SUPPLEMENT TO

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ELECTRICITY INVERCARGILL LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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

INFORMATION DISCLOSURE DISCLAIMER

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

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

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

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

APPROVAL BY DIRECTORS

The Directors have approved for issue the Financial Statements of Electricity Invercargill Limited Line Business for the period ended 31 March 2007 on pages 2 to 21.

Philip Mulvey
Director

Ross Smith
Director

For and on behalf of the
Board of Directors

20 February 2008

Electricity Invercargill Limited Line Business
Statement of Financial Performance
For the Year Ended 31 March 2007

		Group		Parent	
	Note	2007 $000	2006 $000	2007 $000	2006 $000
Operating Revenue	(2)	15,083	13,857	8,490	7,997
Operating Expenses	(3)	(9,285)	(8,076)	(2,489)	(2,411)
Net Surplus Before Taxation		**5,798**	**5,781**	**6,001**	**5,586**
Taxation Expense		(1,915)	(1,940)	(1,918)	(1,889)
Net Surplus After Taxation		**3,883**	**3,841**	**4,083**	**3,697**

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

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Total Recognised Revenues and Expenses					
Net Surplus for the Year		3,883	3,841	4,083	3,697
Revaluation of Assets		15,504	-	15,504	-
		19,387	**3,841**	**19,587**	**3,697**
Contributions from Shareholders					
- Capital Introduced		-	-	-	-
		-	-	-	-
Distributions to Shareholders					
- Dividend Declared and Paid		(3,700)	(3,300)	(3,700)	(3,300)
		(3,700)	**(3,300)**	**(3,700)**	**(3,300)**
Movements in Equity for the Year		**15,687**	**541**	**15,887**	**397**
Equity at Beginning of Year		**46,854**	**46,313**	**46,063**	**45,666**
Equity at End of Year	(4)	**62,541**	**46,854**	**61,950**	**46,063**

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

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2007

	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
Equity	(4)	**62,541**	**46,854**	**61,950**	**46,063**
Represented By:					
Current Assets					
Cash and Short Term Deposits	(5)	4,532	2,378	1,592	410
Receivables and Prepayments	(6)	815	1,321	1,314	774
Inventories		30	25	-	-
Total Current Assets		**5,377**	**3,724**	**2,906**	**1,184**
Non-Current Assets					
Intercompany Advance		-	-	1,090	1,162
Property, Plant and Equipment	(7)	61,787	46,134	61,272	45,632
Capital Work in Progress		954	892	897	878
Total Non-Current Assets		**62,741**	**47,026**	**63,259**	**47,672**
Total Assets		**68,118**	**50,750**	**66,165**	**48,856**
Current Liabilities					
Bank Overdraft		-	-	-	104
Accounts Payable and Provisions	(8)	1,877	1,596	515	389
Provision for Dividend		3,700	2,300	3,700	2,300
Total Current Liabilities		**5,577**	**3,896**	**4,215**	**2,793**
Total Liabilities		**5,577**	**3,896**	**4,215**	**2,793**
Net Assets		**62,541**	**46,854**	**61,950**	**46,063**

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

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Was Provided From:					
Receipts from Customers		14,967	13,356	7,540	8,091
Interest Received		237	262	167	227
Dividends Received		-	-	200	-
Sundry Income		324	59	43	30
		15,528	13,677	7,950	8,348
Cash Was Applied To:					
Payments to Suppliers		6,334	5,860	572	591
Payments to Employees		658	407	-	-
Income Tax Paid		1,965	1,861	1,918	1,888
		8,957	8,128	2,490	2,479
Net Cash Flows From Operating Activities	(10)	**6,571**	**5,549**	**5,460**	**5,869**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash Was Provided From:					
Sale of Property, Plant and Equipment		30	17	30	16
Intercompany Advance		-	-	72	-
		30	17	102	16
Cash Was Applied To:					
Purchase of Property, Plant and Equipment		2,147	2,323	1,976	2,260
Intercompany Advance		-	-	-	217
		2,147	2,323	1,976	2,477
Net Cash Flows Used in Investing Activities		**(2,117)**	**(2,306)**	**(1,874)**	**(2,461)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash Was Applied To:					
Dividend		2,300	4,100	2,300	4,100
		2,300	4,100	2,300	4,100
Net Cash Flows Used in Financing Activities		**(2,300)**	**(4,100)**	**(2,300)**	**(4,100)**
Net Increase/(Decrease) in Cash Held		2,154	(857)	1,286	(692)
Add Opening Cash Brought Forward		2,378	3,235	306	998
Closing Cash Carried Forward		**4,532**	**2,378**	**1,592**	**306**

