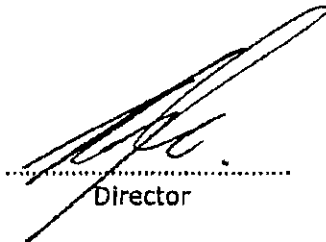


**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS DISCLOSED
BY EASTLAND NETWORK LIMITED**

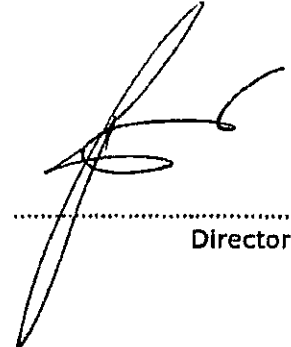
We, Trevor William Taylor and Roger Neil Taylor, directors of Eastland Network Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of Eastland Network Ltd, 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 Eastland Network Limited, and having been prepared for the purposes of requirements 15, 16, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

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



.....
Director



.....
Director

Dated this 27th day of February 2008.

Eastland Network Limited – Electricity Lines Business

Statement of Financial Performance

For the year ended 31 March 2007

	Note	2007 \$'000	2006 \$'000
Operating Revenue	2	26,184	25,507
Operating Expense	3	<u>17,104</u>	<u>15,409</u>
Earnings before Interest and Tax		9,080	10,098
Interest Expense	4	<u>3,499</u>	<u>3,220</u>
Net Surplus before Tax		5,581	6,878
Taxation Expense	5	<u>2,363</u>	<u>2,061</u>
Net Surplus after Tax		<u>3,218</u>	<u>4,817</u>

Statements of Movements in Equity

For the year ended 31 March 2007

	Note	2007 \$'000	2006 \$'000
Total equity at beginning of year		<u>50,710</u>	<u>48,117</u>
Net Surplus after Tax		3,218	4,817
Increase (decrease) in value of Property, plant and equipment recognised in equity			
System Assets	8	<u>(242)</u>	<u>(45)</u>
Total recognised revenues and expenses		2,976	4,772
Distributions to Owners			
Dividends		<u>3,338</u>	<u>2,179</u>
Total Distributions to owners		3,338	2,179
Total Equity at end of year	7	<u>50,348</u>	<u>50,710</u>

These financial statements should be read in conjunction with the Statement of Significant Accounting Policies and Notes to the Financial Statements

Eastland Network Limited – Electricity Lines Business

Statement of Financial Position

As at 31 March 2007

	Note	2007 \$'000	2006 \$'000
Current Assets			
Cash		2,057	2,682
Receivables and prepayments	10	<u>2,503</u>	<u>2,552</u>
Total Current Assets		4,560	5,234
Non current Assets			
Property, plant and equipment	9	<u>99,892</u>	<u>97,837</u>
Total Non Current Assets		99,892	97,837
Total Assets		<u>104,452</u>	<u>103,071</u>
Current Liabilities			
Payable and accruals	11	<u>4,966</u>	<u>4,979</u>
Total Current Liabilities		4,966	4,979
Non Current Liabilities			
Intercompany borrowings	12	34,800	34,100
Deferred Taxation	6	4,338	3,282
Capital Notes	17	<u>10,000</u>	<u>10,000</u>
Total Non Current Liabilities		49,138	47,382
Total Liabilities		54,104	52,361
Net Assets		50,348	50,710
Total Equity	7	50,348	50,710

These financial statements should be read in conjunction with the Statement of Significant Accounting Policies and Notes to the Financial Statements

Eastland Network Limited – Electricity Lines Business

Statement of Cash Flows

For the year ended March 2007

	Note	2007 \$'000	2006 \$'000
Cash flows from (used in) operating activities			
Cash provided from:			
Receipts from customers		26,479	25,708
Interest received		38	127
Net GST		<u>104</u>	<u>64</u>
		26,621	25,899
Cash applied to:			
Payments to suppliers and employees		(13,054)	(11,681)
Income tax paid		(1,721)	(2,968)
Interest paid		<u>(3,932)</u>	<u>(1,114)</u>
		<u>(18,707)</u>	<u>(15,763)</u>
Net cash flows from (used in) operating activities	13	7,914	10,136
Cash flows from (used in) investing activities			
Cash provided from:			
Disposal of property, plant and equipment		20	-
Cash applied to:			
Acquisition of property, plant and equipment		<u>(5,922)</u>	<u>(6,902)</u>
Net cash flows from (used in) investing activities		<u>(5,902)</u>	<u>(6,902)</u>
Net cash flows from (used in) financing activities			
Cash provided from:			
Proceeds of borrowings	12	700	34,100
Net cash flows from (used in) financing activities			
Cash applies to:			
Repayment of borrowings		-	(33,800)
Dividends paid		<u>(3,338)</u>	<u>(2,179)</u>
		<u>(3,338)</u>	<u>(35,979)</u>
Net cash flows from (used in) financing activities.		<u>(2,638)</u>	<u>(1,879)</u>
Net increase (decrease) in cash held		(625)	1,355
Add opening cash brought forward		<u>2,682</u>	<u>1,327</u>
Ending cash carried forward.		<u>2,057</u>	<u>2,682</u>

These financial statements should be read in conjunction with the Statement of Significant Accounting Policies and Notes to the Financial Statements

Eastland Network Limited – Electricity Lines Business

Statement of Significant Accounting Policies

for the year ended 31 March 2007

(A) Basis of Preparation

The financial statements for the Eastland Network Limited Electricity Lines Business (the "Electricity Lines Business") have been prepared for the purpose of giving information about the Electricity Lines Business to the Commerce Commission.

