SUPPLEMENT TO

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ALPINE ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

ALPINE ENERGY LIMITED

LINES BUSINESS

FINANCIAL STATEMENTS

For the Year Ended 31 March 2007

Prepared for the Purposes of the Electricity Information Disclosure Requirements 2004

INFORMATION DISCLOSURE DISCLAIMER

The information disclosed in this 2007 Information Disclosure package issued by Alpine Energy Limited has been prepared in accordance with, and for the specific use intended under, the Electricity Information Disclosure Requirements 2004 (the Requirements).

The Requirements set out the information to be disclosed and the manner in which it is to be presented. The information should not be used for any other purpose than that intended under the requirements.

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

APPROVAL BY DIRECTORS

The Directors have approved the Consolidated Financial Statements of Alpine Energy Limited Line Business for the period ended 31 March 2007 on pages 1 to 21.

For and on behalf of the Board of Directors

IJ Bowan

Ian James Bowan

Stephen Richard Thompson

25 February 2008

ALPINE ENERGY LIMITED LINES BUSINESS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

REVENUE	Note		2007		2006
			$		$
Operating revenue					
Revenue from line/access charges			27,650,620		26,644,166
Revenue from "Other" business for services carried out by the line business			0		0
Interest on cash, bank balances and short term investments			285,977		232,505
AC loss-rental rebates			771,110		1,391,624
Other revenue not listed above					
Capital Contributions		2,389,978		2,183,347	
Other		25,189		6,306	
			2,415,167		2,189,653
Total operating revenue			31,122,874		30,457,948

EXPENDITURE	Note		2007		2006
Operating expenditure					
Payment for transmission charges			8,652,853		8,480,826
Transfer payments to the "Other" business for					
Asset maintenance	9	2,764,500		1,252,427	
Consumer disconnection/reconnection services		0		0	
Meter data		0		0	
Consumer-based load control services		0		0	
Royalty and patent expenses		0		0	
Avoided transmission charges on account of own generation		0		0	
Other goods and services	9	633,945		280,683	
Total transfer payment to the "Other" business			3,398,445		1,533,110
Expense to entities that are not related parties for					
Asset maintenance	9	691,591		176,172	
Consumer disconnection/reconnection services		0		0	
Meter data		0		0	
Consumer-based load control services		0		0	
Royalty and patent expenses		0		0	
Total of specified expenses to non-related parties			691,591		176,172
Employee salaries, wages and redundancies			2,009,864		1,834,649
Consumer billing and information system expense			0		0
Depreciation on					
System property, plant and equipment		4,583,960		4,707,573	
Other property, plant and equipment		0		2,034	
Total depreciation			4,583,960		4,709,607
Amortisation of					
Goodwill		0		0	
Other intangibles		1,464		1,182	
Total amortisation of intangibles			1,464		1,182
Corporate and administration			187,440		231,900
Human resource expenses			8,187		22,085
Marketing/advertising			55,908		53,644
Merger and acquisition expenses			0		0
Takeover defense expenses			0		0
Research and development expenses			0		0
Consultancy and legal expenses			195,349		148,751
Donations			0		0

ALPINE ENERGY LIMITED LINES BUSINESS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007 - CONTINUED

	Note		2007 $		2006 $
Directors' fees			129,178		119,788
Auditors' fees					
Audit fees paid to principal auditors		36,120		27,805	
Audit fees paid to other auditors		0		0	
Fees paid for other services provided by principal and other auditors		33,589		42,006	
Total auditors' fees			69,709		69,811
Costs of offering credit					
Bad debts written off		0		0	
Increase in estimated doubtful debts		0		0	
Total cost of offering credit			0		0
Local authority rates expense			60,670		65,637
AC loss-rentals (distribution to retailers/customers) expense			0		0
Rebates to consumers due to ownership interest			0		0
Subvention payments			0		0
Unusual expenses			0		0
Other expenditure not listed above			177,526		138,710
Total operating expenditure			20,222,144		17,585,872
Operating surplus before interest and income tax			**10,900,730**		**12,872,076**
Interest expense					
Interest expense on borrowings			0		0
Financing charges related to finance leases			0		0
Other interest expense			0		0
Total interest expense			0		0
Operating surplus before income tax			**10,900,730**		**12,872,076**
Income tax	**4**		4,517,582		5,078,003
Net surplus after tax			**6,383,148**		**7,794,073**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

	2007 $	2006 $
Equity at the Beginning of the Year	72,932,653	72,123,015
Net Surplus (Deficit) for the Period	6,383,148	7,794,073
Revaluation	0	0
Total Recognised Revenue and Expenses	6,383,148	7,794,073
Dividends Paid	(9,546,772)	(6,984,435)
Transfer on Disposal of Plant, Property and Equipment	0	0
Equity at the End of the Year	69,769,029	72,932,653