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

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

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity
Electricity Invercargill Limited is a company registered under the Companies Act 1993. The Company is a wholly-owned subsidiary of Invercargill City Holdings Limited.

The Parent Entity consists of the network assets of Electricity Invercargill Limited.

The Group consists of the Lines Business network assets of Electricity Invercargill Limited, along with the joint venture interests in PowerNet Limited, held by Electricity Invercargill Limited's wholly owned subsidiary Pylon Limited.

Purpose of the Financial Statements
These financial statements have been prepared for the purpose of complying with the Electricity Information Disclosure Requirements 2004 and relate to the Group's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services in accordance with Requirement 6 of the Requirements. These statements should be read in conjunction with the general purpose audited financial statements for the year ended 31 March 2007. Note that the 31 March 2007 general purpose audited financial statements were prepared under New Zealand international financial reporting standards (NZ IFRS) whereas these regulatory financial statements have been prepared under New Zealand financial reporting standards (previous GAAP). Refer to note 15 for a description of the impacts of the difference in treatment.

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

Measurement Base
The measurement base adopted is that of historical cost except for the revaluation of certain items of property, plant and equipment as stated. Reliance is placed on the fact that Electricity Invercargill Limited is a going concern.

Specific Accounting Policies

a) Principles of Consolidation

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

b) Revenue

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

Investment Income
Interest and dividend income are accounted for as earned.

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

(Notes to the Consolidated Financial Statements Continued)

c) Avoidable Cost Allocation Methodology

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

d) Receivables

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

e) Inventories

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

f) Property, Plant and Equipment

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

Revaluation
The Electricity Invercargill Limited network assets were revalued on 31 March 2007 by means of a Directors' Revaluation to assessed fair value. The assessed fair value was achieved by taking the previously revalued assets at their 1 April 2004 carrying values, and updating those values in terms of today's material and labour costs.

Network assets are revalued on a cyclical basis with no asset being recognised at a valuation undertaken more than five years previously.

Revaluation increments are transferred to the Asset Revaluation Reserve.

g) Depreciation

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

The depreciation rates that reflect the economic life of the various classes of assets are:

Buildings	1.0%-15.0%	Straight line/diminishing value
Plant and Equipment	5.0%-48%	Straight line/diminishing value
Office Furniture and EDP Equipment	9.0%-80.4%	Straight line/diminishing value
Network Assets	1.4%-15.0%	Straight line

h) Impairment

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

i) Income Tax

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

j) Capital Work In Progress

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

(Notes to the Consolidated Financial Statements Continued)

k) Goods and Services Tax

All amounts in the financial statements have been shown exclusive of goods and services tax, with the exception of accounts receivable and accounts payable, which are shown inclusive of goods and services tax.