The financial statements have been prepared in accordance with the Commerce Commission's Electricity Information Disclosure Requirements 2004 on the basis of historical cost modified by the revaluation of certain items of property, plant & equipment as identified in the specific accounting policies below.

Eastland Network Limited (the Company) receives management services from a fellow subsidiary Eastland Infrastructure Limited for which it pays management fees. For the purpose of the Electricity Information Disclosure Requirements 2004, financial information from Eastland Infrastructure Limited has been used to provide a detailed breakdown of the management fee.

The Company has adopted a policy to apply the avoidable cost allocation methodology (ACAM) described in the Electricity Information Disclosure Handbook 31 March 2004, for the allocation of revenue, costs, assets and liabilities between the regulated Electricity Lines Business and the activities of Eastland Network Limited.

The costs have been allocated on the following basis

- Direct allocation of all components of financial statement items which are directly attributable to the specific businesses.
- For any components of the financial statement items that are not directly attributable to a specific business:
 - By assessing the proportions of those components which are avoidable and non-avoidable; and
 - Allocating those components amongst the businesses on the basis of those proportions using an appropriate cost allocator.

The two main allocators used are the number of employees and the book value of property, plant and equipment. Some costs such as IT costs and non-system asset depreciation are separately analysed and allocated using allocations specific to those costs.

Allocators are also used to allocate balance sheets assets and liabilities that are not directly attributable to the Electricity Lines Business. Debt and equity are allocated to the Electricity Lines Business on the basis of the debt to equity ratio of the Company.

(B) Basis of Recognising Components of the Financial Statements

The following general accounting policies are adopted:

Assets

A transaction results in an asset being recognised in the statement of financial position when it will probably give rise to ongoing benefits for the Electricity Lines Business, and those benefits can be measured with reliability.

Eastland Network Limited – Electricity Lines Business

Statement of Significant Accounting Policies continued

(B) Basis of Recognising Components of the Financial Statements (continued)

Liabilities

A transaction results in a liability being recognised in the statement of financial position when it will probably give rise to the need for the Electricity Lines Business to sacrifice assets in the future, and those sacrifices can be measured with reliability.

Revenue

Revenue is recognised in the statement of financial performance when a transaction gives rise to an increase in the value of the Electricity Lines Business's net assets, and that increase can be measured with reliability.

Expenses

An expense is recognised in the statement of financial performance when a transaction results in a decrease in the value of the Electricity Lines Business's net assets, and that decrease can be measured with reliability.

Classification of assets and liabilities between current and non-current

An amount is classified as current when it is expected to be settled or extinguished within one year of the date of the financial statements. All other amounts are classified as non-current.

(C) Property, plant and equipment

Owned Assets

Property, Plant & equipment is initially stated at cost and depreciated as outlined below. Where appropriate, the cost of property, plant & equipment includes site preparation costs, installation costs, and the cost of obtaining resource consents.

Leased Assets

Leases in terms of which the Electricity Lines Business assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets of the Electricity Lines Business acquired by way of finance lease are stated at an amount equal to the present value of the future minimum lease payments, and are depreciated as outlined below.

Revaluations

Land and buildings are stated at valuation as determined, on a cyclical basis not exceeding three years by an independent valuer. The basis of valuation is market value less the estimated costs of disposal. The valuation is based on assessment of the highest and best use, which is equivalent to existing use.

Eastland Network Limited – Electricity Lines Business

Statement of Significant Accounting Policies continued

(C) Property, plant and equipment (continued)

Network assets are stated at valuation as determined, on a cyclical basis not exceeding five years. The basis of valuation is optimised depreciated replacement cost, as reviewed by an independent engineering consultant.

Any surplus on revaluation is transferred directly to equity unless it offsets a previous decrease in value recognised in the statement of financial performance, in which case it is recognised in the statement of financial performance. A decrease in value is recognised in the statement of financial performance where it exceeds the surplus previously transferred to equity.

Disposal of Property, plant and equipment

Where property, plant and equipment is disposed of, the profit or loss recognised in the statement of financial performance is calculated as the difference between the sale price and the carrying value of the property, plant & equipment.

Depreciation

Depreciation is calculated on a straight line basis to allocate the cost or revalued amount of an asset, less any residual value, over its useful life.

Major depreciation periods are:

Buildings	40 - 100 years
Distribution system	10 - 60 years
Motor Vehicles	5 - 10 years
Computer Equipment & Software	3 - 5 years
Plant & Equipment	5 - 15 years

(D) Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful.

(E) Taxation

Income Tax

The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account arising from timing differences or income tax benefits from income tax losses is only recognised if there is virtual certainty of realisation.

Eastland Network Limited – Electricity Lines Business

Statement of Significant Accounting Policies continued

(E) Taxation (continued)

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST is incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST Included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(F) Financial Instruments

The Company is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, accounts receivable, accounts payable and term borrowings. All financial instruments of the Electricity Lines Business are recognised in the statement of financial position and all revenues in relation to financial instruments are recognised in the statement of financial performance.

Except for those items covered by a separate accounting policy, all financial instruments are shown at their fair value.

(G) Foreign Currency

Exchange differences

Short term transactions covered by forward foreign 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.

Monetary assets and liabilities in foreign currencies at balance date not covered by forward foreign exchange contracts are translated at the exchange rates ruling on balance date. Exchange differences arising on the translation of monetary assets and liabilities in foreign currencies are recognised in the statement of financial performance.

