			
Trade and other payables	15	76,656	69,219
Current tax liability		13,788	-
Current debt	16	165,535	153,713
Derivatives in loss	16	57,253	16,572
Hedge commitments	16	269	-
Deferred income	3	32,863	35,350
Provisions	17	10,417	10,683
		356,781	285,537
Non current liabilities			
Non current payables		2,723	2,279
Finance lease liabilities	18	1,419	1,495
Non current debt	19	1,153,750	1,037,534
Deferred tax	20	158,727	176,014
Provisions	17	11,522	14,213
		1,328,141	1,231,535
Total liabilities		1,684,923	1,517,072
Equity			
Capital	21	1,200,000	1,200,000
Reserves	21	(851)	(381)
Accumulated surplus (deficit)	21	114,232	33,397
Total equity		1,313,381	1,233,016
TOTAL FUNDS EMPLOYED		2,998,304	2,750,088

The Board of Directors of Transpower New Zealand Limited authorised these Financial Statements for issue on 19 November 2009. For, and on behalf of, the Board

Ian Donald
DIRECTOR

Dr Don Brash
DIRECTOR

These statements are to be read in conjunction with the accompanying notes.

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	LINES BUSINESS 2009 $000	2008 $000
CASH FLOW FROM OPERATIONS :		
Cash was provided from:		
Receipts from customers	595,889	645,871
Dividends received from subsidiaries	-	5,000
Interest received	5,579	1,789
Cash was applied to:		
Payments to suppliers and employees	(257,628)	(233,374)
Tax payments	(14,121)	(41,229)
Interest paid	(87,402)	(77,815)
Net cash inflows (outflows) from operations	242,317	300,242
CASH FLOW FROM INVESTMENTS :		
Cash was provided from:		
Sale of property, plant and equipment	4,794	102
Short term investments	1,045,730	452,728
Cash was applied to:		
Purchase of property, plant and equipment	(316,674)	(308,641)
Short term investments	(969,733)	(552,232)
Net cash inflows (outflows) from investments	(235,883)	(408,043)
CASH FLOW FROM FINANCING:		
Cash was provided from:		
Increase in loans	474,528	1,571,097
Cash was applied to:		
Increase in long term investments	-	-
Dividends paid	-	-
Repayment of loans	(447,471)	(1,462,305)
Net cash inflows (outflows) from financing	27,057	108,792
Net increase (decrease) in cash held	33,492	991
Opening balance brought forward	2,910	1,919
Closing net cash carried forward	36,402	2,910
Closing net cash carried forward comprises:		
Cash and bank	36,402	2,910

These statements are to be read in conjunction with the accompanying notes.

1. Statement of Accounting Policies

Reporting Entity and Statutory Base
These financial statements are for the lines business of Transpower New Zealand Limited Lines Business (the Lines Business). The financial statements are in New Zealand dollars.

Nature of Operations
Transpower is the owner and operator of New Zealand's national electricity grid. Transpower is not a public benefit entity for the purposes of NZ IAS 1 "Presentation of Financial Statements".

Basis of Preparation
The financial statements are presented in accordance with the State-Owned Enterprises Act 1986, the Financial Reporting Act 1993 and the Electricity Information Disclosure Requirements 2004. The Financial Reporting Act 1993 requires compliance with generally accepted accounting practice (GAAP) in New Zealand.

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

The Electricity Information Disclosure Handbook has been followed in the preparation of these financial statements.

The avoidable cost allocation methodology (ACAM) is used for allocating costs and assets and liabilities between the Lines business and Other businesses.

Measurement Basis
The measurement basis adopted in the preparation of these financial statements is historical cost except as modified by certain investments, held for sale assets, investment property, financial assets and financial liabilities as identified in specific accounting policies below.

Specific Accounting Policies
a) Basis of Consolidation
The Transpower Lines Business financial statements consolidate the financial statements of subsidiaries which undertake lines business activities using the purchase method. All significant intercompany accounts and transactions are eliminated on consolidation.

b) Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

c) Revenue
The Transpower Lines Business recognises revenue as it provides services or delivers products to customers. A significant stream of revenue that is received up-front but deferred over the service period is certain "new investment agreements".

New investment agreements are agreements between the Transpower Lines Business and customers regarding the building of certain customer required grid connection assets. New investment agreement revenue is recognised over the contract period.

Due to the service periods, in relation to above items, being greater than one year, revenue is shown on a yield to maturity basis gross of an inferred interest expense.

d) Goods and Services Tax (GST)

The income statement and the cash flow statement are prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated exclusive of GST with the exception of receivables and payables, which include GST.

e) Accounts Receivable

Accounts receivable are recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any provision for doubtful debts.

f) Inventories

Stocks of materials are recorded at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a weighted average basis.

g) Investments

<u>Fair value through profit or loss</u>

Investments (excluding Fonterra shares and derivatives) are designated as fair value through profit or loss on the basis of preventing an "accounting mismatch". The Transpower Lines Business's net debt and derivatives are managed as one integrated portfolio; therefore, measuring derivatives and net debt on different bases would create a recognition inconsistency or accounting mismatch.

Fair values of quoted investments are based on prices current at balance date. If the market for a financial asset is not active, fair value is established by using valuation techniques including recent arm's length transactions, reference to similar instruments, discounted cash flow analysis and option pricing models. Where the fair value of equity instruments cannot be reliably determined, the investments are recorded at historical cost.

h) Other Financial Assets at Fair Value through Profit or Loss

Other assets at fair value through profit or loss are derivatives. Derivatives are designated as held for trading unless they are designated as hedging instruments in a hedging relationship. Realised and unrealised gains and losses arising from changes in the fair values are included in the income statement in the period in which they arise.

i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. These assets are carried at amortised cost using the effective interest rate method.

j) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Transpower Lines Business prior to the end of the financial year that are unpaid.

Provisions are liabilities of uncertain timing or amount. They are measured at the amounts expected to be paid when the liabilities are settled.

k) Available for Sale Financial Assets

Available for sale financial assets are non-derivatives that are either designated as available for sale by management or not designated in any of the other categories. These investments are carried at fair value with, any unrealised gains and losses arising from changes in fair value recognised directly in equity. On sale or on impairment, the accumulated fair value adjustments are included in the income statement.

l) Property, Plant and Equipment

Property, plant and equipment is recognised at cost less accumulated depreciation. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for their intended use.

m) Capital Work in Progress

Capital work in progress is recorded at cost. Cost is determined by including all costs directly associated with bringing the assets to their location and condition. Finance costs incurred during the period of time that is required to complete and prepare the asset for its intended use are capitalised as part of the total cost for capital work in progress. The finance costs capitalised are based on the Transpower Lines Business's weighted average cost of borrowing. Assets are transferred from capital work in progress to property, plant and equipment as they become operational and available for use.

n) Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method to write down the cost of property, plant and equipment to its estimated residual value over its estimated useful life.

The estimated useful lives are as follows:

Transmission lines	20-75 years
Freehold buildings	30-55 years
Substations	8-55 years
HVDC	3-30 years
Communications	3-25 years
Administration assets	3-10 years

o) Non Current Assets Held for Sale

Non current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal groups) is available for immediate sale in its present condition and is expected to be completed within one year from the date of classification.

p) Investment Property

Investment property is property held primarily to earn rentals and/or capital gain rather than used for operational purposes. Measurement is at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

q) Leased Assets

The Transpower Lines Business is a lessee of certain property, plant and equipment under both finance and operating leases. The Transpower Lines Business is also a lessor of certain property, plant and equipment under operating leases.

Finance leases effectively transfer all of the risks and benefits incidental to ownership to the lessee, being the Transpower Lines Business. Leased assets are depreciated over their useful lives. A corresponding liability is also established at the inception of each lease, and each lease payment is allocated between the liability and finance costs.

Under operating leases, all the risks and benefits of ownership remain with the lessor. Operating lease payments/receipts are representative of the pattern of benefits derived from the leased assets and are accordingly recognised in the income statement as expenses/revenue, in the period in which the benefits are incurred/received.

r) Intangibles

The cost of acquiring an intangible asset is amortised from the date the underlying asset is held ready for use on a straight line basis over the period of its expected benefit, which is as follows:

Software	3-7 years
Easements	Indefinite

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the Transpower Lines Business expects to use the easements indefinitely. Therefore, easements are not amortised. Their value is assessed annually for impairment, and their carrying value is written down if found impaired. The Transpower Lines Business capitalises the direct costs associated with putting the easements in place. These costs include registration and associated legal costs and also any injurious affection payments. Certain easements have been donated by the Crown. These are recognised at cost (nil) plus any direct cost associated with putting the easement in place.

For intangibles with a finite life, where the periods of expected benefit or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

s) Impairment of Assets

At each reporting date, the Transpower Lines Business reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the Transpower Lines Business estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

t) Debt

Debt is designated as fair value through profit or loss on the basis of preventing an "accounting mismatch". The Transpower Lines Business's net debt and derivatives are managed as one integrated portfolio; therefore, measuring derivatives and net debt on different bases would create a recognition inconsistency or accounting mismatch.