ALPINE ENERGY LIMITED LINES BUSINESS

BALANCE SHEET AS AT 31 MARCH 2007

	Note	2007 $	2006 $
Current assets			
Cash and bank balances		0	90,418
Short-term investments		0	2,700,000
Inventories		0	0
Accounts receivable		1,883,551	669,230
Other current assets		22,441	5,849
Total current assets		1,905,992	3,465,497
Fixed assets			
System property, plant and equipment		84,296,436	83,586,173
Consumer billing and information system assets		0	0
Motor vehicles		0	0
Office equipment		0	0
Land and buildings		0	0
Capital works under construction (system fixed assets)		8,651,097	5,280,205
Other property, plant and equipment		0	0
Total fixed assets		92,947,533	88,866,378
Other tangible assets not listed above			
Deferred tax		0	0
Total tangible assets		94,853,525	92,331,875
Intangible assets			
Goodwill		0	
Other intangibles		26,315	22,331
Total intangible assets		26,315	22,331
Total assets		94,879,840	92,354,206
Current liabilities			
Bank overdraft		1,366,608	0
Short-term borrowings		0	0
Payables and accruals		2,592,551	1,996,275
Provision for dividends payable		2,727,649	0
Provision for income tax		319,675	1,145,845
Other current liabilities		0	0
Total current liabilities		7,006,483	3,142,120
Non-current liabilities			
Payables and accruals		0	
Borrowings		0	
Deferred tax	**4**	18,104,328	16,279,433
Other non-current liabilities		0	
Total non-current liabilities		18,104,328	16,279,433
Equity			
Shareholders' equity			
Share capital		26,596,000	26,596,000
Retained earnings		8,266,029	11,429,653
Reserves		34,907,000	34,907,000
Total Shareholders' equity		69,769,029	72,932,653
Minority interests in subsidiaries		0	
Total equity		69,769,029	72,932,653
Capital notes		0	
Total capital funds		69,769,029	72,932,653
Total equity and liabilities		94,879,840	92,354,206

ALPINE ENERGY LIMITED LINES BUSINESS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	2007 $	2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		29,891,961	30,894,767
Cash was disbursed to:			
Payments to Suppliers and Employees		(15,040,444)	(13,233,666)
Income Tax		(3,519,196)	(3,530,279)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8	11,332,321	14,130,822
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sales of property, plant and equipment		0	0
Cash was applied to:			
Purchase of Property, Plant and Equipment		(8,670,224)	(7,450,524)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(8,670,224)	(7,450,524)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividend paid		(6,819,123)	(6,984,435)
Loan repaid		0	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		(6,819,123)	(6,984,435)
NET INCREASE (DECREASE) IN CASH HELD		(4,157,026)	(304,137)
Add Opening Cash Brought Forward		2,790,418	3,094,555
ENDING CASH CARRIED FORWARD		(1,366,608)	2,790,418

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements

For the Year Ended 31 March 2007

1 General information

Alpine Energy Limited is an asset management company.
The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Meadows Road, Washdyke, Timaru.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

Entities reporting

The financial statements for the "Parent" are for Alpine Energy Limited as a separate legal entity.

Statutory base

Alpine Energy Limited is a company registered under the Companies Act 1993.
The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity Information Disclosure Requirements 2004.

The financial information presented is for the line business activities of Alpine Energy Limited. There are also additional activities of the Company that are not required to be reported under the Requirements.

Application of NZ IFRS 1 First time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)

Financial statements of Alpine Energy Limited until 31 March 2006 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS.
When preparing the Company financial statements for the year ended 31 March 2007, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. The comparative figures were restated to reflect these adjustments.
In preparing these financial statements in accordance with NZ IFRS 1 the Company has applied certain optional exemptions from full retrospective application of NZ IFRS.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets as identified in specific accounting policies below.

(b) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the company. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when an entity has delivered a product to the customer. Retail sales are usually in cash or by bank transfer. The recorded revenue is the gross amount of sale.

(ii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Construction contracting

Contract revenue and expenses related to individual construction contracts are recognised on completion of each contract.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued

For the Year Ended 31 March 2007

(c) Customer Contributions

Contributions from customers, in relation to the construction of new lines for the network, and contributions from district councils towards the costs of replacing overhead lines with underground cables are accounted for as income in the year in which they are received.

(d) Capital and Operating Expenditure

Capital expenditure relates to expenditure incurred in the creation of a new asset and expenditure incurred on existing reticulation system assets to the extent the system is enhanced.

Operating expenditure relates to expenditure which restores an asset closer to its original condition and includes expenditure incurred in maintaining and operating the fixed assets of the network.

(e) Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax income tax asset is realised or the deferred income tax liability is settled.

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

Deferred in come tax is provided on temporary timing differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the company and its probable that the temporary difference will not reverse in the foreseeable future.

(f) Goods and Services Tax (GST)

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

(g) Impairment of non financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life including goodwill are not subject to amortization and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(h) Cash and cash equivalents

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

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued
For the Year Ended 31 March 2007

(j) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit and loss

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(iii) Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any other the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity, except for foreign exchange movements on monetary assets, which are recognised in the income statement. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset of a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(k) Property, plant and equipment

Network reticulation system assets are revalued in accordance with the Information Disclosure requirements to net current value as determined by an independent valuer using the depreciated replacement cost valuation method.

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

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued

For the Year Ended 31 March 2007

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Depreciation of property, plant and equipment is calculated using diminishing value income tax rates so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Buildings 1% - 2.5%
- Plant and Equipment 7.5% - 50%
- Motor vehicles 15% - 26%
- Reticulation system 1.4% - 10%

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each balance sheet date.
Capital work in progress is not depreciated until commissioned.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the income statement.

(m) Intangible assets

(i) Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.
Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.
Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

(n) Trade and other payables

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

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Share Capital

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

(q) Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
Provisions are not recognised for future operating losses.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued

For the Year Ended 31 March 2007

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for nonaccumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

(s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Company shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Transition to New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)

The Company's financial statements for the year ended 31 March 2007 are the first disclosure financial statements that comply with NZ IFRS and NZ IFRS 1 has been applied in their preparation. These financial statements have been prepared as described in note 1.