l) Financial Instruments

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

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

m) Operating Leases

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

n) Foreign Currency

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

o) Employee Entitlements

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

CHANGES IN ACCOUNTING POLICIES

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

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

	Group		Parent	
	2007	2006	2007	2006
	$000	$000	$000	$000
2. Operating Revenue				
Operating Revenue Comprises:				
Network Charges	14,077	12,980	8,081	7,740
AC Loss-Rental Rebates	445	556	-	-
Interest on Investments	237	262	166	227
Dividends Received	-	-	200	-
Other Revenue	324	59	43	30
Total Operating Revenue	**15,083**	**13,857**	**8,490**	**7,997**
3. Operating Expenses				
Operating Expenses Include:				
Auditors Remuneration:				
- Statutory Audit	43	41	34	27
- Other	17	24	17	25
Bad Debts Written Off	1	3	-	-
Depreciation:				
- Buildings	4	3	-	-
- Office Equipment & EDP Equipment	79	49	-	-
- Plant and Equipment	31	20	-	-
- Network Assets	1,746	1,707	1,746	1,707
Directors' Fees	115	118	68	68
Lease Costs	40	30	-	-
Loss on Disposal of Fixed Assets	46	22	45	21
4. Equity				
Paid in Capital	13,000	13,000	13,000	13,000
General Reserve	547	547	547	547
Revaluation Reserve	36,033	20,529	36,033	20,529
Retained Earnings	12,961	12,778	12,370	11,987
Total Equity	**62,541**	**46,854**	**61,950**	**46,063**
5. Cash and Short Term Deposits				
Current Account	4,532	1,968	1,592	-
Short Term Deposits	-	410	-	410
Total Cash and Short Term Deposits	**4,532**	**2,378**	**1,592**	**410**
6. Receivables and Prepayments				
Trade Debtors	758	1,260	1,307	758
Prepayments	57	61	7	16
Total Receivables and Prepayments	**815**	**1,321**	**1,314**	**774**

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
7. Property, Plant and Equipment				
Land (At Cost)	21	23	-	-
Buildings (At Cost)	147	155	-	-
Accumulated Depreciation	(82)	(84)	-	-
	65	71	-	-
Customer Billing & Information System Assets (At Cost)	834	766	-	-
Accumulated Depreciation	(567)	(519)	-	-
	267	247	-	-
Plant and Equipment (At Cost)	566	530	-	-
Accumulated Depreciation	(443)	(415)	-	-
	123	115	-	-
Office Equipment (At Cost)	198	204	-	-
Accumulated Depreciation	(159)	(158)	-	-
	39	46	-	-
Network Assets (At Cost and Valuation)	63,018	49,021	63,018	49,021
Accumulated Depreciation	(1,746)	(3,389)	(1,746)	(3,389)
	61,272	45,632	61,272	45,632
Total Property, Plant and Equipment	**61,787**	**46,134**	**61,272**	**45,632**
8. Accounts Payable and Provisions				
Trade Creditors and Accruals	1,617	1,401	389	377
GST Payable	170	59	126	12
Provision for Employee Entitlements	90	86	-	-
Provision for Taxation	-	50	-	-
Total Accounts Payable and Provisions	**1,877**	**1,596**	**515**	**389**
9. Commitments				
Operating Lease Commitments				
Operating Lease Commitments are payable as follows:				
- No later than one year	33	20	-	-
- Later than one year and not later than two years	17	10	-	-
- Later than two years and not later than five years	13	8	-	-
- Later than five years	-	-	-	-
Total Operating Lease Commitments	**63**	**38**	**-**	**-**

(Notes to the Consolidated Financial Statements Continued)

	Group 2007 $000	Group 2006 $000	Parent 2007 $000	Parent 2006 $000
10. Reconciliation of Net Surplus After Taxation with Net Operating Cash Flows				
Net Surplus After Taxation	3,883	3,841	4,083	3,697
Plus/(Less) Non Cash Items:				
Depreciation	1,860	1,779	1,746	1,707
	1,860	1,779	1,746	1,707
Plus/(Less) Items Classified as Investing Activities				
Loss on Sale of Property, Plant and Equipment	46	22	45	21
Gain on Sale of Property, Plant and Equipment	-	-	-	-
	46	22	45	21
Plus/(Less) Movements in Working Capital Items:				
(Increase)/Decrease in Receivables	505	(192)	(427)	395
(Increase)/Decrease in Inventories	(5)	(2)	-	-
(Decrease)/Increase in Accounts Payable	282	101	13	49
	782	(93)	(414)	444
Net Cash Flows from Operating Activities	**6,571**	**5,549**	**5,460**	**5,869**

11. Contingent Liabilities

There are no contingent liabilities as at 31 March 2007 (2006: Nil).

12. Financial Instruments

Off Balance Sheet Financial Instruments -
The Line Business does not have any off balance sheet financial instruments.