Fair values of quoted debt are based on prices current at balance date. If the market for a financial liability is not active, fair value is established by using valuation techniques including recent arm's length transactions, reference to similar instruments and discounted cash flow analysis.

u) Employee Benefits

Provision is made for benefits accruing to employees when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated cash flows to be made by the Transpower Lines Business in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution plans are expensed when incurred.

v) Taxation

Current and deferred tax for the period is recognised as an expense or income in the income statement. There are two exceptions to this. Firstly, when items are credited or debited directly to equity, the deferred tax or current tax is also recognised directly in equity. Secondly, where tax arises from the initial accounting for a business combination, it is taken into account in the determination of goodwill or excess.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax carrying amounts.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

w) Foreign Currency Transactions

Transactions denominated in a foreign currency that are not hedged are converted at the New Zealand exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange differences arising on the translation or settlement of accounts payable and receivable in foreign currencies are recognised in the income statement.

Certain purchase commitments denominated in a foreign currency are hedged against foreign currency risk and designated as hedge items in fair value hedges under NZ IAS 39. The cumulative change in the fair value of the purchase commitments attributable to the hedged foreign currency risk is recorded as an asset or liability using forward rate based measurement with the corresponding gains or losses recognised in the income statement. The gains or losses in the associated derivative are also recognised in the income statement.

x) Derivative Financial Instruments

The Transpower Lines Business uses derivative financial instruments to reduce its exposures to fluctuations in foreign currency exchanges rates and interest rates. The Transpower Lines Business has designated certain derivatives as hedges, which are used to reduce foreign currency exposure on purchases. These hedges are designated as fair value hedges. For fair value hedging relationships, gains or losses on hedging instruments are included in the income statement together with any change in the fair value of the hedged asset or liability.

For an instrument to qualify as a designated and effective hedging instrument, at the inception of the derivative transaction, the relationship between hedging instruments and hedged items must be documented, as must the Transpower Lines Business's risk management objective and strategy for undertaking the hedge. Documentation is maintained upon the effectiveness of the hedge, i.e. whether the hedges are highly effective in offsetting changes in fair values of hedged items.

y) Cash Flow Statement

For the purposes of the cash flow statement, cash is considered to be cash held in bank accounts (net of bank overdrafts) plus highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. Cash flows from certain items are disclosed net, due to the short term maturities and volume of transactions involved.

New Standards Not Yet Adopted

Transpower Lines Business has elected not to early adopt the following standards (or revisions to standards), considered to be relevant to the financial statements, which have been issued but are not yet effective. The adoption of these standards is not expected to have a material impact on the recognition and measurement of the Lines Business assets, liabilities, income and expenses.

NZIAS 1 Presentation of Financial Statements – effective for annual reporting periods beginning on or after 1 January 2009.

NZ IAS 23 Borrowing Costs - effective for annual reporting purposes beginning 1 July 2009.

NZIAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – effective for annual reporting periods beginning on or after 1 January 2009.

NZIFRS 7 Financial Instruments Disclosures – effective for annual reporting periods beginning on or after 1 January 2009

NZIFRS 4 Insurance Contracts – effective for annual reporting periods beginning on or after 1 January 2009.

NZ IFRIC 18 Transfers of Assets from Customers - effective for annual reporting purposes beginning 1 July 2009.

2. Operating Revenue

	LINES BUSINESS 2009 $000	2008 $000
Transmission revenue		
HVAC interconnection	416,694	418,208
HVAC connection	131,171	103,464
HVDC	74,322	87,952
EV (rebate) charge - HVAC	(31,115)	(45,766)
EV (rebate) charge - HVDC	7,405	8,556
Other rebate - HVAC	-	-
Other rebate - HVDC	-	(7,697)
New investment agreements	23,367	19,321
Other	8,036	9,846
Total revenue	629,880	593,884

Transmission Revenue
Transmission revenue consists of charges for the transmission of electricity from the point of generation to the point of supply, being HVAC interconnection, connection and HVDC.

Transpower operates its revenue setting methodology within an Economic Value ("EV") framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. The balance of the accumulated gain (loss) from monopoly activities attributable to customers ("the EV balance") is passed on to or claimed from customers over time as EV (rebates) or charges.

Other rebates consist of credit notes issued as part of the Administrative Settlement process with the Commerce Commission and a credit adjustment for the HVDC Pole 1 assets.

New investment agreements are contracts entered into with customers to build grid connection assets.

Electricity regulations additional disclosures:

	2009	2008
Revenue provided to Lines Business from Other Transpower Businesses	285	261
Revenue - Electricity loss rental rebates	169,388	133,675
Expense - Electricity loss rental rebates	(169,388)	(133,675)
Electricity loss rental rebates not passed through to customers	-	-
	-	-

3. Deferred Income

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
New investment agreements	14,306	12,296
Transmission realignment	18,075	19,541
Other	482	3,513
Total deferred income	32,863	35,350

New Investment Agreements
New investment agreements are contracts entered into with customers to build grid connection assets. Where the customer pays the cost to build the asset upfront, the revenue is recognised over the contract period. Related interest expense is based on the Lines Business's WACC in the year the payment was received.

Transmission Realignment
The Lines Business has carried out some work on transmission assets consisting of undergrounding and realignment regarding a property development. The revenue received is recognised over the life of the specific transmission assets, 50 years, beginning 1 July 2009, the expected commissioning date.

4. Expenditure on Activities

	LINES BUSINESS 2009 $000	2008 $000
Transmission charges	-	-
Transfer payments to "Other Transpower Businesses"		
Asset maintenance:	-	-
Disconnection/reconnection services	-	-
Metering data	2,961	2,822
Consumer-based load control services	-	-
Royalty and patent expenses	-	-
Avoided transmission charges on account of own generation	-	-
Other - IT support	-	-
Other - insurance	9,226	9,189
Total	12,187	12,011
Expenses to entities that are not related parties for:		
Asset maintenance:	127,438	118,051
Disconnection/reconnection services	-	-
Information technology costs	16,104	15,532
Metering data	-	-
Consumer-based load control services	-	-
Royalty and patent expenses	-	-
Total	143,542	133,583
Employee salaries and redundancies	36,929	36,090
Consumer billing and information system expense	285	285
Depreciation		
Depreciation of system assets	117,334	110,036
Depreciation of other assets	7,447	5,216
Total	124,781	115,252
Amortisation of:		
Other intangibles	6,190	5,213
Total	6,190	5,213
Corporate and administration expenses	12,926	13,331
Human resource expenses	5,375	5,753
Marketing / advertising expenses	335	385
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Legal and consultancy expenses	10,827	9,901
Study grants and donations	1,361	1,611
Directors' fees	556	566
Audit fees		
Audit fees paid to principal auditors	315	300
Audit fees paid to other auditors	60	18
Fees paid for other services provided by principal and other auditors	1,523	1,950
Total	1,898	2,268
Cost of offering credit		
Bad debts written off	1	17
Increase in estimated doubtful debts	-	-
Total	1	17
Local authority rates expense	2,927	2,739
AC loss-rental rebates (distributed to retailers/customers) expense	-	-
Rebates to consumers due to ownership interests	-	-
HVDC share of reserves	27,452	14,773
Subvention payments	-	-
Unusual expenses	-	-
Other expenses not listed - Industry related expenses	8,032	12,930
Other expenses not listed - Stock and asset write-offs	7,191	7,115
Total operating expenses	402,795	373,824

5. Net Finance Costs

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Finance Revenue	(5,579)	(1,789)
Interest paid and associated fees	84,853	77,815
Capitalised interest	(15,125)	(13,912)
Imputed interest	2,549	1,055
Dividends received	-	(5,000)
Finance costs	72,277	59,958
Net finance costs	66,698	58,169
Total operating expenses	402,795	373,824
Finance costs	72,277	59,958
Total expenses including financing costs	475,072	433,782

Interest Paid and Associated Fees
All interest paid is on debt designated as fair value through profit or loss.

Interest Received
All interest received is on investments designated as fair value through profit or loss. Investments designated as available for sale do not earn interest income.

Imputed Interest
Imputed interest is on new investment agreements. Refer to Note 3 Deferred Income for more information.

6. Change in fair value of financial instruments

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Accounting hedges		
Fair value movement forward exchange contracts - hedge accounted	204	3,826
Fair value movement hedge commitment	(440)	(3,651)
	(236)	175
Debt and investments		
Fair value movement foreign debt	(105,146)	(227,996)
Fair value movement cross currency interest rate swaps	128,381	218,462
Fair value movement interest rate swaps	15,325	4,447
Fair value movement basis swaps	240	-
Fair value movement interest rate options	(250)	(112)
Fair value movement NZD interest rate swaps	(104,279)	(33,926)
Fair value movement forward exchange contracts - not hedge accounted	(3,037)	-
Fair value movement investments	470	-
Fair value movement NZD debt	7,287	(5,583)
	(61,009)	(44,708)
Total fair value gain (loss)	(61,245)	(44,533)

The above fair value movements are as a result of the Lines Business designating these instruments at fair value through profit or loss or as fair value hedges. Refer to Note 9 Financial Instrument Designation for further information.

Credit Spread Impact
The impact of credit risk on the fair value (gain) loss was a $70m gain in 2009 (nil, 2008). The change is due to the significant increase in credit spreads due to the financial crisis.

Foreign Purchases
The Lines Business hedges against foreign currency fluctuations on certain foreign purchases through the use of forward exchange contracts. The "hedge commitment" represents the non derivative fair value movement on the commitment to buy the goods, i.e. before the goods or an invoice are received. Note that, although all forward exchange contracts are used for reducing currency exposure on foreign purchases, not all forward exchange contracts are hedge accounted.

Debt and Investments
Refer to Note 23 Financial Instruments for information on the use of debt, investments and derivatives.