The Company's transition date is 1 April 2005. The Company prepared their opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 31 March 2007. The Company's NZ IFRS adoption date is 1 April 2006.

In preparing these financial statements in accordance with NZ IFRS 1, the Company have applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The following mandatory exceptions from retrospective application have been applied.

(a) Derecognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 31 March 2005 are not re-recognised under NZ IFRS.

(b) Insurance contracts

The transitional provisional in NZ IFRS 4 Insurance Contracts have been applied.

(c) Estimates exception

Estimates under NZ IFRS at 31 March 2005 are required to be consistent with estimates made for the same date under previous NZ FRS, unless there is evidence that those estimates were in error. No adjustments to previous estimates have been made by the Directors.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued
For the Year Ended 31 March 2007

4. Taxation

	2007 $	2006 $
Income Tax Expense		
Operating Surplus before Income Tax	10,900,730	12,872,076
Prima Facie Taxation @ 33 Cents	3,597,241	4,247,785
Movement in Income Tax Due to:		
Non-Taxable Revenue	(525,970)	(720,505)
Non-Deductible Costs	1,504,804	1,550,339
Loss on Sale of Assets	(58,493)	384
Prior Year Over (Under) Provisions	0	0
Income Tax Expense	**4,517,582**	**5,078,003**
The income tax expense is represented by:		
Current Taxation	2,693,026	3,731,633
Deferred Taxation	1,824,556	1,346,370
	4,517,582	**5,078,003**
Deferred Income Tax Liability (Asset)		
Balance at Beginning of Year	16,279,772	14,933,402
Current Year Timing Differences	1,824,556	1,346,370
Adjustment on Disposal of Business	0	0
Balance at End of Year	**18,104,328**	**16,279,772**
Taxation Liability (Asset)		
Income Tax Expense	4,517,582	5,078,003
Add/(Deduct):		
Deferred Tax	(1,824,556)	(1,346,730)
Income Tax Paid	(3,519,196)	(3,530,279)
Income Tax Liability at Beginning of Year	1,145,845	944,491
Provision for Tax	**319,675**	**1,145,845**

5. Contingent Liabilities

In respect of the business activities being reported on, the Company has no contingent liabilities as at 31 March 2007 (2006 nil).

6. Capital Commitments

In respect of the business activities being reported on, the Company has capital commitments amounting to $3,201,035 as at 31 March 2007 (2006 $2,535,427).

7. Financial Instruments

a) Fair value

Fair value is the equivalent to carrying the amount stated in the Statement of Financial Position.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued

For the Year Ended 31 March 2007

b) Credit Risk

The Company has minimal credit risk in its holding of various financial instruments. These financial instruments relate to cash and short term investments, trade and sundry receivables.

c) Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk principally relate to cash and short term investments, trade and sundry receivables.

The company places its cash and short term investments with financial institutions who have a Standard and Poors credit rating of "A" or better or who provide first ranking security and also limits the amount of credit exposure to any one financial institution.

The level of credit risk in respect of accounts receivable is influenced by the small number of major electricity retailers conveying electricity across the Company's network.

d) Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The Company's short term deposits are at fixed rates with maturities not exceeding two years. Consequently the Company is not exposed to significant interest rate risk.

e) Currency Risk

Currency risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company has no exposure to currency risk.

8. Reconciliation Of Operating Surplus With Cash Flows From Operating Activities

	2007 $	2006 $
Operating Surplus After Income Tax	**6,383,148**	**7,794,073**
Add/ (Deduct) Non Cash Items		
Depreciation & Amortisation	4,585,424	4,710,789
Deferred Tax	1,824,556	1,346,370
	12,793,128	13,851,232
Add/ (Deduct) Movements in Working Capital		
(Increase)/Decrease in Debtors	(1,230,913)	436,819
Increase/(Decrease) in Creditors	596,276	(363,345)
Increase/(Decrease) in Provision for Tax	(826,170)	206,116
	(1,460,807)	279,590
	11,332,321	**14,130,822**

9. Related Party Transactions

Associated Entity: Networks South Limited (excl GST)

Networks South Limited is 50% owned by Alpine Energy Limited and provided administrative, engineering and planning functions for the network from 1 April 2006 to 1 December 2006. These services are charged on a fixed contract basis.

During the period, this charge totalled $47,268 (31 March 2006 $336,072). The outstanding amount as at 1 December 2006 was $0 (31 March 2006 $2,048) payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

On 1 December 2006 NetCon Limited merged with its parent Network South Limited and was then renamed NetCon Limited. For comparative purposes the full 12 months of Netcon Ltd trading with Alpine Energy Ltd has been disclosed below.

ALPINE ENERGY LIMITED LINES BUSINESS

Notes to and Forming Part of the Financial Statements - Continued

For the Year Ended 31 March 2007

Associated Entity: NetCon Limited (excl GST)

NetCon is 50% owned by Alpine Energy Limited and provided asset maintenance and construction services for the network from 1 April 2006 to 31 March 2007. Services were charged on both a fixed price basis or 'time and materials' basis.

During the period, this charge totalled $10,818,355 (2006 $8,540,876). The outstanding amount as at 31 March 2007 was $552,123 (2006 $777,165) payable on normal commercial terms.

No debts were written off or forgiven and no transactions took place at nil or nominal value.