Monetary assets and liabilities in foreign currencies at balance date covered by forward foreign exchange contracts are translated at the exchange rates specified in those contracts.

Eastland Network Limited – Electricity Lines Business

Statement of Significant Accounting Policies continued

(H) Cash and Cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash comprises cash balances (net of bank overdrafts) and demand deposits. Operating activities include all transactions and other events that are not investing or financing activities. Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets. Financing activities are those activities relating to changes in the equity and debt capital structure of the company and the group and those activities relating to the cost of servicing the company's and the group's equity capital.

(I) Employee Entitlements

The Electricity Lines Business does not directly employ any employees with employee services being provided by Eastland Infrastructure Limited. The cost is included in the management fee paid by Eastland Network Limited which has been allocated to separate line items for the purpose of these Financial Statements. Refer to the Basis of Preparation and Note 3.

A provision for employee entitlements is recognised for benefits earned by Eastland Infrastructure Limited employees performing Electricity Lines Business activities but not yet received at balance date. Employee benefits include salaries, wages, annual leave and long service leave. Where payment is expected to be made within twelve months of balance date, the provision is the estimated amount expected to be paid by the Electricity Lines Business. Where payment is expected to be longer term, the liability is recorded at its present value.

(J) Changes in Accounting Policies

There have been no changes in accounting policies. All Policies have been applied on bases consistent with those in the prior year.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)
For the year ended 31 March 2007

	2007 \$'000	2006 \$'000
2 Operating revenue		
(a) Revenue from line/access charges:	24,488	22,914
(b) Revenue from "Other" business for services carried out by the line business (transfer payments):	91	98
(c) Interest on cash, bank balances and short term investments:	38	88
(d) AC loss-rental rebates:	1,048	1,290
(e) Other revenue not listed in (a) to (d):	519	1,117
(f) Total operating revenue	26,184	25,507
3 Operating expenses		
(a) Payment for transmission charges	6,059	5,046
(b) Transfer payments to the "Other" business for:	-	-
(i) <i>Asset maintenance:</i>	-	-
(ii) <i>Consumer disconnection/reconnection services:</i>	-	-
(iii) <i>Meter data:</i>	-	-
(iv) <i>Consumer-based load control services:</i>	-	-
(v) <i>Royalty and patent expenses:</i>	-	-
(vi) <i>Avoided transmission charges on account of own generation</i>	1,262	1,293
(vii) <i>Other goods and services not listed in (i) to (vi) above</i>	-	-
(viii) Total transfer payment to the "Other" business	1,262	1,293
(c) Expense to entities that are not related parties for:		
(i) <i>Asset maintenance:</i>	2,018	1,891
(ii) <i>Consumer disconnection/reconnection services</i>	-	-
(iii) <i>Meter data</i>	-	-
(iv) <i>Consumer-based load control services</i>	-	-
(v) <i>Royalty and patent expenses</i>	-	-
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	2,018	1,891
(d) Employee salaries, wages and redundancies	1,704	922
(e) Consumer billing and information system expense	78	80
(f) Depreciation on:	-	-
(i) <i>System fixed assets:</i>	3,428	3,268
(ii) <i>Other assets not listed in (i)</i>	210	218
(iii) Total depreciation	3,638	3,486
(g) Amortisation of:		
(i) <i>Goodwill:</i>	-	-
(ii) <i>Other intangibles:</i>	-	-
(iii) Total amortisation of intangibles	-	-

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

	2006	2007
	\$'000	\$'000
(h) Corporate and administration:	380	504
(i) Human resource expenses:	144	65
(j) Marketing/advertising:	22	24
(k) Merger and acquisition expenses:	-	-
(l) Takeover defence expenses:	-	-
(m) Research and development expenses:	-	-
(n) Consultancy and legal expenses:	174	194
(o) Donations:	-	-
(p) Directors' fees:	167	160
(q) Auditors' fees:		
(i) Audit fees paid to principal auditors:	41	45
(ii) Audit fees paid to other auditors:	-	-
(iii) Fees paid for other services provided by principal and other auditors	-	-
(iv) Total auditors' fees:	<u>41</u>	<u>45</u>
(r) Costs of offering credit:		
(i) Bad debts written off:	63	66
(ii) Increase in estimated doubtful debts:	-	-
(iii) Total cost of offering credit:	<u>63</u>	<u>66</u>
(s) Local authority rates expense:	97	125
(t) AC loss-rentals (distribution to retailers/customers) expense:	1,048	1,290
(u) Rebates to consumers due to ownership interest:	-	-
(v) Subvention payments:	-	-
(w) Unusual expenses:	-	-
(x) Other expenditure not listed in (a) to (w)	<u>207</u>	<u>218</u>
Total operating expenditure	<u>17,104</u>	<u>15,409</u>

In accordance with the Basis of Preparation, as noted in the Standard of Significant Accounting Policies, the expenses above include the expenses of the Electricity Lines Business excluding the management fee line item and the detailed breakdown of the management fee extracted from Eastland Infrastructure Limited's financial information.

4 Interest expense

(a) Interest expense on borrowings	3,499	3,220
(b) Financing charges related to finance leases	-	-
(c) Other interest expense	-	-
(d) Total interest expense	<u>3,499</u>	<u>3,220</u>

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

Revenue from "Other" Business

The Electricity Lines business charges the Generation business for managing the maintenance of the generation assets, this is currently set at 10% of the external costs of that maintenance. In addition the Generation business is charged line charges for the connection of the Waihi Hydro scheme to the Eastland Network.

Both charges have been consistent in the current and prior years.