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

7. Income tax expense

	LINES BUSINESS 2009 $000	2008 $000
Current tax expense		
Current period	34,940	40,330
Adjustment for prior periods	373	1,358
	35,313	41,688
Deferred tax expense		
Origination and reversal of temporary differences	(17,006)	(4,535)
Change in unrecognised temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
	(17,006)	(4,535)
Total income tax expense (credit)	18,307	37,153
Reconciliation of effective tax		
Operating surplus before tax	99,142	117,358
Income tax at 30c (2008 : 33c)	29,743	38,728
Tax effect of:		
Non-deductible expenses	-	564
Tax exempt income	-	-
Recognition of previously unrecognised tax losses	-	-
Current year losses for which no deferred tax asset was recognised	-	-
Change in unrecognised temporary differences	-	-
Under/(over) provided in prior periods	(11,436)	(2,139)
Total income tax expense (credit)	18,307	37,153
Income tax recognised directly in equity		
Available for sale financial assets	(281)	(258)
Total income tax recognised directly in equity	(281)	(258)

8. Trade and other receivables

	LINES BUSINESS	
	2009 $000	2008 $000
Trade receivables	51,827	23,542
Impairment of trade receivables	-	(982)
Interest receivable	-	381
Prepayments	5,971	3,353
Total trade and other receivables	57,798	26,294

Impairment of trade receivables is calculated on an individual customer basis and recognised in cases where the Lines Business believes it is highly probable that the debt will not be paid by the customer.

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9. Financial instrument designation

	Fair value through profit or loss (accounting mismatch)	Fair value through profit or loss (held for trading)	Hedge accounting (fair value method)	Available for sale	Loans and Receivables	Other Liabilities
Current assets						
Cash and cash equivalents					✓	
Trade and other receivables					✓	
Investments		✓				
Hedge commitments			✓			
Intercompany investment	✓					
Non current assets						
Investment in subsidiaries	n/a	n/a	n/a	n/a	n/a	
Other financial assets (Fonterra shares)				✓		
Current liabilities						
Trade and other payables						✓
Current debt	✓					
Intercompany debt	✓					
Current portion of non current debt	✓					
Non current liabilities						
Bonds	✓					
Euro Medium Term Notes	✓					
US Private Placement	✓					
Derivatives						
Interest rate swaps		✓				
Interest rate options		✓				
Basis swaps		✓				
Cross currency interest rate swaps		✓				
Forward exchange contracts - not hedge accounted		✓				
Forward exchange contracts - hedge accounted			✓			

Fair Value Through Profit or Loss (Accounting Mismatch)
The Lines Business uses the provisions in NZ IAS 39 that allow for the use of fair value through profit or loss on the basis of preventing an accounting mismatch or recognition inconsistency. The Lines Business has applied these provisions as net debt and derivatives are managed as one integrated portfolio.

Hedge Commitments
The Lines Business hedges against foreign currency fluctuations on certain foreign purchases through the use of forward exchange contracts. The "hedge commitment" represents the non derivative fair value movement on the commitment to buy the goods, i.e. before the goods or an invoice are received. Note that, although all forward exchange contracts are used for reducing currency exposure on foreign purchases, not all forward exchange contracts are hedge accounted.

Fonterra Shares
The Lines Business holds these shares as a result of acquiring land for the construction of new transmission lines. When dairy farms are purchased, Fonterra shares are often purchased to enable the continued operation of the dairy farm. These shares are classified as available for sale because they do not fall into the other three categories of financial instruments, i.e. they have no "maturity" date, they are not traded on an active market, there are no fixed payments associated with holding the shares and they are not held for short term profit making.

10. Other current financial assets

	LINES BUSINESS 2009 $000	2008 $000
Investments		
- Call Deposits	-	-
- Promissory Notes	-	-
- Term Investments	-	-
- Floating Rate Notes	-	-
- Corporate Bonds	-	-
Other investments	23,572	99,569
	23,572	99,569
Derivatives in gain		
Interest rate swaps	163,050	77,410
Other financial assets		
Hedge commitments	-	172
	-	172
Total other current financial assets	186,622	177,151

Impairment Losses on Financial Assets
No impairment losses were incurred in the 2009 period (2008: nil).

Financial Instrument Designation
Refer to Note 9 Financial Instrument Designation for the designation of the above instruments.

Investments
Other investments are short term money-market investments used for funding purposes.

Derivatives in Gain
Derivatives are used to manage financial risk, refer to Note 23 Financial Instruments for information. The gain on derivatives represents the unrealised gain at balance date. The Lines Business anticipates that the derivatives will be held until maturity, and it is unlikely that settlement at the reported fair values will occur. Refer Note 16 Other Current Financial Liabilities for derivatives that are in loss.

Structured Financing Transaction Assets
The structured financing transaction assets are discussed in Note 19 Non Current Debt.

Hedge Commitments
Transpower hedges against foreign currency fluctuations on certain foreign purchases through the use of forward exchange contracts. The "hedge commitment" represents the non derivative fair value movement on the commitment to buy the goods, i.e. before the goods or an invoice are received. The fair value of the derivative (forward exchange contract) is shown separately in Note 16 Other Current Financial Liabilities. Although all forward exchange contracts are used for reducing foreign currency exposure on foreign purchases, not all forward exchange contracts qualify for hedge accounting.

11. Inventories

	LINES BUSINESS 2009 $000	2008 $000
Substations	6,021	2,406
Transmission lines	427	259
Communications	184	813
HVDC	19	-
Other	112	66
Total inventories	6,763	3,544
Inventories expensed during the period	3,756	3,387

All inventory is classified as finished goods (no processing is done).

12. Other non current financial assets

	LINES BUSINESS 2009 $000	2008 $000
Other financial assets		
Fonterra shares	3,609	3,995
	3,609	3,995
Total non current financial assets	3,609	3,995

Fonterra Shares
Refer to Note 9 Financial Instrument Designation for background information on why the Lines Business holds these shares.

13. Property, plant and equipment

LINES BUSINESS

	HVAC Transmission lines	HVDC Transmission lines	HVAC Substations	HVDC Substations and Submarine Cables	Communications	Administration assets	Capital work in progress	Total
	$000	$000	$000	$000	$000	$000	$000	$000
At 30 June 2009								
Cost	1,122,499	72,891	1,215,995	323,853	105,273	53,682	439,816	**3,334,009**
Accumulated depreciation	(189,486)	(22,326)	(240,641)	(144,642)	(48,390)	(28,605)	-	**(674,090)**
Net book value	933,013	50,565	975,354	179,211	56,883	25,077	439,816	**2,659,919**
At 30 June 2008								
Cost	1,105,710	71,264	1,104,137	319,888	97,808	52,461	316,765	**3,068,033**
Accumulated depreciation	(152,659)	(18,581)	(195,138)	(128,179)	(37,766)	(27,386)	-	**(559,709)**
Net book value	953,051	52,683	908,999	191,709	60,042	25,075	316,765	**2,508,324**
30 June 2009 reconciliation								
Opening net book value (1 July 2008)	953,051	52,683	908,999	191,709	60,042	25,075	316,765	**2,508,324**
Additions	41,056	1,732	119,043	4,586	8,387	7,494	123,369	**305,667**
Disposals / transfers	(23,763)	(73)	(4,560)	(304)	(228)	(45)	(318)	**(29,291)**
Impairment	-	-	-	-	-	-	-	**-**
Depreciation	(37,331)	(3,777)	(48,128)	(16,780)	(11,318)	(7,447)	-	**(124,781)**
Closing net book value	933,013	50,565	975,354	179,211	56,883	25,077	439,816	**2,659,919**
30 June 2008 reconciliation								
Opening net book value (1 July 2007)	846,142	56,303	894,322	206,254	43,351	20,381	251,421	**2,318,174**
Additions	142,369	148	61,520	1,735	25,937	9,931	66,931	**308,571**
Disposals / transfers	(1,172)	(12)	-	-	(377)	(21)	(1,587)	**(3,169)**
Impairment	-	-	-	-	-	-	-	**-**
Depreciation	(34,288)	(3,756)	(46,843)	(16,280)	(8,869)	(5,216)	-	**(115,252)**
Closing net book value	953,051	52,683	908,999	191,709	60,042	25,075	316,765	**2,508,324**

Administration assets include computer hardware, plant, equipment, furniture and motor vehicles.

Land and buildings are contained within the above classes and have a net book value of $255,423,760 (2008: $253,940,000)

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Capital work in progress can be split into the following classes:		
HVAC transmission lines	89,380	75,475
HVDC transmission lines	593	512
HVAC substations	215,685	178,415
HVDC substations and submarine cables	16,264	10,065
Communications	42,100	19,915
Administration assets	17,090	18,588
Software intangible assets	601	12,107
Other intangible assets	58,103	1,688
	439,816	316,765
During the year the following borrowing costs were capitalised:		
HVAC transmission lines	3,330	5,423
HVDC transmission lines	14	-
HVAC substations	7,207	6,442
HVDC substations and submarine cables	720	476
Communications	1,637	584
Administration assets	392	932
Software intangible assets	12	55
Other intangible assets	2,424	-
	15,736	13,912

These costs were capitalised at the weighted average cost of debt of 7.34% (2008: 7.5%)

Electricity regulations additional disclosures:		
Motor vehicles	1,117	968
Office equipment	617	1,088
Customer billing and information assets	-	-

14. Intangibles

LINES BUSINESS

	Easements $000	Software $000	Total $000
At 30 June 2009			
Cost	35,869	45,752	81,621
Accumulated amortisation	-	(35,086)	(35,086)
Carrying value	35,869	10,666	46,535
At 30 June 2008			
Cost	11,172	34,784	45,956
Accumulated amortisation	-	(28,896)	(28,896)
Carrying value	11,172	5,888	17,060
2009 reconciliation			
Opening carrying value	11,172	5,888	17,060
Additions / transfers	24,697	10,968	35,665
Disposals / transfers	-		-
Impairment	-		-
Amortisation	-	(6,190)	(6,190)
Closing carrying value	35,869	10,666	46,535
2008 reconciliation			
Opening carrying value	9,275	5,577	14,852
Additions / transfers	1,897	5,548	7,445
Disposals / transfers	-	(24)	(24)
Impairment	-	-	-
Amortisation	-	(5,213)	(5,213)
Closing carrying value	11,172	5,888	17,060

	LINES BUSINESS 2009 $000	2008 $000
Future contractual commitments		
Easements	197	156
Software	435	459

Easements

Easements are deemed to have an indefinite useful life because:

i) There is no "expiry" date to the easement agreements

ii) Transpower is expected to use the easements indefinitely, based on past experience.