During the period capital construction transactions totalled the following:

	2007 **$**	**2006** **$**
Asset Construction:		
Subtransmission assets	0	0
Zone Substations	970,883	725,760
Distribution Lines	4,854,414	3,575,120
Medium Voltage Switchgear	0	0
Distribution Transformers	882,621	631,594
Distribution Substations	176,524	138,240
Low Voltage lines	1,941,765	1,760,880
Other System Fixed Assets (as per the ODV Handbook)	0	0
Maintenance of Assets	1,358,203	1,428,599
Customer Connections and Disconnections	0	0
Other Goods and Services	633,945	280,683

ALPINE ENERGY LIMITED LINES BUSINESS
BALANCE SHEET
At the date of transition to NZFRS: As at 1 April 2005

Reconciliation of equity reported under previous New Zealand Financial Reporting Standards (NZFRS) to equity under New Zealand equivalents to IFRS (NZIRFS).		Previous NZFRS 2005 $	Effect of Transition to NZIFRS 2005 $	NZIFRS 2005 $
Current assets				
Cash and bank balances		94,555	0	94,555
Short-term investments		3,000,000	0	3,000,000
Inventories		0	0	0
Accounts receivable		1,107,699	0	1,107,699
Other current assets		4,199	0	4,199
Total current assets		4,206,453	0	4,206,453
Fixed assets				
System property, plant and equipment	(iii)	83,077,000	(1,145,563)	81,931,437
Consumer billing and information system assets		0	0	0
Motor vehicles		0	0	0
Office equipment		0	0	0
Land and buildings		0	0	0
Capital works under construction (system fixed assets)		4,193,656	0	4,193,656
Other property, plant and equipment		0	0	0
Total fixed assets		87,270,656	(1,145,563)	86,125,093
Other tangible assets not listed above				
Deferred tax		0	0	0
Total tangible assets		91,477,109	(1,145,563)	90,331,546
Intangible assets				
Goodwill		0		
Other intangibles		0	20,580	20,580
Total intangible assets		0	20,580	20,580
Total assets		91,477,109	(1,124,983)	90,352,126
Current liabilities				
Bank overdraft		0	0	0
Short-term borrowings		0	0	0
Payables and accruals	(ii)	2,211,489	144,369	2,355,858
Provision for dividends payable		0	0	0
Provision for income tax		939,729	0	939,729
Other current liabilities		0	0	0
Total current liabilities		3,151,218	144,369	3,295,587
Non-current liabilities				
Payables and accruals		0		
Borrowings		0		
Deferred tax	(iv)	14,885,882	47,642	14,933,524
Other non-current liabilities		0		
Total non-current liabilities		14,885,882	47,642	14,933,524
Equity				
Shareholders' equity				
Share capital		26,596,000		26,596,000
Retained earnings	(i)	11,937,009	(1,316,994)	10,620,015
Reserves		34,907,000		34,907,000
Total Shareholders' equity		73,440,009	(1,316,994)	72,123,015
Minority interests in subsidiaries		0		
Total equity		73,440,009	(1,316,994)	72,123,015
Capital notes		0		
Total capital funds		73,440,009	(1,316,994)	72,123,015
Total equity and liabilities		91,477,109	(1,124,983)	90,352,126

(i) Reclassification of revaluation reserve to retained earnings on using the deemed cost option.
(ii) Establishment of a long service provision in accordance with NZ IAS 19.
(iii) As the network asset is no longer carried at a revalued amount adjustments are required for network disposals.
(iv) Deferred tax has been adjusted where required for the above items.

ALPINE ENERGY LIMITED LINES BUSINESS
INCOME STATEMENT
For the year under previous NZFRS: 31 March 2006

Reconciliation of profit for the year ended 31 March 2006	**Previous NZFRS 2006 $**	**Effect of Transition to NZIFRS 2006 $**	**NZIFRS 2006 $**
Revenue	30,457,948	-	30,457,948
Costs:			
Transmission	(8,480,826)	-	(8,480,826)
Depreciation & Amortisation	(4,197,276)	(513,513)	(4,710,789)
Contract Services	(1,252,427)	-	(1,252,427)
Labour	(1,841,046)	6,397	(1,834,649)
Other	(1,307,181)	-	(1,307,181)
Profit Before Income Tax	13,379,192	(507,116)	12,872,076
Income Tax Expense	(5,080,114)	2,111	(5,078,003)
Profit From Operations	**8,299,078**	**(505,005)**	**7,794,073**

ALPINE ENERGY LIMITED LINES BUSINESS

BALANCE SHEET

At the end of the year under previous NZFRS: As at 31 March 2006

Reconciliation of equity reported under previous New Zealand Financial Reporting Standards (NZFRS) to equity under New Zealand equivalents to IFRS (NZIRFS).