Credit Risk
Credit risk is the risk that a third party will default on its obligation to the Line Business, causing the Line Business to incur a loss.

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

Maximum exposures to credit risk at balance date are:

Current Account	4,532	1,968	1,592	-
Short Term Deposits	-	410	-	410
Receivables	815	1,321	1,314	774
	5,347	**3,699**	**2,906**	**1,184**

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

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

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

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

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

13. Related Parties

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

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

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

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

Electricity Invercargill Limited Line Business purchased from PowerNet Limited Other Business:

	31 March 2007 $000	31 March 2006 $000
Construction of:		
➢ Subtransmission assets	-	-
➢ Zone substations	24	133
➢ Distribution lines and cables	202	954
➢ Medium Voltage switchgear	217	239
➢ Distribution transformers	192	322
➢ Distribution substations	32	33
➢ Low voltage reticulation	1,245	551
➢ Other system fixed assets	-	-

These amounts represent the capital works programme undertaken by PowerNet Limited on behalf of Electricity Invercargill Limited.

Maintenance of assets	-	-
Customer connections and disconnections	-	-

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

- Electricity Invercargill Limited Line Business owes PowerNet Limited Other Business $614,000 (2006: $594,000).

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

(Notes to the Consolidated Financial Statements Continued)

14. Annual Valuation Reconciliation Report

	31 March 2007 $000	31 March 2006 $000
System fixed assets at ODV – end of previous financial year	44,494	45,316
Add system fixed assets acquired during year at ODV	1,258	967
Less system fixed assets disposed of during year at ODV	(149)	(80)
Less depreciation on system fixed assets at ODV	(1,702)	(1,709)
Add revaluations of system fixed assets	-	-
System fixed assets at ODV – end of the financial year	**43,901**	**44,494**

15. Adjustments for NZ IFRS

As outlined in Note 1, the company's audited general purpose financial statements for the year ended 31 March 2007 were prepared under NZ IFRS, whereas these regulatory financial statements have been prepared under previous GAAP. The use of previous GAAP is permitted by the Requirements, and postpones the considerable amount of additional work which would be required to convert and reconcile previously disclosed prior year comparative information under previous GAAP to NZ IFRS.

A summary of the key changes made to convert from NZ IFRS to previous GAAP for the purpose of these regulatory financial statements follows.

Note that the comparative disclosures for the year ended 31 March 2006 in these regulatory financial statements are identical to those disclosed last year and were prepared on a consistent basis with the company's audited general purpose financial statements for the year ended 31 March 2006.

If the reported net surplus after tax for the year ended 31 March 2007 was restated in these regulatory financial statements so as to comply with NZ IFRS, the net surplus would be as follows:

	$000
Net surplus after tax for the year ended 31 March 2007 as reported in these regulatory financial statements	3,883
Add a difference in the treatment of deferred tax. A $55,000 deferred tax benefit was recognised under NZ IFRS in the year ended 31 March 2007, whereas no deferred tax expense is recognised under previous GAAP in these regulatory financial statements.	55
Net surplus after tax for 2007 if the company had adopted NZ IFRS for these regulatory financial statements	**3,938**

If the reported statement of financial position as at 31 March 2007 in these regulatory financial statements was restated so as to comply with NZ IFRS, key changes to these regulatory financial statements would be as follows:

Deferred tax - the company's deferred tax liability at 31 March 2007 would be approximately $11,180,000; $11,180,000 greater than as reported, with equity correspondingly $11,180,000 lower.

Revaluation reserve - as the company's revaluation reserve would be set to zero on NZ IFRS adoption, the revaluation reserve as at 31 March 2007 would stand at approximately $10,388,000, $25,645,000 lower; with other ordinary equity correspondingly $25,645,000 higher.

A variety of other, relatively minor adjustments would also be required to the statement of financial position, principally reclassifications between categories of assets.

For a more detailed description, refer to Note 23 of the company's general purpose audited financial statements for the year ended 31 March 2007.