Software

The amortisation of software occurs over 3-7 years.

15. Trade and other payables

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Trade creditors	71,461	64,686
Employee entitlements	4,998	4,387
Current portion of external finance leases	197	146
Total trade and other payables	76,656	69,219

16. Other current financial liabilities

	LINES BUSINESS	
	2009 $000	2008 $000
Current debt		
Call borrowing	-	-
Current portion of non current debt	165,535	153,713
	165,535	153,713
Derivatives in loss		
Cross currency interest rate swaps	53,988	16,391
Forward exchange contracts	2,903	69
Interest rate options	362	112
	57,253	16,572
Hedge commitments	269	-
Total other current financial liabilities	223,057	170,285

Financial Instrument Designation
Refer to Note 9 Financial Instrument Designation for the designation of the above instruments.

Derivatives in loss
Derivatives are used to manage financial risk, refer to Note 23 Financial Instruments for information. The loss on derivatives represents the unrealised loss at balance date. The Lines Business anticipates that the derivatives will be held until maturity and it is unlikely that settlement at the reported fair values will occur. Refer Note 10 Other Current Financial Assets for derivatives that are in gain.

The Lines Business hedges against foreign currency fluctuations on certain foreign purchases through the use of forward exchange contracts. These contracts are hedge accounted using the fair value method. The hedge commitment is shown separately in Note 10 Other Current Financial Assets.

Hedge Commitments
Transpower hedges against foreign currency fluctuations on certain foreign purchases through the use of forward exchange contracts. The "hedge commitment" represents the non derivative fair value movement on the commitment to buy the goods, i.e. before the goods or an invoice are received. The fair value of the derivative (forward exchange contract) is shown separately in Note 10 Other Current Financial Assets. Although all forward exchange contracts are used for reducing foreign currency exposure on foreign purchases, not all forward exchange contracts qualify for hedge accounting.

17. Provisions

	LINES BUSINESS				
	Employee benefits	Restructuring	Dismantling	Legal	Total
	$000	$000	$000	$000	$000
Balance at 1 July 2008	3,982	111	18,949	1,854	24,896
Provisions made during the period	3,976	694	-	-	4,670
Provisions used during the period	(3,998)	(109)	(1,666)	(1,854)	(7,627)
Provisions reversed during the period	-	-	-	-	-
Balance at 30 June 2009	3,960	696	17,283	-	21,939
Current portion of provisions	3,960	696	5,761	-	10,417
Non current portion of provisions	-	-	11,522	-	11,522
Balance at 30 June 2009					21,939

Employee Benefits
The Group has a constructive obligation with regard to certain employee benefits. This provision is expected to be used within one year.

Restructuring
Staff redundancy provision. This provision is expected to be used within one year.

Dismantling
In September 2007, Transpower stood down the HVDC Pole 1 (Pole 1) due to the low probability, high consequence risks that the continued operation of the aging technology posed. Pole 1 has subsequently been modified and is available for limited operation under certain operating conditions.

Transpower recognises site restoration and rehabilitation liabilities where Transpower believes an obligation exists. Pole 1 contains mercury and Transpower has estimated the decommissioning cost based on engineering advice. The decommissioning timeframe is uncertain, with managements best estimate being within the next two / three years. Actual decommissioning costs may vary from the figures indicated.

18. Non current finance lease liability

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
One to five years	583	520
Greater than five years	836	975
	1,419	1,495
Reconciliation to lease payments:		
Total future minimum lease payments	3,079	3,104
Interest expense	(1,463)	(1,463)
Total lease liability recognised	1,616	1,641
This is represented by:		
Current lease liability	197	146
Non current lease liability	1,419	1,495
	1,616	1,641

19. Non current debt

	LINES BUSINESS 2009 $000	2008 $000
Bonds	289,872	246,230
Euro Medium Term Notes	710,704	783,786
US Private Placement	163,753	143,595
	1,164,329	1,173,611
Less current portion of long term debt	-	(153,713)
Total long term debt	1,164,329	1,019,898
One to five years	353,127	329,305
Greater than five years	811,202	690,593
	1,164,329	1,019,898
Add debt allocated (to) from non-lines businesses*	(10,579)	17,636
Total long term debt	1,153,750	1,037,534

*These financial statements have been prepared by adjusting the Transpower Lines Business financial statements for non lines business items included in those financial statements.

There were no defaults or breaches on loans during the period (2008: no defaults or breaches).

Financial Instrument Designation
Refer to Note 9 Financial Instrument Designation for the designation of the above instruments.

Bonds
The bonds are issued in New Zealand Dollars and have a nominal value of $300 million, with maturities between 2010 and 2020 and yeilds ranging from 6.95% to 7.78%.

Bonds are issued under a Trust Deed dated 6 April 1995 between Transpower, the Initial Guaranteeing Subsidiaries (including Transpower Finance) and The New Zealand Guardian Trust Company Limited. The Trust Deed has been amended on various occasions to incorporate new subsidiaries into the Guaranteeing Group.

Pursuant to the Trust Deed, Transpower and its fellow subsidiaries excluding Risk Reinsurance, (the "Guaranteeing Group") have given a negative pledge that while any of the stock issued under the trust deed remains outstanding they will not, subject to certain exceptions, create or permit to exist any charge or lien over any of their respective assets.

Each member of the Guaranteeing Group has guaranteed all amounts payable on redemption or repayment of the Bonds and the payment of interest during the term of the Bonds.

Euro Medium Term Notes
Notes have been issued in Swiss Francs, Japanese Yen and Canadian Dollars with nominal values of CHF 300 million ($425.1 million converted at 30 June 2009 exchange rate of 0.7057 and $343.9 million as amended by cross currency interest rate swaps), JPY 5 billion ($80.0 million converted at 30 June 2009 exchange rate of 62.46 and $98.4 million as amended by cross currency interest rate swaps) and CAD 125 million ($165.7 million converted at 30 June 2009 exchange rate of 0.7543 and $153.6 million as amended by cross currency interest rate swaps). Maturities are between 2011 and 2014 with yields ranging from 1.37% to 4.61%.

Under the Euro Medium Term Note programme Transpower Finance may from time to time issue notes guaranteed by Transpower. The aggregate principal amount of the notes outstanding will not at any time exceed USD 1,000,000,000 ($1,532,332,000) as at 30 June 2009, (USD 1,000,000,000 [$1,310,960,000] as at 30 June 2008) or equivalent in other currencies.

The Guarantor (Transpower) and Transpower Finance have given a negative pledge covenant that while any of the notes issued under the EMTN programme remain outstanding they will not (and their subsidiaries will not), subject to certain exceptions, create or permit to exist any charge or lien over any of their respective assets to secure payment of certain indebtedness.

The Guarantor (Transpower) and Transpower Finance guarantee payment of all principal and interest amounts in respect of notes issued under the EMTN programme.

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Australian Medium Term Notes
Under the Australian Medium Term Note programme, Transpower Finance may issue notes guaranteed by Transpower. The aggregate amount of the notes outstanding may not exceed AUD 750,000,000 ($930,290,000) as at 30 June 2009 (AUD 750,000,000 [$946,005,000) as at 30 June 2008).

There were no Australian Medium Term notes outstanding as at 30 June 2009 (30 June 2008: nil).

US Private Placement
Bonds were issued for a nominal amount of USD 100 million ($153.2 million converted at 30 June 2009 exchange rate of 0.6526 and $164.5 million as amended by cross currency interest rate swaps) with maturities in 2016 and 2019 and yields ranging from 5.59% to 5.74%.

Bonds are issued by Transpower Finance under a Note and Guarantee Agreement dated 27 September 2004. The Bonds are guaranteed by Transpower (the "Guarantor"), Fighting Bay Finance Limited, Haywards Limited, Oteranga Bay Limited, Omaka Training Limited, Halfway Bush Finance Limited and TB and T Limited (the "Subsidiary Guarantors"). The Guarantor and Subsidiary Guarantors have unconditionally guaranteed payment of the principal, interest and other amounts owing under the Agreement.