		Previous NZFRS 2006 $	Effect of Transition to NZIFRS 2006 $	NZIFRS 2006 $
Current assets				
Cash and bank balances		90,418	0	90,418
Short-term investments		2,700,000	0	2,700,000
Inventories		0	0	0
Accounts receivable		669,230	0	669,230
Other current assets		5,849	0	5,849
Total current assets		3,465,497	0	3,465,497
Fixed assets				
System property, plant and equipment	(iii)	85,247,000	(1,660,827)	83,586,173
Consumer billing and information system assets		0	0	0
Motor vehicles		0	0	0
Office equipment		0	0	0
Land and buildings		0	0	0
Capital works under construction (system fixed assets)		5,280,205	0	5,280,205
Other property, plant and equipment		0	0	0
Total fixed assets		90,527,205	(1,660,827)	88,866,378
Other tangible assets not listed above				
Deferred tax		0	0	0
Total tangible assets		93,992,702	(1,660,827)	92,331,875
Intangible assets				
Goodwill		0		
Other intangibles		0	22,331	22,331
Total intangible assets		0	22,331	22,331
Total assets		93,992,702	(1,638,496)	92,354,206
Current liabilities				
Bank overdraft		0	0	0
Short-term borrowings		0	0	0
Payables and accruals	(ii)	1,858,303	137,972	1,996,275
Provision for dividends payable		0	0	0
Provision for income tax		1,145,845	0	1,145,845
Other current liabilities		0	0	0
Total current liabilities		3,004,148	137,972	3,142,120
Non-current liabilities				
Payables and accruals		0		
Borrowings		0		
Deferred tax	(iv)	16,233,902	45,531	16,279,433
Other non-current liabilities		0		
Total non-current liabilities		16,233,902	45,531	16,279,433
Equity				
Shareholders' equity				
Share capital		26,596,000		26,596,000
Retained earnings	(i)	13,251,652	(1,821,999)	11,429,653
Reserves		34,907,000		34,907,000
Total Shareholders' equity		74,754,652	(1,821,999)	72,932,653
Minority interests in subsidiaries		0		
Total equity		74,754,652	(1,821,999)	72,932,653
Capital notes		0		
Total capital funds		74,754,652	(1,821,999)	72,932,653
Total equity and liabilities		93,992,702	(1,638,496)	92,354,206

(i) Reclassification of revaluation reserve to retained earnings on using the deemed cost option.
(ii) Establishment of a long service provision in accordance with NZ IAS 19.
(iii) As the network asset is no longer carried at a revalued amount adjustments are required for network disposals.
(iv) Deferred tax has been adjusted where required for the above items.

ALPINE ENERGY LIMITED LINES BUSINESS

Financial Performance Measures - 31 March 2007

	2007	2006	2005	2004
Accounting return on funds	12.1%	14.8%	12.1%	16.0%
Accounting return on equity	9.1%	10.8%	8.4%	10.3%
Accounting return on investments	7.1%	8.9%	7.2%	36.7%

Efficiency Performance Measures - 31 March 2007

	2007	2006	2005	2004
Direct line costs per kilometre	**$1,589**	**$929**	**$993**	**$1,150**
Direct expenditure	6,099,900	3,543,931	3,748,704	4,290,866
System length (km)	3,840	3,816	3,775	3,730

	2007	2006	2005	2004
Indirect line costs per consumer	**$30**	**$29**	**$31**	**$23**
Indirect expenditure	883,967	850,326	889,331	655,219
Total consumers	29,367	29,163	28,697	28,409

Energy Delivery Efficiency Performance Measures - 31 March 2007

	2007	2006	2005	2004
Load Factor (= a/b/c x 100)	**68.7%**	**68.8%**	**71.0%**	**69.5%**
a = kWh of electricity entering system	678,531,059	667,702,150	640,636,632	629,964,387
b = Maximum Demand (kW)	112,778	110,793	103,062	103,502
c = Total number of hours	8,760	8,760	8,760	8,760

	2007	2006	2005	2004
Loss Ratio* (= a/b x 100)	**2.9%**	**6.4%**	**10.0%**	**6.4%**
a = Total Electricity lost in the Network (kWh)	19,355,128	41,790,473	64,179,267	40,280,103
b = Total Electricity entering the Network before losses (kWh)	678,531,059	667,702,150	640,636,632	629,964,387

	2007	2006	2005	2004
Capacity Utilisation (= a/b x 100)	**33.8%**	**35.0%**	**33.8%**	**35.1%**
a = Maximum Demand (kW)	112,778	110,793	103,062	103,502
b = Transformer Capacity (kVA)	333,492	316,550	304,932	295,055

* Alpine Energy relies on the sales information reported by electricity retailers to calculate these amounts.

ALPINE ENERGY LIMITED LINES BUSINESS

Network Statistics - 31 March 2007

		2007	2006	2005	2004
Total System Length (kms)	33kV	213	213	203	189
	22kV	146	146	146	146
	11kV	2,884	2,866	2,841	2,815
	6.6kV	8	8	8	8
	230/400 V	589	583	577	572
	Total	**3,840**	**3,816**	**3,775**	**3,730**
Overhead Circuit Length (kms)	33kV	183	183	183	183
	22kV	145	145	145	145
	11kV	2,634	2,634	2,624	2,603
	6.6kV	0	0	0	0
	230/400 V	326	326	330	332
	Total	**3,288**	**3,288**	**3,282**	**3,263**
Underground Circuit Length (kms)	33kV	30	30	20	6
	22kV	0.5	0.5	0.5	0.5
	11kV	250	232	217	212
	6.6kV	8	8	8	8
	230/400 V	263	257	246.5	240
	Total	**552**	**528**	**492**	**467**
Transformer Capacity (kVA)		333,492	316,550	304,932	295,055
Maximum Demand (kW)		112,778	110,793	103,062	103,502
Total Electricity entering the Network - before losses (kWh)	Embed Generation	29,711,596	20,867,018	24,432,331	27,996,408
	Import	648,819,463	646,835,132	616,204,301	601,967,979
	Total	678,531,059	667,702,150	640,636,632	629,964,387
Amount of electricity supplied from the Network - after losses (kWh)*	Retailer A	404,610,603	369,824,665	234,972,890	261,319,111
	Retailer B	7,024,251	9,839,268	10,602,475	8,952,864
	Retailer C	30,007,214	31,245,046	24,495,613	22,172,818
	Retailer D	68,556,605	73,327,817	74,784,595	77,633,665
	Retailer E	0	0	0	0
	Retailer F	130,752,365	128,919,456	216,007,050	201,537,690
	Retailer G	0	0	0	0
	Export	18,224,893	12,755,425	15,594,742	18,068,136
	Total	659,175,931	625,911,677	576,457,365	589,684,284
Total number of Consumers		29,367	29,163	28,697	28,409

*Alpine Energy relies on the sales information reported by electricity retailers to calculate these amounts.