Avoided transmission payments to Generation business are charged based on the level of avoided transmission permitted to be recognised as pass through costs in the Electricity Lines Business prices under the requirements of the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

		2007 \$'000	2006 \$'000
5 Taxation			
Profit before taxation		5,581	6,878
Prima facie taxation at 33%		1,842	2,270
Add (subtract) tax effect of permanent differences		<u>521</u>	<u>(209)</u>
Income tax expense		<u>2,363</u>	<u>2,061</u>
Income tax expense is made up of			
Current taxation		1,307	1,061
Deferred taxation	6	<u>1,056</u>	<u>1,000</u>
		<u>2,363</u>	<u>2,061</u>
6 Deferred Taxation			
Balance at beginning of year		(3,282)	(2,282)
Recognised in the statement of financial performance	5	<u>(1,056)</u>	<u>(1,000)</u>
Balance at end of Year		<u>(4,338)</u>	<u>(3,282)</u>
7 Shareholders' Equity			
Paid in share capital		5,573	5,573
Asset revaluation reserve	8	30,187	30,429
Retained earnings		<u>14,588</u>	<u>14,708</u>
		<u>50,348</u>	<u>50,710</u>

Eastland Network Limited has Paid In Share Capital of \$8,000,000 and 8,300,000 ordinary shares on issue. Of this \$5,573,028 (69.6%) is allocated to the Electricity Lines Business based on the share of Eastland Network Limited's net assets allocated between Electricity Lines and Other businesses.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

	2007 \$'000	2006 \$'000
8 Asset revaluation reserve		
Balance at beginning of year	30,429	30,474
Disposal of revalued assets – system assets	<u>(242)</u>	<u>(45)</u>
Balance at end of year	<u>30,187</u>	<u>30,429</u>
9 Property, plant & Equipment		
System fixed assets at valuation	106,762	99,631
Less accumulated depreciation	<u>(10,058)</u>	<u>(6,843)</u>
	96,704	92,788
Customer billing & Information system assets at cost	1,159	1,159
Less accumulated depreciation	<u>(1,088)</u>	<u>(958)</u>
	71	201
Motor vehicles at cost	237	254
Less accumulated depreciation	<u>(155)</u>	<u>(171)</u>
	82	83
Office equipment at cost	356	240
Less accumulated depreciation	<u>(109)</u>	<u>(43)</u>
	247	197
Land & buildings at valuation	1,464	1,464
Less accumulated depreciation	<u>(111)</u>	<u>(75)</u>
	1,353	1,379
Capital works under construction at cost	1,340	3,095
Other plant and equipment at cost	499	463
Less accumulated depreciation	<u>(404)</u>	<u>(369)</u>
	95	94
Total Property, plant & equipment	<u>99,892</u>	<u>97,837</u>

Valuation

Revalued freehold land and buildings on hand at balance date are stated at net current value as determined by an independent registered valuer Roger Kelly ANZIV of the firm Valuation & Property Services in February 2005.

Network assets have been valued at Optimised Depreciated Replacement Cost as confirmed by Kerslake and Partners, Consulting Engineers, as at 31 March 2004.

Additions since valuation date are recorded at cost.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

	2007 \$'000	2006 \$'000
10 Receivables and Prepayments		
Trade Debtors	2,053	2,182
Other receivables	164	370
Income Tax refundable	<u>285</u>	<u>-</u>
Total Receivables	2,502	2,552
	2007	2006
	\$'000	\$'000
11 Payables and accruals		
Current		
Trade creditors	1,777	2,327
Other creditors	2,460	1,703
Interest payable	431	569
Income tax payable	-	128
Employee provisions	<u>298</u>	<u>252</u>
	4,966	4,979
12 Intercompany borrowings		
Intercompany borrowings	<u>34,800</u>	<u>34,100</u>

Eastland Infrastructure Limited has arranged Bank funding from Commonwealth Bank and Westpac on behalf of the Eastland companies (Eastland Infrastructure Limited, Eastland Network Limited and Eastland Port Limited all owned 100% by Eastland Community Trust). The facility, at 31 March 2007 was \$55 million and increases to \$70 million over the following two year period, is unsecured and subject to a Deed of Negative Pledge. The borrowings are in the name of Eastland Infrastructure Limited with the other two companies acting as guarantors.

Eastland Infrastructure Limited in turn provides funding to Eastland Network Limited. The total of these loans at 31 March 2007 was \$34.8million (2006: \$34.1 million). The terms and interest rates mirror that of the bank loans provided to Eastland Infrastructure Limited. All these loans relate to the Electricity Lines Business.

These borrowings are rolled over at 90 day intervals spread throughout to the quarter. The interest rate on these borrowings is the BKBM rate at the rollover date plus 0.25%. At 31 March 2007 the rates ranged from 7.92% to 8.17%. \$1.5 million was borrowed at overnight call at the OCR rate plus 0.25%. At 31 March 2007 this rate was 7.75%.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

13 Net Cash Flow from Operating Activities

The following is a reconciliation between the surplus after taxation shown in the statement of financial performance and the net cash flow from operating activities.

	2007 \$'000	2006 \$'000
Surplus after taxation	3,218	4,817
Add/(less) items classified as investing/financing Activities		
Loss/(gain) on sale of other non current assets	(33)	(95)
Add/(less non-cash Items		
Depreciation	3,638	3,486
Increase in deferred taxation	<u>1,056</u>	<u>1,000</u>
	4,694	4,486
Add/(less) movement in working capital		
Decrease/(increase) in receivables and prepayments	48	(113)
Decrease/(increase) in inventories	-	2
(Decrease)/increase in payables and accruals	<u>(13)</u>	<u>1,039</u>
	35	928
Net cash flow from operating activities	<u>7,914</u>	<u>10,136</u>

14 Contingent Liabilities

At 31 March 2007, the Electricity Lines Business has a contingent liability of \$64,799 (2006 \$64,799) in respect to subdivision developers' rebates on sections that are reticulated but undeveloped. The individual liabilities will be brought to charge as each section is developed and line charges become payable.