20. Deferred tax

LINES BUSINESS

	Balance 1 July 2007	Recognised in profit or loss	Recognised in equity	Balance 30 June 2008	Recognised in profit or loss	Recognised in equity	Balance 30 June 2009
	$000	$000	$000	$000	$000	$000	$000
Depreciation timing differences	162,085	(3,437)	-	158,648	15,754	-	174,402
Fair value of net debt and derivatives	33,905	(13,234)	-	20,671	(26,081)	-	(5,410)
Revenue deferral	(972)	88	-	(884)	884	-	-
Dismantling provision	(6,600)	915	-	(5,685)	500	-	(5,185)
Other	(7,611)	11,133	(258)	3,264	(8,063)	(281)	(5,080)
Total deferred tax	180,807	(4,535)	(258)	176,014	(17,006)	(281)	158,727

There are no unrecognised deferred tax balances (2008: nil).

Deferred tax is shown net as the balance relates to companies included in the Lines Business Tax Group and relate to the same counterparty, being the New Zealand Inland Revenue Department.

Depreciation timing differences relate to the difference between tax and accounting depreciation.

Fair value of net debt and derivatives relates to deferred tax on fair value gains/losses.

Revenue deferral relates to deferred tax, new investments agreements and transmission realignment. Note 3 Deferred Income contains information on these transactions.

Dismantling provision relates to the HVDC Pole 1, refer to Note 17 Provisions for background.

Imputation credit memorandum account

	LINES BUSINESS 2009	2008
	$000	$000
Balance at the beginning of the year	259,402	211,384
Imputation credits on dividends received	-	4
Net tax payments/transfers made/refunds received	30,909	48,014
Imputation credits attached to dividends paid to shareholders	-	-
Balance at the end of the year	**290,311**	**259,402**

Dividend Withholding Payments

There were no dividend withholding payments during the year (2008: none).

21. Capital and Reserves

LINES BUSINESS

	Contributed capital $000	Retained earnings $000	Available for sale reserve $000	Total equity $000
Balance at 1 July 2007	1,200,000	(46,808)	222	1,153,414
Fair value movement on Fonterra shares	-	-	(861)	(861)
Deferred tax recognised directly in equity	-	-	258	258
Total recognised income and expense	-	80,205	-	80,205
Balance at 30 June 2008	1,200,000	33,397	(381)	1,233,016
Fair value movement on Fonterra shares	-	-	(826)	(826)
Deferred tax recognised directly in equity	-	-	281	281
Total recognised income and expense	-	80,835	75	80,910
Balance at 30 June 2009	1,200,000	114,232	(851)	1,313,381

Capital
Transpower has contributed paid in capital of $1,200,000,000 (2008: $1,200,000,000) issued and fully paid ordinary shares, which confer on the holders the right to vote at any annual general meeting of Transpower. This consists of 1,200,000,000 fully paid $1 shares. The shares have no par value. All ordinary shares rank equally.

Dividends
There were no dividends paid or declared during the period (2008: nil)

Management of Capital
Dividends will not be payable in the short term. This is due to dividends being paid when there is "surplus funds". Surplus funds is determined by reference to a sustainable financial structure, having regard to Transpower's credit rating, predictions of short and medium term economic conditions, the medium term capital expenditure programme and working capital requirements. Transpower is currently undertaking a large capital works programme which is being funded from debt and existing reserves.

Available for Sale Reserve
This reserve comprises the cumulative net change in the fair value of available for sale financial assets until the investment is derecognised.

22. Segment Reporting

The Transpower Lines Business operates predominantly in one segment, being the transmission of high voltage electricity in New Zealand.

23. Financial instruments

(a) Financial Risks

The Lines Business is subject to a number of financial risks which arise as a result of its business activities, including having a debt portfolio of $1,329,864,000 as at 30 June 2009 (2008: $1,173,611,000) denominated in both New Zealand dollars and foreign currency, making purchases from foreign suppliers and having contractual agreements with customers. These financial risks comprise:

Interest rate risk
Interest rate risk is the risk of adverse impact on the present and future finance costs of the Lines Business arising from the interaction of interest rate movements with the Lines Business's debt portfolio.

Currency risk
Currency risk is the risk of adverse impact of exchange rate movements, which determine the New Zealand dollar cost of foreign denominated expenditures and the New Zealand dollar value of debt issued in foreign currencies.

Credit risk
Credit risk is the risk of adverse impact on the Lines Business through the failure of a third party bank, financial institution or customer to meet its financial obligations. Financial instruments which subject the Lines Business to credit risk include bank balances, receivables, investments, interest rate swaps, cross currency interest rate swaps, interest rate options, forward rate agreements, foreign exchange and forward contracts.

Liquidity risk
Liquidity risk is the risk of adverse impact on the Lines Business arising from the Lines Business's inability to meet its monetary obligations in an orderly manner. This might result from the Lines Business not maintaining adequate funding facilities or being unable to renew or replace existing facilities when they mature.

To manage and limit the effect of these financial risks the Board has approved policy guidelines and authorised the use of various financial instruments. The policy adopted by the Board prohibits the use of financial instruments for speculative purposes. All derivatives must be directly related to underlying physical debt or firm capital commitments on Board approved projects.

(b) Financial Risk Management Policies

The key financial risk management policies are as follows:

Interest rate risk management policy
The Lines Business's policy sets annual minimum and maximum hedging parameters expressed as a percentage of forecast debt. This policy ensures that the Lines Business's costs of funds will be reasonably predictable from year to year.

Currency risk management policy
The Lines Business's policy is to hedge all committed foreign currency denominated purchases greater than $1 million (New Zealand Dollar equivalent). Foreign currency borrowings are hedged into New Zealand dollars at the time of commitment to drawdown by the Lines Business. Currency risk on foreign currency denominated borrowings is eliminated using cross currency interest rate swaps.

Credit risk management policy
The Lines Business's policy is to establish credit limits with counterparties that are either a bank, a financial institution or special purpose derivative products company. These net credit limits are not to exceed 20 per cent of Lines Business shareholders' funds or 15 per cent of the shareholders' funds of the counterparty as shown in the most current audited annual report. If the counterparty is a New Zealand Corporate, the credit limit is not to exceed $40,000,000.

In addition, the counterparty must have a minimum long term credit rating of A or above by Standard & Poor's, or Moody's equivalent. Credit exposures versus these limits are monitored on a daily basis.

The concentration of credit risk with respect to trade receivables is high due to the small number of customers comprising the Lines Business's customer base. It is the Lines Business's policy to perform credit evaluations on customers requiring credit and the Lines Business may in some circumstances require collateral. No collateral is held at 30 June 2009 (2008: nil).

Liquidity risk policy
To ensure the Lines Business has adequate funding facilities in place to support future operations, the Lines Business's liquidity policy requires the Lines Business to have access to committed funding facilities (i.e. guaranteed funds), to cover the sum of all debt which matures over the next six months and peak cumulative anticipated operating cash flow requirements over the next six months.

To smooth the Lines Business's refinancing requirements in future periods, committed debt facilities maturing in any 12 month period are not to exceed $500,000,000. No more than 50% of long term debt can mature within the next three years and at least 30% of long term debt must mature after five years.

(c) Financial Instruments That Manage Currency, Interest Rate and Liquidity Risk

The Directors have authorised the use of the following financial instruments to manage currency risk, interest rate risk and liquidity risk:

Term debt
The Lines Business has five active debt facilities; a European Commercial Paper programme, a Euro Medium Term Note programme, a Domestic Medium Term Note programme, an Australian Medium Term Note programme and a Domestic Multi-option Facility. The Lines Business uses these facilities to issue debt securities into different international debt markets.

In the event the Group is unable to utilise these facilities the Group has established committed credit facilities. There is:
- a 364 day Standby Facility for $250,000,000 which was not in use at 30 June 2009 or 30 June 2008.
- a three year Standby Facility for $250,000,000, effective 2 July 2008. This was not in use at 30 June 2009.
- a two year Revolving Cash Advance Facility for $200,000,000, effective 23 March 2009. This was not in use at at 30 June 2009.

Term investments
The Lines Business from time to time invests surplus cash arising from its core operations and from active liquidity management in wholesale bank deposits and securities for periods of up to one year.

Cross currency interest rate swaps
Cross currency interest rate swaps are used to convert foreign currency denominated debt issued by the Lines Business into New Zealand dollar denominated debt. Cross currency interest rate swap contracts eliminate foreign currency risk on the underlying debt by determining the New Zealand dollar equivalent of the interest payments and final principal exchange at the time of entering into the contract.

The notional gross contract amounts of cross currency interest rate swaps outstanding at balance date, by maturity banding, are:

	LINES BUSINESS	
	2009 $000	**2008 $000**
Pay leg		
Within one year	-	166,938
One to two years	-	-
Two to five years	251,963	251,963
Greater than five years	508,382	508,382
Total pay leg	760,345	927,283
Receive leg		
Within one year	-	(153,534)
One to two years	-	-
Two to five years	(245,761)	(224,130)
Greater than five years	(578,369)	(517,544)
Total receive leg	(824,130)	(895,208)

Interest rate swaps
Interest rate swaps are used to change the interest rate structure on physical debt issued by the Lines Business. The interest rate on debt is either converted from floating rate to fixed rate or vice versa through entering into interest rate swaps. In the normal course of the Lines Business's hedging activities interest rate swaps are entered into for periods of up to ten years.

The notional gross contract amounts of interest rate swaps outstanding at balance date, by maturity banding, are:

	LINES BUSINESS	
	2009 $000	2008 $000
Within one year	170,000	139,500
One to two years	100,000	70,000
Two to five years	211,500	266,500
Greater than five years	3,354,500	2,782,132
Total interest rate swaps	3,836,000	3,258,132

Basis swaps

Basis swaps are used to eliminate currency risk when the Lines Business issues bonds in a foreign currency. In a basis swap, the Lines Business receives the offshore currency floating interest rate and pays the New Zealand dollar floating interest rate (BKBM). By undertaking basis swaps, foreign currency denominated debt is effectively converted into a BKBM exposure.