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS DISCLOSURE OF INFORMATION

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

	31 March 2007 $000	31 March 2006 $000
Current Assets		
(a) Cash and bank balances	4,532	1,968
(b) Short-term investments	-	410
(c) Inventories	30	25
(d) Accounts receivable	815	1,321
(e) Other current assets not listed in (a) to (d)	-	-
Total Current Assets	**5,377**	**3,724**
Fixed Assets		
(a) System fixed assets	61,272	45,632
(b) Consumer billing and information system assets	266	247
(c) Motor vehicles	-	-
(d) Office equipment	40	46
(e) Land and buildings	86	93
(f) Capital works under construction	954	892
(g) Other fixed assets not listed in (a) to (f)	123	116
Total Fixed Assets	**62,741**	**47,026**
Other tangible assets not listed above		-
Total Tangible Assets	**62,741**	**50,750**
Intangible Assets		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a) above	-	-
Total Intangible Assets	-	-
TOTAL ASSETS	**68,118**	**50,750**
Current Liabilities		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	1,877	1,546
(d) Provision for dividends payable	3,700	2,300
(e) Provision for income tax	-	50
(f) Other current liabilities not listed in (a) to (e) above	-	-
Total Current Liabilities	**5,577**	**3,896**
Non-Current Liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	-	-
(c) Deferred tax	-	-
(d) Other non-current liabilities not listed in (a)-(c) above	-	-
Total Non-Current Liabilities	-	-
Equity		
(a) Shareholders' equity:		
(i) Share capital	13,000	13,000
(ii) Retained earnings	12,961	12,778
(iii) Reserves	36,580	21,076
Total Shareholders' equity	62,541	46,854
(b) Minority interests in subsidiaries	-	-
Total Equity	**62,541**	**46,854**
(c) Capital notes	-	-
Total Capital Funds	**62,541**	**46,854**
TOTAL EQUITY AND LIABILITIES	**68,118**	**50,750**

	31 March 2007 $000	31 March 2006 $000
Operating Revenue		
(a) Revenue from line/access charges.	14,077	12,980
(b) Revenue from "Other" business for services carried out by the line business (transfer payment)	-	-
(c) Interest on cash, bank balances and short-term investments	237	262
(d) AC loss-rental rebates	445	556
(e) Other revenue not listed in (a) to (d)	324	59
Total Operating Revenue	**15,083**	**13,857**
Operating Expenditure		
(a) Payment for transmission charges	3,914	3,258
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance	-	-
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided transmission charges on account of own generation	-	-
(vii) Other goods and services not listed in (i) to (vi) above	-	-
Total transfer payment to the "Other" business	**-**	**-**
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance	1,021	791
(ii) Consumer disconnection/reconnection services	-	-
(iii) Meter data	-	-
(iv) Consumer-based load control services	-	-
(v) Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	1,021	791
(d) Employee salaries, wages and redundancies	658	406
(e) Consumer billing and information system expense	76	53
(f) Depreciation on:		
(i) System fixed assets:	1,746	1,707
(ii) Other assets not listed in (i)	114	72
Total depreciation	1,860	1,779
(g) Amortisation of:		
(i) Goodwill:	-	-
(ii) Other intangibles:	-	-
Total Amortisation of Intangibles	-	-
(h) Corporate and administration:	694	571
(i) Human resource expenses:	60	56
(j) Marketing/advertising:	163	65
(k) Merger and acquisition expenses:	-	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-

	31 March 2007 $000	31 March 2006 $000
(n) Consultancy and legal expenses:	33	44
(o) Donations:	-	-
(p) Directors' fees:	115	118
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	43	41
(ii) Audit fees paid to other auditors:	17	24
(iii) Fees paid for other services provided by principal and other auditors:	-	-
Total Auditors' fees:	60	65
(r) Costs of offering credit:		
(i) Bad debts written off:	1	3
(ii) Increase in estimated doubtful debts:	-	-
Total cost of offering credit:	1	3
(s) Local authority rates expense:	43	57
(t) AC loss-rentals (distribution to retailers/customers) expense:	445	556
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	167
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	142	87
Total operating expenditure	**9,285**	**8,076**
Operating surplus before interest and income tax	**5,798**	**5,781**
Interest expense		
(a) Interest expense on borrowings	-	-
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
Total interest expense	-	-
Operating surplus before income tax	**5,798**	**5,781**
Income tax	1,915	1,940
Net surplus after tax	**3,883**	**3,841**