15 Commitments

At 31 March 2007 the Electricity Lines Business had capital commitments of \$404,000 in respect of Gladstone Road cable laying as part of the 2007/08 capital works programme. The figure for 2006 was nil.

16 Financial instruments

Credit risk

Financial assets which potentially subject the Electricity Lines Business to credit risk principally consist of bank balances and accounts receivable. The maximum credit risk is the book value of these financial instruments. However, the risk of non recovery of these amounts is considered to be minimal.

Currency risk

The Electricity Lines Business had no material exposure to currency risk at 31 March 2007.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

Interest risk

The interest rate risk is limited to bank borrowings. The total interest rate hedges amount to \$44million. At 31 March 2007 the Electricity Lines Business had interest cover of \$22 million for up to July 2009. The average fixed rate of cover at this date was 7.34% (2006: 6.52%). Since 28 February 2006 all interest rate hedges have been entered into by Eastland Infrastructure Limited on behalf of the Electricity Lines Business. At 31 March 2007 Eastland Infrastructure Limited had interest cover of \$22 million for varying periods until July 2011. The average fixed rate cover at this date was 6.64%.

Current Interest Rate Hedges				
Type	Hedged Amount		Interest Rate	Expiry Date
Swap	\$7,000,000	Floating	7.685%	30 July 2008
Swap	\$10,000,000	Fixed	6.770%	30 July 2009
Swap	\$5,000,000	Fixed	6.530%	30 March 2009
Swap	\$5,000,000	Fixed	6.100%	15 July 2008
Swap	\$7,000,000	Fixed	6.845%	30 July 2008
Swap	\$5,000,000	Fixed	5.740%	30 August 2008
Cap	\$5,000,000	Fixed	7.800%	30 June 2008
Commencing at future dates				
Type	Hedged Amount		Interest Rate	Start Date
Swap	\$7,500,000	Fixed	6.245%	15 July 2008
Swap	\$10,000,000	Fixed	6.380%	30 July 2009
Cap	\$10,000,000	Fixed	7.850%	30 July 2007

Fair Values

The carrying value of cash and bank deposits, accounts receivable and accounts payable is equivalent to their fair value.

17 Transactions with related parties

(a) Eastland Community Trust

The Company is 100% owned by Eastland Community Trust.

Other than payment of interest on Capital Notes and the payment of dividends there have been no significant transactions between Electricity Lines Business and the Trust during the financial year.

(b) Eastland Port Limited

Eastland Port Limited is also 100% owned by Eastland Community Trust. The Directors of Eastland Network Limited are also directors of Eastland Port Limited.

The Electricity Lines Business leases land from Eastland Port Limited for a substation. Lease payments are \$280 per annum. (2006:\$280)

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

17 Transactions with related parties (continued)

(c) Eastland Infrastructure Limited

Eastland Infrastructure Limited is also 100% owned by Eastland Community Trust. The Directors of Eastland Network Limited are also directors of Eastland Infrastructure Limited.

Eastland Infrastructure Limited provided management services to the Electricity Lines Business for which management fees were paid to Eastland Infrastructure Limited. These fees amount to \$3.252 million (2006: \$2.890 million). The detailed breakdown of the management fee extracted from Eastland Infrastructure Limited financial information, as opposed to the management fee total, has been allocated to the expense categories as per note 3.

Eastland Infrastructure Limited leases office space in the Company's Carnarvon Street premises for which an annual rent of \$80,088 is paid to the Electricity Lines Business. (2006: \$93,985)

The Electricity Lines Business has deposit balances with and outstanding loans from Eastland Infrastructure Limited. These are separately disclosed in the Statement of Financial Position. Interest paid on these loans during the year totalled \$2.664 million. (2006: \$515,062)

18 Subsequent Events

Changes to company tax rates

The 2007 budget proposed a corporate tax rate cut from 33% to 30% from the beginning of the 2008/09 year. Relevant legislation regarding the new tax rate has been passed and received Royal Assent.

These changes will impact on the extent of the deferred tax benefit carried beyond 31 March 2008. The current deferred tax liability on the Electricity Lines Business is approximately \$4.3 million. The effect of the tax rate change will reduce the deferred tax liability by 10%.

Eastland Network Limited – Electricity Lines Business

Notes to the financial statements (continued)

For the year ended 31 March 2007

19 Financial and efficiency performance measures under Requirement 14 of the Commerce Commission’s Electricity Information Disclosure Requirements 2004.