The notional gross contract amounts of basis swaps outstanding at balance date, by maturity banding are:

	LINES BUSINESS	
	2009 $000	2008 $000
Within one year	-	-
One to two years	-	-
Two to five years	-	-
Greater than five years	25,000	-
Total basis swaps	25,000	-

Interest rate options

The Lines Business enters into interest rate options to manage interest rate re-pricing risk.The Lines Business purchases interest rate options to manage the impact on finance costs arising from floating rate debt if interest rates were to rise in the future. In the normal course of interest rate management, the sale of interest rate options is restricted by the requirement to simultaneously purchase an interest rate option.

The notional contract amounts of interest rate options outstanding at balance date, by maturity banding, are:

	LINES BUSINESS	
	2009 $000	2008 $000
Within one year	-	-
One to two years	-	-
Two to five years	-	-
Greater than five years	100,000	100,000
Total interest rate options	100,000	100,000

Foreign exchange forward contracts

The Lines Business uses foreign exchange forward contracts to fix the New Zealand dollar cost of foreign denominated capital equipment and stock purchases.

The notional gross contract amounts of forward foreign exchange contracts outstanding at balance date, by maturity banding, are:

	LINES BUSINESS	
	2009 $000	2008 $000
Within one year	55,297	19,310
One to two years	-	35,493
Two to five years	-	-
Greater than five years	-	-
Total forward foreign exchange contracts	55,297	54,803

(d) Maximum Credit Risk Exposure

The maximum credit exposure in respect of non-derivative assets is best represented by their carrying value. For derivative financial instruments the maximum credit exposure is best represented by the net mark to market valuation by counterparty where the valuation is positive, as follows:

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Interest rate swaps	21,170	77,410
Cross currency interest rate swaps	136,937	52,830
Basic swaps	240	-
Interest rate options	-	-
Foreign exchange forward contracts	34	935
Total	158,381	131,175

The credit risk arising from the use of derivative products is minimised by the netting and set-off provisions contained in the Lines Business's ISDA agreements. The Lines Business further manages this risk by only entering into transactions with counterparties that fall within the Lines Business's credit risk management policy as outlined in section (b) Financial Risk Management Policies, of this note.

(e) Fair Value and Classifications

All financial instruments, except loans, accounts payable and receivables, are carried at fair value in the Balance Sheet. Refer to Note 9 Financial Instrument Designation for the designation of the above instruments.

Fair value represents the amount which would, in the course of the normal operation of the financial markets, extinguish all current and future contractual obligations arising in respect of a particular financial instrument.

The Lines Business used discounted cashflow techniques to calculate the market value of its investments, debt and financial instruments. The applicable interest rate used for discounting is based on the swap curve.

For cash and cash equivalents, accounts payable and receivables the fair value is materially similar to their cost due to the short term nature of the balance.

(f) Interest Rate Repricing Analysis

The following table covers the Lines Business's total debt portfolio, including the effect of derivative financial instruments, when interest rates will be repriced and the current weighted average interest rate of each maturity. The Lines Business will transact further interest rate hedging in advance of the repricing date to fix interest rates on the Lines Business debt portfolio within the policy parameters adopted by the Board.

Trade receivables/payables, other receivables and other liabilities have not been included in the table below as they are not interest rate sensitive.

For the purpose of repricing, debt denominated in foreign currencies is stated after applying cross currency interest rate swaps.

The amounts in the tables below are at amortised cost.

LINES BUSINESS 2009	**Effective interest rate**	**Within one year $000**	**One to two years $000**	**Two to five years $000**	**Greater than five years $000**	**Total $000**
Assets						
Cash	0.31%	40,722	-	-	-	40,722
Short term investments	3.33%	56,470	-	-	-	56,470
Long term investments	5.93%	12,000	2,000	8,000	4,000	26,000
		109,192	2,000	8,000	4,000	123,192
Liabilities						
Debt	3.56%	(166,163)	(100,000)	(251,963)	(708,382)	(1,226,508)
		(166,163)	(100,000)	(251,963)	(708,382)	(1,226,508)
Derivatives						
Interest rate swaps		2,662,576	18,000	(209,500)	(2,471,076)	-
Basis swaps		-	-	-	25,000	25,000
Interest rate options		-	-	-	100,000	100,000
		2,662,576	18,000	(209,500)	(2,346,076)	125,000
Repricing Profile		2,605,605	(80,000)	(453,463)	(3,050,458)	(978,316)

The interest rate on debt as amended by interest rate swaps is 7.12%.

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

LINES BUSINESS 2008	Effective interest rate	Within one year $000	One to two years $000	Two to five years $000	Greater than five years $000	Total $000
Assets						
Cash	7.15%	11,014	-	-	-	11,014
Short term investments	8.33%	136,674	-	-	-	136,674
Long term investments	7.93%	-	-	14,000	10,000	24,000
		147,688	-	14,000	10,000	171,688
Liabilities						
Debt	8.62%	(166,938)	-	(351,963)	(658,382)	(1,177,283)
		(166,938)	-	(351,963)	(658,382)	(1,177,283)
Derivatives						
Interest rate swaps		2,183,368	(70,000)	(146,500)	(1,966,868)	-
Interest rate options		-	-	-	100,000	100,000
		2,183,368	(70,000)	(146,500)	(1,866,868)	100,000
Repricing Profile		2,164,118	(70,000)	(484,463)	(2,515,250)	(905,595)

The interest rate on debt as amended by interest rate swaps is 7.00%.

(g) Liquidity Analysis

LINES BUSINESS 2009	Within one year $000	One to two years $000	Two to five years $000	Greater than five years $000	Total $000
Non derivative financial assets					
Trade and other receivables	61,193	653			61,846
	61,193	653	-	-	61,846
Non derivative financial liabilities					
Trade and other payables	81,348	2,723			84,071
Current tax liability	12,919				12,919
Finance lease liabilities	197	583	836		1,616
External borrowings					
Principal	(130,000)	(100,000)	(245,761)	(778,369)	(1,254,131)
Interest payments	(52,894)	(49,394)	(120,192)	(138,349)	(360,828)
	(88,430)	(146,088)	(365,117)	(916,718)	(1,516,353)
Derivatives					
Derivative contracts - receipts	92,672	94,799	540,214	905,126	1,632,811
Derivative contracts - payments	(120,611)	(134,423)	(692,466)	(968,349)	(1,915,849)
	(27,939)	(39,624)	(152,252)	(63,223)	(283,038)

LINES BUSINESS 2008	Within one year $000	One to two years $000	Two to five years $000	Greater than five years $000	Total $000
Non derivative financial assets					
Trade and other receivables	32,817	3,125			35,942
Current tax asset	958				958
	33,775	3,125	-	-	36,900
Non derivative financial liabilities					
Trade and other payables	81,216	2,279			83,495
Finance lease liabilities	146	520	975		1,641
External borrowings					
Principal	(155,693)	-	(330,125)	(677,806)	(1,163,624)
Interest payments	(47,030)	(47,025)	(115,008)	(144,371)	(353,434)
	(121,361)	(44,226)	(444,158)	(822,177)	(1,431,922)
Derivatives					
Derivative contracts - receipts	306,993	169,819	779,470	1,157,685	2,413,967
Derivative contracts - payments	(349,891)	(183,350)	(810,075)	(1,091,389)	(2,434,705)
	(42,898)	(13,531)	(30,605)	66,296	(20,738)

(h) Sensitivity Analysis

Currency risk
Lines Business policy (section b) is to hedge all foreign denominated debt and committed foreign purchases greater than $1 million (New Zealand dollar equivalent)

All foreign debt is transferred back into New Zealand Dollars through Cross Currency Interest Rate Swaps. and foreign purchases in excess of $1m have forward exchange contracts.

Interest rate risk
The Lines Business policy is to hedge between 80% and 100% of debt in year 1 and reducing amounts out to 15 years. Movements in market interest rates would therefore impact through Fair Value movement risk (refer below).

Fair value movement risk
The Lines Business's net debt is designated at fair value through profit or loss. As such, the Lines Business is subject to fair value gains or losses. The extent of the gains or losses is based on the Lines Business's cash flow profile compared to the corresponding movement in the yield curve.

A parallel shift in the yield curve by 1% would create the following fair value movements based on net debt held at 30 June 2009.

1% parallel upward shift - fair value gain of $105.4 million (30 June 2008: $77.7 million)
1% parallel downward shift - fair value loss of $114.6 million (30 June 2008: $84.1 million)

Credit spread movement risk
The impact of movements in the credit spread on the fair value was a $70 million gain in 2009 (nil. 2008). A 10 basis point increase (decrease) in credit spreads is estimated to result in a fair value gain (loss) of $5.8 million.

24. Operating lease commitments

	LINES BUSINESS	
Commitments in respect of non-cancellable operating leases payable:	**2009 $000**	**2008 $000**
Within one year	6,407	7,061
One to two years	3,453	6,407
Two to five years	9,189	9,584
Later than five years	2,824	5,882
Total operating lease commitments	21,873	28,934

These lease commitments primarily relate to leases on Transpower office space.