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

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

FINANCIAL PERFORMANCE MEASURES

	2007	2006	2005	2004
Return on Funds	12.71%	12.59%	12.72%	12.92%
Return on Equity	8.81%	8.72%	8.95%	8.61%
Return on Investment	8.55%	8.36%	8.95%	20.83%
Return on Investment (excluding revaluation)				8.50%

EFFICIENCY PERFORMANCE MEASURES

	2007	2006	2005	2004
Direct Line Costs per Kilometre	$2,410	$2,078	$1,482	$1,779
Indirect Line Costs per Electricity Customer	$88	$56	$67	$58

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

DERIVATION TABLE	**INPUT AND CALCULATIONS**	**SYMBOL IN FORMULA**	**ROF**		**ROE**		**ROI**	
Operating surplus before interest and income tax from financial statements	5,798,093							
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	5,798,093							
Interest on cash, bank balances, and short-term investments (ISTI)	236,960							
OSBIIT minus ISTI	5,561,133	a		5,561,133				5,561,133
Net surplus after tax from financial statements	3,883,453							
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	3,883,453	n				3,883,453		
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)	1,746,116							
Depreciation of SFA at ODV (y)	1,702,000							
ODV depreciation adjustment	44,116	D	add	44,116	add	44,116	add	44,116
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	-78,197	q					deduct	-78,197
Revaluations	0	r					add	0
Income tax	1,914,640	P					deduct	1,914,640
Numerator				5,605,249 $OSBIIT^{ADJ} = a + g + s + d$		3,927,569 $NSAT^{ADJ} = n + g + s - s{*}t + d$		3,768,805 $OSBIIT^{ADJ} = a + g - q + r + s + d - p - s{*}t$
Fixed assets at end of previous financial year (FA_0)	47,025,888							
Fixed assets at end of current financial year (FA_1)	62,741,279							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	-200,152							
Adjusted net working capital at end of current financial year ($ANWC_1$)	-1,032,420							
Average total funds employed (ATFE)	54,267,298 (or requirement 32 time-weighted average)	c		54,267,298				54,267,298
Total equity at end of previous financial year (TE_0)	46,854,127							
Total equity at end of current financial year (TE_1)	62,541,243							
Average total equity	54,697,685 (or requirement 32 time-weighted average)	k				54,697,685		
WUC at end of previous financial year (WUC_0)	891,824							
WUC at end of current financial year (WUC_1)	953,914							
Average total works under construction	922,869 (or requirement 32 time-weighted average)	e	deduct	922,869	deduct	922,869	deduct	922,869
Revaluations	0	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA_0)	0							
Intangible assets at end of current financial year (IA_1)	0							
Average total intangible asset	0	m			add	0		
	(or requirement 32 time-weighted average)							
Subvention payment at end of previous financial year (S_0)	166,708							

DERIVATION TABLE	INPUT AND CALCULATIONS	SYMBOL IN FORMULA	ROF	ROE	ROI
Subvention payment at end of current financial year (S_1)	0				
Subvention payment tax adjustment at end of previous financial year	55,014				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	55,847	v		add 55,847	
System fixed assets at end of previous financial year at book value (SFA_{bv0})	45,632,093				
System fixed assets at end of current financial year at book value (SFA_{bv1})	61,271,909				
Average value of system fixed assets at book value	53,452,001 (or requirement 32 time-weighted average)	f	deduct 53,452,001	deduct 53,452,001	deduct 53,452,001
System Fixed assets at year beginning at ODV value (SFA_{odv0})	44,494,000				
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	43,901,386				
Average value of system fixed assets at ODV value	44,197,693 (or requirement 32 time-weighted average)	h	add 44,197,693	add 44,197,693	add 44,197,693
Denominator			44,090,121 $ATFE^{ADJ} = c - e - f + h$	44,576,355 Ave $TE^{ADJ} = k - e - m + v - f + h$	44,090,121 $ATFE^{ADJ} = c - e - ½r - f + h$
Financial Performance Measure:			12.71 $ROF = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$	8.81 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	8.55 $ROI = OSBIIT^{ADJ}/ATFE^{ADJ} \times 100$