	2007	2006	2005	2004
Financial performance measures				
a) Return on funds	6.0	10.9	9.6	9.7
b) Return on Equity	7.2	10.7	8.8	8.8
c) Return on Investment	2.3	7.5	6.4	23.2
Efficiency performance measures				
a) Direct line costs per Kilometre	\$799	\$647	\$675	\$744
b) Indirect line costs per electricity consumer	\$87	\$77	\$70	\$61

Annual Valuation Reconciliation Report*Year ended 31 March 2007*

\$'000

System fixed assets at ODV - end of the previous year	92,051
Add system fixed assets acquired during the year at ODV	4,763
Less system fixed assets disposed of during year at ODV	229
Less depreciation on system fixed assets at ODV	3,317
Add revaluation of system fixed assets	<u> -</u>
	<u>93,268</u>

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

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	9,080,856				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	9,080,856				
Interest on cash, bank balances, and short-term investments (ISTI)	3,489,112				
OSBIT minus ISTI	5,581,744	a	5,581,744		5,581,744
Net surplus after tax from financial statements	3,218,139			3,218,139	
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	3,218,139	n			
Amortisation of goodwill and amortisation of other intangibles	0				
Subvention payment	0				
Depreciation of SFA at BV (x)	3,427,886				
Depreciation of SFA at ODV (y)	3,317,695				
ODV depreciation adjustment	110,191				
Subvention payment tax adjustment	0				
Interest tax shield	1,154,707				
Revaluations	0				
Income tax	2,363,604				
Numerator					
			$OSBIT^{adj} = a + g + s + d$	$NSAT^{adj} = n + g + s - s^* + d$	$ROI^{adj} = a + g - q + r + s + d - p - s^*$
			5,691,935	3,328,330	2,173,624
Fixed assets at end of previous financial year (FA ₀)	97,836,940				
Fixed assets at end of current financial year (FA ₁)	99,892,153				
Adjusted net working capital at end of previous financial year (ANWC ₀)	254,202				
Adjusted net working capital at end of current financial year (ANWC ₁)	-406,100				
Average total funds employed (ATFE)	98,788,597	c	98,788,597		98,788,597
	(or requirement 32 time-weighted average)				
Total equity at end of previous financial year (TE ₀)	50,709,653				
Total equity at end of current financial year (TE ₁)	50,347,832				
Average total equity	50,528,743	k		50,528,743	
	(or requirement 32 time-weighted average)				

WUC at end of previous financial year (WUC _p)	3,095,131							
WUC at end of current financial year (WUC _c)	1,339,878							
Average total works under construction	2,217,505	e	deduct	2,217,505	deduct	2,217,505	deduct	2,217,505
Revaluations	(or requirement 32 time-weighted average)	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA _p)	0							
Intangible assets at end of current financial year (IA _c)	0							
Average total intangible asset	0	m	add	0				
	(or requirement 32 time-weighted average)							
Subvention payment at end of previous financial year (Sp)	0							
Subvention payment at end of current financial year (Sc)	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 _{book})	92,788,794							
System fixed assets at end of current financial year at book value (SFA _{book})	96,704,092							
Average value of system fixed assets at book value	94,746,443	f	deduct	94,746,443	deduct	94,746,443	deduct	94,746,443
	(or requirement 32 time-weighted average)							
System Fixed assets at year beginning at ODV value (SFA _{ODV})	92,500,669							
System Fixed assets at end of current financial year at ODV value (SFA _{ODV})	93,268,000							
Average value of system fixed assets at ODV value	92,884,345	h	add	92,884,345	add	92,884,345	add	92,884,345
	(or requirement 32 time-weighted average)							
Denominator	94,708,994							
	ATFE ^{ADJ} = c - e - f + h							
	46,449,140							
	ATFE ^{ADJ} = c - e - 1/2r - f + h							
	54,708,994							
Financial Performance Measure:	ROF = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	6.0						
	ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100	7.2						
	ROI = OSBIT ^{ADJ} /ATFE ^{ADJ} x 100	2.3						

Efficiency Performance Measures (Schedule 1, Part 3)

	2007	2006	2005	2004
Direct line costs per kilometre	799	647	675	744
Direct expenditure	2,913,212	2,372,204	2,477,409	2,698,961
System length	3,647.25	3,666.64	3,671.80	3,629.30

	2007	2006	2005	2004
Indirect line costs per consumer	87	77	70	61
Indirect expenditure	2,182,406	1,922,798	1,733,061	1,507,781
Total consumers	24,962	24,864	24,856	24,876

Energy Delivery Efficiency Performance Measures (Schedule 1, Part 4)

	2007	2006	2005	2004
Load Factor (= $a/bc \times 100/1$)	59.79%	61.75%	62.78%	62.68%
where -				
a = Kwh of electricity entering system during the financial year	310,110,104	302,358,736	306,333,406	296,456,944
(this figure should be same as the total for (g) from Statistics)				
b = Maximum Demand	59,212	55,894	55,699	53,847
c = Total number of hours in financial year	8760	8760	8760	8,784

	2007	2006	2005	2004
Loss Ratio (= $a/b \times 100/1$)	6.19%	6.35%	6.23%	7.58%
where -				
a = losses in electricity in kWh	19,188,167	19,196,656	19,075,488	22,467,461
(this figure should be the difference between (f) and (g) from Statistics)				
b = Kwh of electricity entering system during the financial year	310,110,104	302,358,736	306,333,406	296,456,944

	2007	2006	2005	2004
Capacity Utilisation (= $a/b \times 100/1$)	28.59%	27.87%	28.17%	28.23%
where -				
a = Maximum Demand	59,212	55,894	55,699	53,847
b = Transformer Capacity	207,120	200,520	197,711	190,763

Statistics (Schedule 1, Part 4)