ALPINE ENERGY LIMITED LINES BUSINESS

Reliability and Performance Measures - Interruptions and Faults - 31 March 2007

Interruptions	Class	2009/12 (Target)	2008 (Target)	2007	2006	2005	2004
Number of Interruptions							
Planned Interruptions - Transpower	Class A			1	1	1	0
Planned Interruptions - Alpine	Class B	40	40	199	22	43	42
Unplanned Interruptions - Alpine	Class C	90	90	91	83	81	90
Unplanned Interruptions - Transpower	Class D			8	2	1	0
	Class E - I			0	0	0	0
	Total			**299**	**108**	**126**	**132**

Proportion of Total Class C Interruptions not restored:							
	Within 3 Hours	10%	10%	19%	20%	21%	27%
	Within 24 Hours	1%	1%	2%	2%	2%	9%

Faults	Voltage	2009/12 (Target)	2008 (Target)	2007	2006	2005	2004
Overall System							
Faults per 100 circuit kilometres of prescribed voltage electric line		**4.0**	**4.0**	**3.0**	**3.3**	**3.0**	**3.2**
Faults per 100 circuit kilometres	33kV	1.0	1.0	3.8	0.5	1.0	1.1
	22kV	0.0	0.0	0.0	15.1	0.7	0.7
	11kV	3.0	3.0	3.2	3.0	3.2	3.4
	6.6kV	0.0	0.0	0.0	0.0	0.0	0.0
Overhead							
Faults per 100 circuit kilometres of prescribed voltage electric line		**4.0**	**4.0**	**3.2**	**3.6**	**3.2**	**3.3**
Faults per 100 circuit kilometres	33kV	1.0	1.0	0.0	0.5	1.1	1.1
	22kV	0.0	0.0	68.3	15.2	0.7	0.7
	11kV	3.0	3.0	0.0	3.2	3.4	3.6
	6.6kV	0.0	0.0	0.0	0.0	0.0	0.0
Underground							
Faults per 100 circuit kilometres of prescribed voltage electric line		**1.0**	**1.0**	**1.7**	**0.8**	**0.8**	**1.3**
Faults per 100 circuit kilometres	33kV	0.0	0.0	0.0	0.0	0.0	0.0
	22kV	0.0	0.0	0.0	0.0	0.0	0.0
	11kV	1.0	1.0	2.0	0.9	0.9	1.4
	6.6kV	0.0	0.0	0.0	0.0	0.0	0.0

ALPINE ENERGY LIMITED LINES BUSINESS

Reliability and Performance Measures

System Average Interruption Duration Index (SAIDI) - 31 March 2007

	Class	2009/12 (Target)	2008 (Target)	2007	2006	2005	2004
SAIDI for total number of interruptions	**Overall**			**1,138**	**81**	**80**	**116**
SAIDI for total number of interruptions within each interruption class (= a/b)	Class A			14	17	9	0
	Class B	15	15	70	8	12	12
	Class C	66	66	987	50	57	103
	Class D			67	5	2	0
	Class E - I			0	0	0	0
a = sum of interruption duration factors for all interruptions within the particular interruption class	Class A			401,940	510,026	262,560	0
	Class B	240,000	240,000	2,042,373	239,831	339,577	350,995
	Class C	1,500,000	1,500,000	28,996,163	1,459,270	1,630,077	2,935,049
	Class D			1,970,319	142,774	51,508	0
	Class E - I			0	0	0	0
b = Total Consumers				29,367	29,163	28,697	28,409

System Average Interruption Frequency Index (SAIFI) - 31 March 2007

	Class	2009/12 (Target)	2008 (Target)	2007	2006	2005	2004
SAIFI for total number of interruptions	**Overall**			**2.5**	**1.3**	**1.0**	**1.6**
SAIFI for total number of interruptions within each interruption class (= a/b)	Class A			0.0	0.0	0.0	0.0
	Class B	0.1	0.1	0.3	0.1	0.1	0.1
	Class C	1.2	1.2	1.5	1.0	0.9	1.5
	Class D			0.7	0.1	0.0	0.0
	Class E - I			0.0	0.0	0.0	0.0
a = sum of electricity consumers affected by all interruptions	Class A			470	1,068	450	0
	Class B			7,800	3,600	2,640	3,930
	Class C			45,000	29,000	24,700	41,406
	Class D			19,200	3,900	907	0
	Class E - I			0	0	0	0
b = Total Consumers				29,367	29,163	28,697	28,409

Connection Average Interruption Duration Index (CAIDI) - 31 March 2007

	Class	2009/12 (Target)	2008 (Target)	2007	2006	2005	2004
CAIDI for total number of interruptions	**Overall**			**461**	**63**	**80**	**72**
CAIDI for total number of interruptions within each interruption class (= a/b)	Class A			855	478	583	0
	Class B	85	85	262	67	129	89
	Class C	62	62	644	50	66	71
	Class D			103	37	57	0
	Class E - I			0	0	0	0

ALPINE ENERGY LIMITED LINES BUSINESS

Form for the Derivation of Financial Performance Measures from Financial Statements