25. Capital commitments

	LINES BUSINESS	
Capital commitments in respect of contracts for capital expenditure:	**2009 $000**	**2008 $000**
Within one year	62,386	98,059
One to two years		-
Total capital commitments	62,386	98,059

26. Contingencies

(i) Guarantees

Debt

Transpower, and in some cases certain subsidiaries, have provided guarantees in respect of loan arrangements for the Bonds, Euro Medium Term Notes, Australian Medium Term Notes and the US Private Placement.

The likelihood of losses in respect of these matters is considered to be remote.

Cross Border Leases

Transpower has entered into three cross border leases in respect of certain HVDC converter stations, the submarine cables and the majority of the AC transmission assets in the South Island.

Transpower has given guarantees and certain undertakings in accordance with a limited guarantee dated, 24 October 1996 in respect of certain HVDC converter stations, a limited guarantee dated 31 May 1996 in respect of the submarine cables and a limited guarantee dated 22 December 2003 in respect of the South Island AC assets.

The cross border leases are excluded from these Lines Business financial statements.

(ii) Economic Gain (Loss) Account

Transpower operates its revenue setting methodology within an Economic Value ("EV") framework that analyses economic gains and losses between those attributable to shareholders and those attributable to customers. The balance of the accumulated gain (loss) from monopoly activities attributable to customers ("the EV balance") has been passed on to or claimed from customers over time.

The net balance of the EV account at 30 June 2009 was $6.0m to the credit of the customer. The balance at 30 June 2009 is comprised of an AC customer credit balance of $108.8m and a HVDC customer debit balance of $102.8m.

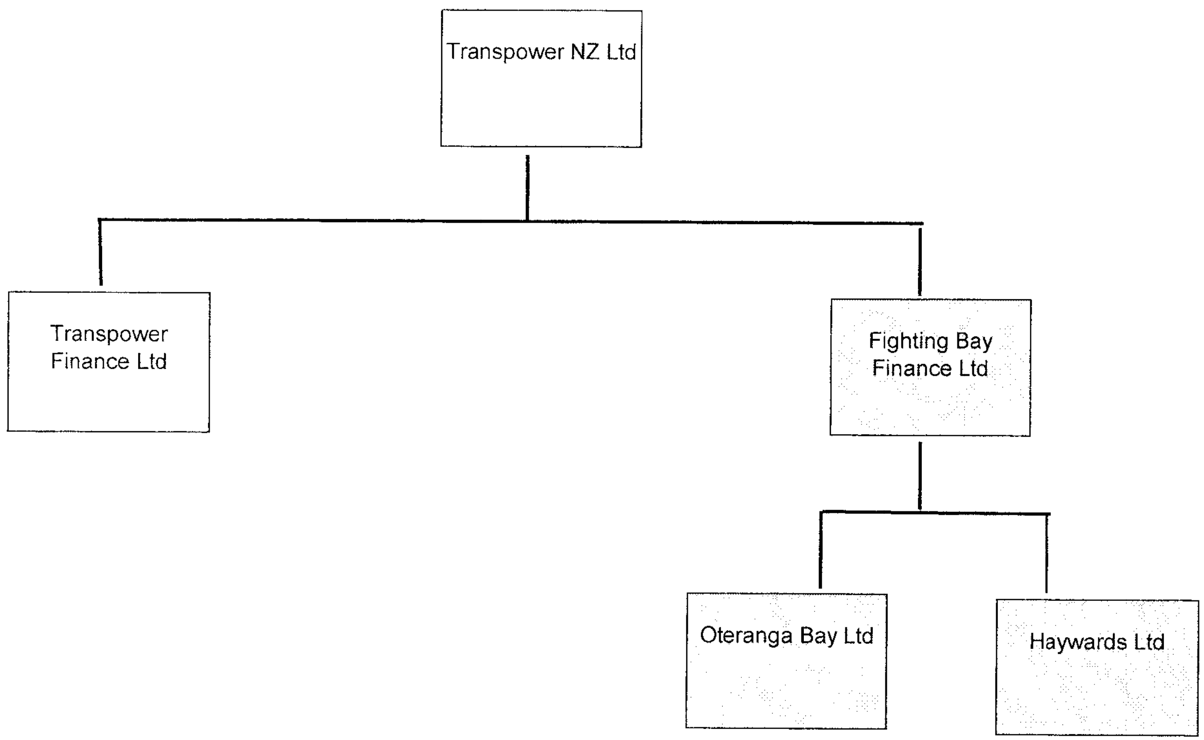
(iii) Various Other Lawsuits, Claims and Investigations

Various other lawsuits, claims and investigations have been brought or are pending against the Lines Business. The Directors of Transpower cannot reasonably estimate the adverse effect (if any) on the Lines Business if any of the foregoing claims are ultimately resolved against the Lines Business's interests.

27. Lines Business Entities

All subsidiaries are wholly owned, are incorporated in New Zealand and have a balance date of 30 June 2009.

As at balance date the subsidiaries are as follows:



Party to cross border lease of **HVDC converter plant** (Haywards), **HVDC submarine cables** (Oteranga Bay)

Transpower Finance Ltd - Main finance company

28. Related parties

Transactions with key management personnel
The Lines Business did not conduct any business with key management personnel.

Key management personnel compensation
Key management personnel received the following compensation for their services to the Lines Business.

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Directors' fees	552	564
Short term employee benefits	4,412	4,221
Defined contribution schemes	125	16
Termination benefits	-	117

29. Reconciliation of "Net Profit" with "Net Cash Flow From Operations"

	LINES BUSINESS	
	2009	**2008**
	$000	**$000**
Operating surplus after tax	80,835	80,205
Add (deduct) non-cash items:		
Change in fair value of financial instruments	61,245	44,533
Depreciation and amortisation	130,971	120,465
Deferred tax	(17,006)	(4,535)
Impairment	1	17
Imputed interest	2,549	1,055
Movements in working capital items:		
Decrease (increase) in trade and other receivables	(26,417)	34,832
Decrease (increase) in prepayments	(2,618)	(1,751)
Decrease (increase) in stocks of materials	(3,219)	(1,408)
(Decrease) increase in trade and other payables, interest payable and deferred income	5,394	33,176
(Decrease) increase in taxation payable	21,473	717
(Decrease) increase in provisions	(2,957)	(267)
Add (deduct) items classified as investing activities:		
Fixed asset write-offs and loss on sale	7,191	7,115
Capitalised interest	(15,125)	(13,912)
Net cash flow from operations	242,318	300,242

30. Subsequent events

The Directors are not aware of any matter or circumstance since the end of the financial year that has significantly or may significantly affect the operations of the Lines Business.

31. Significant estimates or judgements

Judgements

No significant judgements were made during the year.

Estimations

A key estimate and assumption made regarding future events was in relation to a dismantling provision. This provision has a balance at 30 June 2009 of $17.3 million. The nature and uncertainty on this provision is discussed in Note 17 Provisions.

Transpower has followed the 'Commerce Commission Electricity Information Disclosure Requirements' in preparing these financial statements. Full financial statements for the lines business are not prepared in the ordinary course of business, being solely a regulatory requirement. Certain judgements have been made around the underlying cost drivers for the ACAM methodology. Generally Transpower has used F.T.E's (full time equivalents) as the cost allocation driver.

A significant estimate and judgement made in applying Transpower Finance's accounting policies was in relation to the fair market valuations of debt and derivatives. In determining the fair market valuations, the swap curve was used to perform the discounted cash flow calculations. Additionally, for the fair market valuations of debt and derivatives an assessment of the credit risk valuation component was made. This credit risk component was assessed as a $70 million gain to the income statement. Further information is contained within Note 1 and Note 6.

32. Other items requiring specific disclosure under the Electricity (Information Disclosure) Regulations 2004

	LINES BUSINESS	
	2009	**2008**
Assets	**$000**	**$000**
Goodwill	-	-
Total intangible assets	46,535	17,060
Total tangible assets	2,659,919	2,508,324

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	227,085							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	227,085							
Interest on cash, bank balances, and short-term investments (ISTI)	0							
OSBIIT minus ISTI	227,085	a		227,085				227,085
Net surplus after tax from financial statements	80,835							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	80,835	n				80,835		
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)	0							
Depreciation of SFA at ODV (y)	0							
ODV depreciation adjustment	0	d	add	0	add	0	add	0
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	23,782	q					deduct	23,782
Revaluations	0	r					add	0
Income tax	18,307	p					deduct	18,307
Numerator				227,085		80,835		184,996
			$OSBIIT^{ADJ} = a + g + s + d$		$NSAT^{ADJ} = n + g + s - s*t + d$		$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$	
Fixed assets at end of previous financial year (FA_0)	2,525,384							
Fixed assets at end of current financial year (FA_1)	2,706,454							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	-101,554							
Adjusted net working capital at end of current financial year ($ANWC_1$)	-66,831							
Average total funds employed (ATFE) (or regulation 33 time-weighted average)	2,531,727	c		2,531,727				2,531,727
Total equity at end of previous financial year (TE_0)	1,233,016							
Total equity at end of current financial year (TE_1)	1,313,381							
Average total equity (or regulation 33 time-weighted average)	1,273,199	k				1,273,199		
WUC at end of previous financial year (WUC_0)	316,765							
WUC at end of current financial year (WUC_1)	439,816							
Average total works under construction (or regulation 33 time-weighted average)	378,291	e	deduct	378,291	deduct	378,291	deduct	378,291
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 (or regulation 33 time-weighted average)	0	m			deduct	0		
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})	0							
System fixed assets at end of current financial year at book value (SFA_{bv1})	0							
Average value of system fixed assets at book value (or regulation 33 time-weighted average)	0	f	deduct	0	deduct	0	deduct	0
System Fixed assets at year beginning at ODV value (SFA_{odv0})	0							
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	0							
Average value of system fixed assets at ODV value (or regulation 33 time-weighted average)	0	h	add	0	add	0	add	0
Denominator				2,153,436		894,908		2,153,436
			$ATFE^{ADJ} = c - e - f + h$		$Ave\ TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - ½r - f + h$	
Financial Performance Measure:				10.5		9.0		8.6
			$ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$		$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$	

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation (Transpower does not perform an ODV) subscript '0' = end of financial year subscript '1' = end of the current financial year ROF = return on funds

Transpower has included intangible assets with property, plant and equipment in the calculation of these ratios reflecting the nature of the intangible assets.