Statistics	Nominal Voltage	2007	2006	2005	2004
System Length (Total) (kms)					
	50kV	299.99	295.75	293.91	293.30
	33kV	34.41	34.39	34.39	34.40
	11kV	2,548.96	2,561.24	2,573.62	2,575.65
	230/400 V	763.89	775.26	769.88	725.95
	Total	3,647.25	3,666.64	3,671.80	3,629.30
Circuit Length (Overhead) (kms)					
	50kV	298.65	294.93	293.91	293.30
	33kV	34.34	34.32	34.32	34.30
	11kV	2,419.83	2,437.91	2,448.80	2,453.65
	230/400 V	553.25	567.90	573.18	538.40
	Total	3,308.07	3,335.06	3,350.21	3,319.65
Circuit Length (Underground) (kms)					
	50kV	1.34	0.82	0.00	0.00
	33kV	0.07	0.07	0.07	0.10
	11kV	129.13	123.33	124.82	122.00
	230/400 V	210.64	207.36	196.70	187.55
	Total	341.18	331.58	321.59	309.65
Transformer Capacity (kVA)	in kVA	207,120	200,520	197,711	190,763
Maximum Demand (kW)	in kW	59,212	55,894	55,699	53,847
Total Electricity entering the System, before losses of electricity (kWh)		310,110,104	302,358,736	306,333,408	296,456,944
	Name of retailer/generator				
Total amount of electricity conveyed through the system, after losses of electricity, on behalf of each person that is an electricity generator or electricity retailer or both:	Contact Energy Ltd	162,998,988	164,054,061	169,852,670	162,920,804
	Mercury Energy Ltd (Mighty River)	31,019,777	28,564,857	24,012,438	12,857,080
	Trustpower Ltd	35,668,904	40,248,140	40,403,654	41,054,204
	Meridian Energy Ltd	17,692,325	16,020,077	14,058,206	18,071,846
	Genesis Energy Ltd	43,543,943	34,274,945	38,930,950	39,085,849
	TOTAL	290,921,937	283,162,080	287,257,918	273,989,783
Total number of consumers	Number	24,952	24,864	24,856	24,876

Reliability Performance Measures (Requirement 21)

Interruptions	Class	Average Interruption Targets	Interruption Targets	Actual Interruptions			
		2008/2012	2008	2007	2006	2005	2004
Planned Interruptions	Class A			1	1	0	1
	Class B	72	72	93	89	123	112
Unplanned Interruptions	Class C	130	130	263	231	235	248
	Class D			0	3	2	2
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			4	0	0	3
	Class H			0	0	0	0
	Class I			0	2	0	0
	Total			361	326	360	366

Proportion of Total Class C Interruptions not restored: (= a/b*100/1)				Within 3 Hours	Within 24 Hours
where -					
a = No. of interruptions not restored within				92	11
b = Total number of Class C Interruptions				263	263
Proportion expressed as a percentage				34.98%	4.18%

Faults	Average Faults Targets	Faults Targets	Actual number of faults				
			2008/11	2008	2007	2006	2005
Faults per 100 circuit kilometres of prescribed voltage electric line	Nominal Voltage						
	50kV	3.00	3.00	5.67	3.72	1.70	1.72
	33kV	5.88	5.88	6.72	6.72	2.91	5.83
	11kV	6.60	6.60	8.31	7.41	7.80	6.22
	Total	6.26	6.26	8.07	7.09	7.20	7.61

Faults	Actual number of faults	Actual number of faults			
		2007	2006	2005	2004
Faults per 100 circuit kilometres of underground prescribed voltage electric line	Nominal Voltage				
	50kV	0.00	0.00	0.00	0.00
	33kV	0.00	0.00	0.00	0.00
	11kV	8.80	4.64	7.99	4.09
	Total	8.71	4.64	7.99	4.09

Faults	Actual number of faults	Actual number of faults			
		2007	2006	2005	2004
Faults per 100 circuit kilometres of overhead prescribed voltage electric line	Nominal Voltage				
	50kV	5.69	3.73	1.70	1.72
	33kV	8.73	8.74	2.92	5.83
	11kV	8.29	7.54	7.79	6.40
	Total	8.04	7.19	7.17	7.75

Reliability Performance Measures (Requirement 21)

SAIDI	Class	Average SAIDI Targets	SAIDI Targets	Actual SAIDI			
		2008/12	2008	2007	2006	2005	2004
SAIDI for total number of interruptions (= a/b) where - a = sum of interruption duration factors for all interruptions b = Total consumers				261.50	358.95	282.53	397.61
SAIDI Targets (=a/b) Planned Interruptions	Class B	42.75	42.75				
Unplanned Interruptions	Class C	242.25	242.25				
where- Planned Interruptions (pl) a ^{pl} = sum of interruption duration factors for all interruptions	Class B	1,067,125	1,067,125				
Unplanned Interruptions (ul) a ^{ul} = sum of interruption duration factors for all interruptions b = Projected total consumers	Class C	6,047,044	6,047,044				
		24,962	24,962				
SAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			4.32	5.53	0.00	3.17
	Class B			18.76	27.50	31.00	38.05
	Class C			237.62	321.80	249.98	285.24
	Class D			0.00	1.22	1.55	18.75
	Class E			0.00	0.00	0.00	0.00
	Class F			0.00	0.00	0.00	0.00
	Class G			0.80	0.00	0.00	1.11
	Class H			0.00	0.00	0.00	0.00
	Class I			0.00	2.90	0.00	0.00
	SAIDI for total of interruptions			261.50	358.95	282.53	356.32
where - a = sum of interruption duration factors for all interruptions within the particular interruption class							
	Class A			107,583	137,428	0	78,750
	Class B			467,429	683,679	770,671	846,417
	Class C			5,919,894	8,001,348	6,213,421	7,344,364
	Class D			0	30,383	38,505	466,448
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			19,872		0	27,721
	Class H			0	0	0	0
	Class I			0	72,195	0	0
b = Total consumers (avg)				24,913	24,864	24,856	24,876