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

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS ENERGY EFFICIENCY PERFORMANCE MEASURES

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

Energy Delivery Efficiency Performance Measures Years Ending 31 March 2004, 2005, 2006 and 2007

	2007	2006	2005	2004
Load Factor (Percentage of electrical energy entering the transmission system over maximum demand times hours per year.)	51.5%	54.7%	53.4%	52.6%
Loss Ratio (Transmission losses over energy entering the system)	2.5%	6.3%	7.4%	8.3%
Capacity Utilisation (Maximum demand over total transformer capacity)	43.7%	40.2%	42.0%	42.3%

The loss ratio is derived from electricity supplied information provided by other parties. Electricity Invercargill Limited is unable to audit this information and is not confident with its accuracy and estimates the losses at 4.0%.

Statistics

		66kV	33kV	22kV	11kV	6.6kV	400V	Total
System Length (km's)	2003/04	-	25	-	199	-	452	676
	2004/05	-	26	-	199	-	454	679
	2005/06	-	26	-	197	-	458	681
	2006/07	-	26	-	195	-	458	679
Overhead Lines (km's)	2003/04	-	1.0	-	36	-	55	92
	2004/05	-	1.4	-	35	-	52	88
	2005/06	-	1.5	-	35	-	52	89
	2006/07	-	1.4	-	31	-	43	75
Underground Cables (km's)	2003/04	-	24	-	163	-	397	584
	2004/05	-	25	-	164	-	402	591
	2005/06	-	25	-	162	-	406	593
	2006/07	-	25	-	164	-	415	604

	TX Capacity	Maximum Demand	Electricity Supplied	Electricity Conveyed	Total Customers
2003/04	142,125	60,070	276,531,554	253,538,024	16,922
2004/05	144,415	60,611	283,589,781	262,530,504	16,842
2005/06	143,965	57,859	277,102,120	259,605,081	16,889
2006/07	145,710	63,698	287,636,689	280,380,836	16,943

Electricity Conveyed for Retailers and The Power Company Limited

	2007 kWh	2006 kWh	2005 kWh	2004 kWh
Retailer A	208,678,578	198,128,442	200,772,249	191,835,995
Retailer B	4,271,604	3,932,034	3,458,864	3,744,172
Retailer C	46,148,996	37,574,979	38,832,367	39,099,074
Retailer D	2,333,831	1,284,272	1,031,124	1,066,856
The Power Company Limited OCB46	7,095,330	6,408,904	6,559,573	6,196,189
Retailer E	-	-	-	-
Retailer F	11,852,497	12,276,451	11,876,327	11,595,738
TOTAL	**280,380,836**	**259,605,081**	**262,530,504**	**253,538,024**