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

STATEMENT OF PERFORMANCE MEASURES
FOR THE YEAR ENDED 30 JUNE 2009

		LINES BUSINESS 2009	LINES BUSINESS 2008	LINES BUSINESS 2007	LINES BUSINESS 2006	LINES BUSINESS 2005
Financial Measures						
Return on Equity		9.0%	8.8%	9.7%	7.8%	8.1%
Return on Funds		10.5%	10.6%	9.6%	9.0%	9.4%
Return on Investment		8.6%	7.6%	6.5%	5.8%	6.1%
Efficiency Measures						
Direct line costs per kilometre, which shall be calculated in accordance with the following formula:						
	a	143,542,000	133,583,000	120,355,000	140,790,000	152,304,000
	b	17,341	17,334	17,334	17,248	17,045
a*	is direct expenditure (in dollars): and	**$8,278**	**$7,706**	**$6,943**	**$8,163**	**$8,935**
b	is system length (in kilometres);					

* all years restated to exclude HVDC share of reserves

TRANSPOWER NEW ZEALAND LIMITED LINES BUSINESS

ANNUAL DEPRECIATED HISTORIC COST RECONCILIATION REPORT
YEAR ENDED 30 JUNE 2009

	2009 $ million	2008* $ million
System fixed assets book value at 30 June 2008	2,218	2,126
Add system fixed assets acquired during the year at DHC	181	232
Less system fixed assets disposed of during the year at DHC	(10)	(16)
Less depreciation and amortisation on system fixed assets at DHC	(124)	(124)
Equals system fixed assets book value at 30 June 2009	2,265	2,218

* During the year Transpower chose to reset the pseudo value of Pole 1 to zero. This was a shareholder charge.

1 The Electricity Information Disclosure Requirements[1]

(For 12 months ending 30 June 2009, 2008, 2007, 2006)

Part 4

Energy Delivery Efficiency Performance Measures and Statistics (Disclosure under Requirement 20)	**2008/09**	**2007/08**	**2006/07**	**2005/06**
1. Energy delivery efficiency performance measures				
(a) Load factor (%)				
Electrical energy entering the transmission system as percentage of maximum demand times hours per year	67.02	68.35	66.60	66.50
(b) Loss ratio (%) *Transmission losses as percentage of energy entering the system*	4.02	3.66	3.74	3.63
(c) Capacity utilisation (%) *Maximum demand as percentage of total transformer capacity (Maximum Continuous Ratings)*	46.93	48.10	50.37	51.61
2. Statistics				
(a) System length, broken down by voltage (km)				
Total [a]	17,340	17,333	17,334	17,248
350 kV (HVDC)	611	611	611	611
270 kV (HVDC)	611	611	611	611
0 kV (HVDC earth electrode)	31	31	31	31
220 kV (HVAC)	8,632	8,631	8,617	8,611
110 kV (HVAC)	6,304	6,298	6,299	6,219
66/50/33/11 kV (HVAC) [a]	1,151	1,151	1,165	1,165
(b) Circuit length of overhead electric lines, broken down by voltage (km).				
Total [a]	17,255	17,248	17,249	17,163
350 kV (HVDC)	571	571	571	571
270 kV (HVDC)	571	571	571	571
0 kV (HVDC earth electrode)	31	31	31	31
220 kV (HVAC)	8,632	8,631	8,617	8,611
110 kV (HVAC)	6,299	6,293	6,294	6,214
66/50/33/11 kV (HVAC) [a]	1,151	1,151	1,165	1,165
NB: HVDC link submarine power cables measure approximately 80km. Broken down by voltage				
350 kV (HVDC)	40	40	40	40
270 kV (HVDC)	40	40	40	40
(c) Total circuit length of underground electric lines (km)				
(110 kV HVAC)	4	4	4	4
(d) Transformer capacity (Maximum Continuous Ratings) (kVA)	$14.09x10^6$	$13.80x10^6$	$13.31x10^6$	$12.88x10^6$
(e) Maximum demand (kilowatts) [bc] (kW)	$6.61x10^6$	$6.64x10^6$	$6.71x10^6$	$6.65x10^6$
(f) Total electricity entering the system (before losses) [bc] (kWh)	$33.82x10^9$	$39.72x10^9$	$39.13x10^9$	$38.73x10^9$
(g) Total amount of electricity (in kilowatt hours) supplied from the system (after losses of electricity) during the financial year on behalf of each person that is an electricity generator or an electricity retailer, or both: [bcd] (kWh)	$37.26x10^9$	$38.27x10^9$	$37.66x10^9$	$37.33x10^9$
(h) Total connected customers	51	49	48	47

Notes

a Excludes 61km of circuits leased from others and operated by Transpower, and 34 km owned by Transpower but operated by others.

b To 2 decimal places only, higher accuracy used in calculations.

c For all years, figures for maximum demand kW and kWh injected and supplied include loads on circuits leased by Transpower. The effect of these circuits cannot be measured as metering equipment is not installed at the inter-connection points with Transpower-owned assets, but the difference is estimated to be no more than 0.1% of totals. Loads on Transpower assets leased to others are not included as Transpower does not collect operational data for these assets.

d Including sales to direct connected customers

[1] Electricity Information Disclosure Requirements issued 31 March 2004 as amended by the Electricity Information Disclosure Amendment Requirements 2004, 2006, 2007, 2008, 2008 (No2), and 2008 (No3).

The Electricity Information Disclosure Requirements

(For 12 months ending 30 June 2009, 2008, 2007, 2006)

Part 6

Reliability Performance Measures to be Disclosed by Transpower[a] (Disclosure Under Requirement 21)	**2008/09**	**2007/08**	**2006/07**	**2005/06**
1. Total number of unplanned interruptions [b] Resulting from 64 loss of supply incidents in 2008/09	112	115	104	148
2. Electricity customer interruptions in system minutes [c]	18.1	28.0	11.7	40.8
Planned	2.0	3.3	3.3	2.8
Unplanned	16.1	24.6	8.4	38.0
3. Underlying electricity customer interruptions in system minutes [c]				
Underlying interruptions are those interruptions of one system minute or less duration	5.9	6.8	6.4	8.8
Planned	0.9	2.1	2.2	1.5
Unplanned	4.9	4.7	4.1	7.2
4. Average supply reliability (%)				
Measured by the energy supplied divided by the sum of the energy supplied and not supplied	99.9946	99.9919	99.9965	99.9879
5. Uneconomic generation due to planned and unplanned transmission system unavailability (%) [d]	-	-	-	-
6. Uneconomic generation due to HVDC system unavailability (%)[d]	-	-	-	-
7. Uneconomic generation due to unplanned transmission system unavailability (%)[d]	-	-	-	-
8. Planned interruption restoration performance (%)	76.7	73.1	73.1	72.2
9. Unplanned interruption response (%)	100.0	100.0	99.0	100.0

Notes

a The information compiled using estimated information includes Part 6 sections 2, 3 and 4. The methodology used to calculate the estimated information is documented and available from Transpower upon request.
The reliability performance measures given in Part 6 do not include the performance of the 34km of circuit leased to other parties because Transpower does not collect operational data for these assets.

b Where two supply voltages, or two customers, at the same station are both interrupted this is counted as two interruptions.

c Any minor differences between the total and the sum of planned and unplanned are due to rounding.
System minutes of interruptions do not include energy made up by backfeed from another point of supply or by embedded generation within a customer's network.

d Uneconomic generation (Part 6 sections 5, 6 and 7) is not relevant in the market environment because scheduling is now based on offered price, not economic cost. In the market, 'offers to generate' are made after taking constraints into account and it is not possible to predict what a generator would have offered if the constraint was not present. As a result data is not available to allow a calculation and a null entry has been returned.

Form 5

ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

REGULATION 31(2)

CERTIFICATE BY DIRECTORS OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY TRANSPOWER NEW ZEALAND LIMITED

We, Ian Donald and Dr Don Brash, Directors of Transpower New Zealand Limited ("Transpower") certify that, having made all reasonable enquiry, to the best of our knowledge;

(a) The attached audited financial statements of Transpower, prepared for the purposes of regulation 5 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 Transpower, and having been prepared for the purposes of requirements 14, 15, 16, 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 30 June 2009.

Ian Donald

19 November 2009

Dr Don Brash

Form 7

ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 2004
REGULATION 37

STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO COMMERCE COMMISSION

I, Ian Donald, of Auckland being a Director of Transpower New Zealand Limited, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by Transpower under the Electricity Information Disclosure Requirements 2004.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957. Declared at this day of 19 November 2009.

....
Solicitor of the High Court
of New Zealand

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