Reliability Performance Measures (Requirement 21)

SAIFI	Class	Average SAIFI Targets	SAIFI Targets	Actual SAIFI			
		2008/12	2008	2007	2006	2005	2004
SAIFI for total number of interruptions (= a/b) where - a = sum of electricity consumers affected by each of those interruptions b = Total consumers				3.96	2.65	2.13	2.82
SAIFI Targets (=a/b) Planned Interruptions	Class B	0.20	0.20				
Unplanned Interruptions	Class C	3.80	3.80				
where- Planned Interruptions a = projected number of electricity consumers affected by each of those interruptions b = Projected total customers	Class B						
		4,992	4,992				
		24,962	24,962				
Unplanned Interruptions a = projected number of electricity consumers affected by each of those interruptions b = Projected total customers	Class C						
		94,855	94,855				
		24,962	24,962				
SAIFI for total number of interruptions within each interruption class (= a/b)							
	Class A			0.01	0.02	0.00	0.02
	Class B			0.15	0.15	0.19	0.20
	Class C			3.78	2.46	1.92	1.75
	Class D			0.00	0.02	0.02	0.84
	Class E			0.00	0.00	0.00	0.00
	Class F			0.00	0.00	0.00	0.00
	Class G			0.02	0.00	0.00	0.00
	Class H			0.00	0.00	0.00	0.00
	Class I			0.00	0.00	0.00	0.00
	SAIFI for total of interruptions			3.96	2.65	2.13	2.82
where - a = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			327	383	0	375
	Class B			3,666	3,863	4,723	5,026
	Class C			94,200	61,085	47,724	43,485
	Class D			0	615	497	20,791
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			387	0	0	180
	Class H			0	0	0	0
	Class I			0	0	0	0
b = Total consumers				24,913	24,864	24,856	24,876

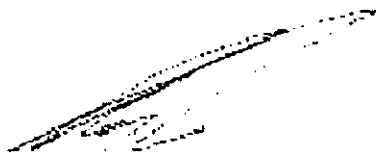
Reliability Performance Measures (Requirement 21)

CAIDI	Class	Average CAIDI Targets	CAIDI Targets	Actual CAIDI			
		2008/12	2008	2007	2008	2005	2004
CAIDI for total number of interruptions (= a/b)				66.09	136	133	127
where - a = sum of interruption duration factors for all interruptions b = sum of electricity consumers affected by each of those interruptions							
CAIDI Targets (=a/b)							
Planned Interruptions	Class B	214	214				
Unplanned Interruptions	Class C	64	64				
where- Planned Interruptions a = sum of interruption duration factors for all interruptions b = projected number of electricity consumers affected by each of those interruptions	Class B						
		1,067,125	1,067,125				
		4,992	4,992				
Unplanned Interruptions a = sum of interruption duration factors for all interruptions b = projected number of electricity consumers affected by each of those interruptions	Class C						
		6,047,044	6,047,044				
		94,855	94,855				
CAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			329.00	359.00	0.00	210.00
	Class B			127.60	197.00	186.00	168.00
	Class C			62.84	131.00	130.00	169.00
	Class D			0.00	49.00	309.00	22.00
	Class E			0.00	0.00	0.00	0.00
	Class F			0.00	0.00	0.00	0.00
	Class G			51.35	0.00	0.00	154.00
	Class H			0.00	0.00	0.00	0.00
	Class I			0.00	1,031.00	0.00	0.00
	CAIDI for total of interruptions			66.09	136.00	133.00	127.00
where - a = sum of interruption duration factors for all interruptions							
	Class A			107,583	137,428	0	78,750
	Class B			467,429	683,679	770,671	946,417
	Class C			5,919,894	8,001,348	6,213,421	7,344,364
	Class D			0	30,383	38,505	466,449
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			19,872	0	0	27,721
	Class H			0	0	0	0
	Class I			0	72,185	0	0
b = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			327	383	0	375
	Class B			3,666	3,663	4,723	5,026
	Class C			94,200	61,095	47,724	43,485
	Class D			0	615	497	20,791
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			387	0	0	180
	Class H			0	0	0	0
	Class I			0	70	0	0

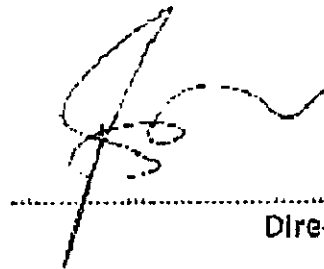
CERTIFICATION OF VALUATION REPORT OF DISCLOSING ENTITIES

We, Trevor William Taylor and Roger Neil Taylor, directors of Eastland Network Limited certify that, having made all reasonable enquiry, to the best of our knowledge-

- (a) the attached valuation report of Eastland Network Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those requirements; and
- (b) the replacement cost of the line business system fixed assets of Eastland Network Limited is \$187,619,000; and
- (c) the depreciated replacement cost of the line business system fixed assets of Eastland Network Limited is \$87,482,000; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Eastland Network Limited is \$86,184,000; and
- (e) the optimised deprival valuation of the line business system fixed assets of Eastland Network Limited is \$86,184,000; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004). These valuations are as at 31 March 2004.



Director



Director

3 March 2005



AUDITORS OPINION IN RELATION TO ODV VALUATION

EASTLAND NETWORK LIMITED

We have examined the valuation report of Eastland Network Limited and dated 6 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$86,184,000 have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in black ink, appearing to read 'Bruce Loader', written in a cursive style.

Bruce Loader
KPMG
P O Box 274
Christchurch

6 December 2004