		Symbol	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	10,900,730							
Operating surplus before interest and income tax adjusted pursuant to regulation 18	10,900,730							
Interest on cash, bank balances, and short-term investments (ISTI)	285,977							
OSBIIT minus ISTI	**10,614,753**	a		10,614,753				10,614,753
Net surplus after tax from financial statements	6,383,148							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	**6,383,148**	n				6,383,148		
Amortisation of goodwill and amortisation of other intangibles	1,464	g	add	1,464	add	1,464	add	1,464
Subvention payment	**0**	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	4,583,960							
Depreciation of SFA at ODV (y)	4,583,960							
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	-94,372	q					deduct	-94,372
Revaluations	0	r					add	0
Income tax	4,517,582	p					deduct	4,517,582
Numerator				10,616,217		6,384,612		6,193,007
				$OSBIIT^{ADJ} = a + g + s + d$		$NSAT^{ADJ} = n + g + s - s*t + d$		$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of previous financial year (FA_0)	88,866,378							
Fixed assets at end of current financial year (FA_1)	92,947,533							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	-1,321,196							
Adjusted net working capital at end of current financial year ($ANWC_1$)	-3,414,208							
Average total funds employed (ATFE)	**88,539,254**	c		88,539,254				88,539,254
Total equity at end of previous financial year (TE_0)	72,932,653							
Total equity at end of current financial year (TE_1)	69,769,029							
Average total equity	**71,350,841**	k				71,350,841		
WUC at end of previous financial year (WUC_0)	5,280,205							
WUC at end of current financial year (WUC_1)	8,651,097							
Average total works under construction	**6,965,651**	e	deduct	6,965,651	deduct	6,965,651	deduct	6,965,651
Revaluations	0	r						
Half of revaluations	**0**	r/2					deduct	0
Intangible assets at end of previous financial year (IA_0)	22,331							
Intangible assets at end of current financial year (IA_1)	26,315							
Average total intangible asset	**24,323**	m			deduct	24,323		
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})	83,586,173							
System fixed assets at end of current financial year at book value (SFA_{bv1})	84,296,436							
Average value of system fixed assets at book value	**83,941,305**	f	deduct	83,941,305	deduct	83,941,305	deduct	83,941,305
System Fixed assets at year beginning at ODV value (SFA_{odv0})	88,069,272							
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	92,155,536							
Average value of system fixed assets at ODV value	**90,112,404**	h	add	90,112,404	add	90,112,404	add	90,112,404
Denominator				87,744,702		70,531,967		87,744,702
				$ATFE^{ADJ} = c - e - f + h$		$Ave\ TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:				**12.10**		**9.05**		**7.06**
				$ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$		$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year

subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

ALPINE ENERGY LIMITED LINES BUSINESS

Form for the Derivation of Financial Performance Measures from Financial Statements - Restated under NZIFRS Year Ended March 2006

		Symbol	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	12,872,076							
Operating surplus before interest and income tax adjusted pursuant to regulation 18	12,872,076							
Interest on cash, bank balances, and short-term investments (ISTI)	232,505							
OSBIIT minus ISTI	**12,639,571**	a		12,639,571				12,639,571
Net surplus after tax from financial statements	7,794,073							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	**7,794,073**	n				7,794,073		
Amortisation of goodwill and amortisation of other intangibles	1,182	g	add	1,182	add	1,182	add	1,182
Subvention payment	**0**	s	add	0	add	0	add	0
Depreciation of SFA at BV (x)	4,707,573							
Depreciation of SFA at ODV (y)	4,707,573							
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	-76,727	q					deduct	-76,727
Revaluations	0	r					add	0
Income tax	5,078,003	p					deduct	5,078,003
Numerator				12,640,753		7,795,255		7,639,477
				$OSBIIT^{ADJ} = a + g + s + d$		$NSAT^{ADJ} = n + g + s - s^{*}t + d$		$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s^{*}t$
Fixed assets at end of previous financial year (FA_0)	86,125,093							
Fixed assets at end of current financial year (FA_1)	88,866,378							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	-1,243,960							
Adjusted net working capital at end of current financial year ($ANWC_1$)	-1,321,196							
Average total funds employed (ATFE)	**86,213,158**	c		86,213,158				86,213,158
Total equity at end of previous financial year (TE_0)	72,123,015							
Total equity at end of current financial year (TE_1)	72,932,653							
Average total equity	**72,527,834**	k				72,527,834		
WUC at end of previous financial year (WUC_0)	4,193,656							
WUC at end of current financial year (WUC_1)	5,280,205							
Average total works under construction	**4,736,931**	e	deduct	4,736,931	deduct	4,736,931	deduct	4,736,931
Revaluations	0	r						
Half of revaluations	**0**	r/2					deduct	0
Intangible assets at end of previous financial year (IA_0)	20,580							
Intangible assets at end of current financial year (IA_1)	22,331							
Average total intangible asset	**21,456**	m			deduct	21,456		
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})	81,931,437							
System fixed assets at end of current financial year at book value (SFA_{bv1})	83,586,173							
Average value of system fixed assets at book value	**82,758,805**	f	deduct	82,758,805	deduct	82,758,805	deduct	82,758,805
System Fixed assets at year beginning at ODV value (SFA_{odv0})	85,666,845							
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	88,069,272							
Average value of system fixed assets at ODV value	**86,868,059**	h	add	86,868,059	add	86,868,059	add	86,868,059
Denominator				85,585,481		71,878,702		85,585,481
				$ATFE^{ADJ} = c - e - f + h$		$Ave\ TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - ½r - f + h$
Financial Performance Measure:				**14.77**		**10.85**		**8.93**
				$ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$		$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