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

ELECTRICITY INVERCARGILL LIMITED LINE BUSINESS RELIABILITY PERFORMANCE MEASURES

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

Reliability Statistics For Years Ending 31 March 2004, 2005, 2006 and 2007

Class		A	B	C	D	E	F	G	H	I	TOTAL
Interruptions	2003/04	-	9	19	-	-	-	-	-	-	28
	2004/05	-	5	15	-	-	-	-	-	-	20
	2005/06	-	3	20	-	-	-	1	-	-	24
	2006/07	-	3	18	-	-	-	2	-	-	23
Predicted 2007/2008		-	5	17	-	-	-	-	-	-	-
5-Year Average Target		-	5	17	-	-	-	-	-	-	-
SAIDI	2003/04	-	4.5	45.1	-	-	-	-	-	-	49.6
	2004/05	-	2.1	13.3	-	-	-	-	-	-	15.4
	2005/06	-	0.2	18.9	-	-	-	0.7	-	-	19.8
	2006/07	-	0.3	35.3	-	-	-	1.1	-	-	36.7
Predicted 2007/2008		-	4.0	31.0	-	-	-	-	-	-	-
5-Year Average Target		-	3.7	30.8	-	-	-	-	-	-	-
SAIFI	2003/04	-	0.03	1.25	-	-	-	-	-	-	1.28
	2004/05	-	0.03	0.25	-	-	-	-	-	-	0.28
	2005/06	-	0.00	0.54	-	-	-	0.01	-	-	0.55
	2006/07	-	0.00	1.21	-	-	-	0.07	-	-	1.28
Predicted 2007/2008		-	0.01	0.99	-	-	-	-	-	-	-
5-Year Average Target		-	0.03	0.91	-	-	-	-	-	-	-
CAIDI	2003/04	-	161.1	36.1	-	-	-	-	-	-	38.9
	2004/05	-	81.4	53.8	-	-	-	-	-	-	56.4
	2005/06	-	106.5	35.1	-	-	-	65.5	-	-	35.9
	2006/07	-	91.9	29.3	-	-	-	15.3	-	-	28.7
Predicted 2007/2008		-	285.9	31.3	-	-	-	-	-	-	-
5-Year Average Target		-	129.8	33.8	-	-	-	-	-	-	-

Faults by Voltage		66kV	33kV	11kV	Total
OH per 100km	2003/04	-	-	42.40	41.51
	2004/05	-	-	22.90	22.02
	2005/06	-	-	34.33	33.02
	2006/07	-	-	45.34	45.38
UG per 100km	2003/04	-	-	0.70	0.60
	2004/05	-	-	4.27	3.71
	2005/06	-	-	3.70	3.21
	2006/07	-	-	1.22	1.06
Total per 100km	2003/04	-	-	9.37	8.78
	2004/05	-	-	7.55	6.67
	2005/06	-	-	9.14	8.07
	2006/07	-	-	8.21	7.24
Predicted 2007/2008		-	-	8.63	7.62
5-Year Average Target		-	-	8.63	7.62

Class C Interruptions Not Restored in	3 hours	22.22%
Class C Interruptions Not Restored in	24 hours	5.56%

ELECTRICITY INVERCARGILL LIMITED
CERTIFICATION OF FINANCIAL STATEMENTS
PERFORMANCE MEASURES AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES
(OTHER THAN TRANSPOWER)

We, Philip James Mulvey and Ross Lindsay Smith, Directors of Electricity Invercargill Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

a) The attached audited financial statements of Electricity Invercargill Limited, prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and

b) The attached information being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics and reliability performance measures in relation to Electricity Invercargill Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

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

Signed: .... [Director] .... [Director]

Dated: 20-2-08.

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REPORT OF THE AUDITOR-GENERAL

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

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

Directors' Responsibilities

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

Auditor's Responsibilities

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 Maurice Noone 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

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- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

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 and providers of other professional services, we have no relationship with or interests in Electricity Invercargill Limited or any of its subsidiaries.

Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by Electricity Invercargill Limited – Line Business as far as appears from our examination of those records; and

- the financial statements of the Line Business of the Company and Group on pages 2 to 13:

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

  (b) give a true and fair view of the financial position of the Line Business Company and Group as at 31 March 2007 and the results of their operations and cash flows for the year ended on that date; and

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

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

PricewaterhouseCoopers

Maurice Noone
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 Electricity Invercargill Limited 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 Electricity Invercargill Limited 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 Electricity Invercargill Limited 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 20 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 ELECTRICITY INVERCARGILL LIMITED – LINE BUSINESS

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

(a) the derivation table in requirement 15;

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

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

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

that were prepared by Electricity Invercargill Limited – Line Business ("the Company") and Group, and dated 20 February 2008 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

PricewaterhouseCoopers

Maurice Noone
PricewaterhouseCoopers
On behalf of the Auditor-General
Christchurch, New Zealand
20 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 Electricity Invercargill Limited 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 Electricity Invercargill Limited 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 Electricity Invercargill Limited 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 20 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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