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

Alpine Energy Limited (Lines)
Annual Valuation Reconciliation Report

	2007 $	2006 $
System Property, Plant & Equipment at ODV (start of period)	**88,069,272**	**85,666,845**
Add System Property, Plant & Equipment acquired during the period at ODV	8,670,224	7,110,000
Less System Property, Plant & Equipment disposed of during the period at ODV	0	0
Less depreciation on System Property, Plant & Equipment at ODV	(4,583,960)	(4,707,573)
Add revaluations of System Property, Plant & Equipment	0	0
Gives System Property, Plant & Equipment at ODV (end of period)	**92,155,536**	**88,069,272**

Valuation of the Network Reticulation System

Valuation of the Network Reticulation System is at net current value on an existing use basis, as at 31 March 2004, and was conducted by KPMG, Christchurch. The Commerce Commission has adjusted this valuation (as shown) following a comprehensive audit.

Explanation of Terms

General

km	kilometres
kV	kilovolts
kVA	kilovolt amperes
kW	kilowatts
kWh	kilowatt hours (also referred to as *units*)
ODV	Optimised Deprival Valuation
GXP	Grid Exit Point

Network Statistics

Generation	Electricity provided by embedded generation from Opuha Dam.
Import	Electricity supplied to the Network from Transpower's Network.
Export	Electricity supplied to Transpower's Network from the Network at Albury GXP due to a surplus of embedded generation over demand.

Reliability and Performance Measures

Class A	planned interruptions by Transpower.
Class B	planned interruptions by Alpine Energy.
Class C	unplanned interruptions by Alpine Energy.
Class D	unplanned interruptions by Transpower.
Class E	unplanned interruptions on 'generation' lines used by Alpine Energy.
Class F	unplanned interruptions on 'generation' lines used by another line owner.
Class G	unplanned interruptions caused by another line owner.
Class H	planned interruptions caused by another line owner.
Class I	an interruption not referred to in Classes A to H.

Certificate of Financial Statements, Performance Measures, and Statistics Disclosed by Line Owners other than Transpower

We, Ian James Bowan and Stephen Richard Thompson, Directors of Alpine Energy Limited certify that, having made reasonable enquiry, to the best of our knowledge,

(a) the attached audited financial statements of Alpine Energy Limited prepared for the purposes of regulation 6 of the Commerce Commissions Electricity Information Disclosure Requirements 2004 comply with the requirements of those regulations; 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 Alpine Energy Limited, and having been prepared for the purpose of regulations 14, 15, 20, and 21 of the Electricity Information Disclosure Requirements 2004 comply with the requirements of those regulations.

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

IJ Bowan

Ian James Bowan

Stephen Richard Thompson

25 February 2008

Certification of Valuation Report of Line Owners

We, Ian James Bowan and Stephen Richard Thompson, Directors of Alpine Energy Limited certify that, having made reasonable enquiry, to the best of our knowledge,

(a) the attached valuation report of Alpine Energy Limited, prepared for the purposes of regulation 19 of the Commerce Commissions Electricity Information Disclosure Requirements 2004, complies with the requirements of that regulation; and

(b) the replacement cost of the line business system fixed assets of Alpine Energy is $150,206,545; and

(c) The depreciated replacement cost of the line business system fixed assets of Alpine Energy is $67,234,737; and

(d) The optimised depreciated replacement cost of the line business system fixed assets of Alpine Energy is $66,782,851; and

(e) The optimised deprival valuation of the line business system fixed assets of Alpine Energy is $66,782,851; and

(f) The values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2004.

IJ Bowan

Ian James Bowan

Stephen Richard Thompson

25 February 2008

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REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF ALPINE ENERGY LIMTED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2007

We have audited the financial statements of Alpine Energy Limited – Lines Business on pages 1 to 15. The financial statements provide information about the past financial performance of Alpine Energy Limited – Lines Business and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 5 to 9.

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 Alpine Energy Limited – Lines Business as at 31 March 2007, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Robert Harris of PricewaterhouseCoopers to undertake the audit.

Basis of Opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

- whether the accounting policies are appropriate to Alpine Energy Limited – Lines Business's circumstances, consistently applied and adequately disclosed.

PRICEWATERHOUSECOOPERS

We conducted the audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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 acting on behalf of the Auditor-General, we have no relationship with or interests in Alpine Energy Limited.

Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Alpine Energy Limited – Lines Business as far as appears from our examination of those records; and

- the financial statements of Alpine Energy Limited – Lines Business on pages 1 to 15:

  (a) comply with generally accepted accounting practice in New Zealand; and

  (b) give a true and fair view of Alpine Energy Limited – Lines Business's financial position as at 31 March 2007 and the results of its operations and cash flows for the year ended on that date; and

  (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 26 February 2008 and our unqualified opinion is expressed as at that date.

Robert Harris
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand

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

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

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

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 26 February 2008 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette*'s website.

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

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AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF ALPINE ENERGY LIMITED – LINES BUSINESS

We have examined the information on pages 20 to 22, being –

(a) the derivation table in requirement 15;

(b) the annual ODV reconciliation report in requirement 16;

(c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and

(d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Alpine Energy Limited – Lines Business and dated 26 February 2008 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

Robert Harris
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand
26 February 2008

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

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

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

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 26 February 2008 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette*'s website.

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