



**TOP ENERGY LIMITED -
LINE BUSINESS**

**INFORMATION FOR DISCLOSURE PURSUANT TO
THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004**

22 February 2008

**CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES AND STATISTICS
DISCLOSED BY LINE OWNERS OTHER THAN TRANSPOWER**

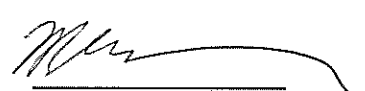
We, Paul Byrnes and Mervyn Warbrick, directors of Top Energy Limited certify that, having made all reasonable enquiries, to the best of our knowledge:

- a. The attached audited financial statements of Top Energy Limited prepared for the purposes of requirement 6 of the Commerce Commission's 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 Top Energy 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.



P A Byrnes



M S Warbrick

Date: 22 February 2008

IMPORTANT NOTE

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

The Requirements determine that the information be disclosed in the manner it is presented.

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

The information contained in this package may change at any time. Pricing and terms are as at the date of disclosure indicated and are not a quote or estimate of rates or terms that will apply in the future.

TOP ENERGY LIMITED-LINE BUSINESS

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2007

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2007	2006
Operating revenue	<i>1, 21 (11)</i>	26,092,819	23,747,087
Less expenses, excluding finance costs	<i>2, 21 (12)</i>	19,208,830	18,284,840
Operating surplus before interest and taxation		6,883,989	5,462,247
Less net finance costs	<i>3</i>	738,418	802,118
Net profit before taxation		6,145,571	4,660,129
Less taxation	<i>4</i>	1,968,569	1,693,518
Net profit after taxation		4,177,002	2,966,611

This statement is to be read in conjunction with the accompanying notes, accounting policies and audit report. The Financial Statements have been prepared solely for the purpose of complying with requirements 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose.

TOP ENERGY LIMITED-LINE BUSINESS

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

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2007	2006
EQUITY AS AT 1 APRIL		85,622,043	88,155,432
Profit for the period		4,177,002	2,966,611
Revaluation of Distribution Asset		29,356,819	
Total recognised revenue and expenses for the period		33,533,821	2,966,611
Dividends	5	5,665,000	5,500,000
EQUITY AS AT 31 MARCH		113,490,864	85,622,043
Represented by:			
RETAINED EARNINGS			
Opening balance		(97,533)	3,794,778
Profit for the period		4,177,002	2,966,611
Dividend paid	5	(5,665,000)	(5,500,000)
Transfer to capital contribution reserve		(1,372,365)	(1,358,922)
		(2,957,896)	(97,533)
CAPITAL CONTRIBUTIONS RESERVE	<i>Policy 2</i>		
Opening balance		5,215,579	3,856,657
Transferred from retained earnings		1,372,365	1,358,922
		6,587,944	5,215,579
ASSET REVALUATION RESERVE	<i>Policy 5</i>		
Opening balance		57,286,017	57,286,017
Revaluation of Distribution Asset	10	29,356,819	
		86,642,836	57,286,017
SHARE CAPITAL	6	23,217,980	23,217,980
		113,490,864	85,622,043

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TOP ENERGY LIMITED-LINE BUSINESS

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2007

	<i>Notes</i>	LINE BUSINESS	
		\$	
		2007	2006
SHAREHOLDERS' EQUITY		113,490,864	85,622,043
Represented by:			
NON CURRENT LIABILITIES			
Borrowings	8	5,000,000	7,285,714
Deferred tax	4	5,497,377	5,227,312
TOTAL NON CURRENT LIABILITIES		10,497,377	12,513,026
CURRENT LIABILITIES			
Bank overdraft	11	6,101	-
Interbusiness current account	12	4,489,607	6,788,992
Payables and accruals	9	3,903,073	1,476,880
Short term borrowings	8	7,500,000	1,671,429
Provision for income tax	4	1,698,504	1,450,807
TOTAL CURRENT LIABILITIES		17,597,285	11,388,108
TOTAL EQUITY & LIABILITIES		141,585,526	109,523,177
FIXED ASSETS	10	139,196,550	107,000,933
CURRENT ASSETS			
Cash and bank balances	11	205	28,339
Accounts receivable	13	2,388,771	2,493,905
TOTAL CURRENT ASSETS		2,388,976	2,522,244
TOTAL ASSETS		141,585,526	109,523,177
		113,490,864	85,622,043

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TOP ENERGY LIMITED-LINE BUSINESS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2007

	<i>Notes</i>	LINE BUSINESS	
		2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		26,197,952	23,372,233
Interest received		3,492	-
		26,201,444	23,372,233
Cash was disbursed to:			
Payments to suppliers and employees		12,182,882	13,971,053
Interest paid		738,418	802,118
Taxation paid		1,450,807	1,454,041
		14,372,107	16,227,212
Net cash from operating activities		11,829,337	7,145,021
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Other businesses		-	4,953,707
Cash was applied to:			
Purchase and construction of fixed assets		7,442,043	5,623,927
Other businesses	12	2,299,385	-
Net cash (used in)/from investing activities		(9,741,428)	(670,220)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds of Term Loan		3,542,857	-
Cash was applied to:			
Dividends paid		5,665,000	5,500,000
Repayment of loans		-	942,857
Net cash from financing activities		(2,122,143)	(6,442,857)
NET INCREASE/(DECREASE) IN CASH HELD		(34,235)	31,944
OPENING CASH		28,339	(3,605)
CLOSING CASH		(5,896)	28,339

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TOP ENERGY LIMITED-LINE BUSINESS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2007

	LINE BUSINESS	
	2007	2006
CASH COMPRISES	\$	\$
Cash on hand	205	286
BNZ current account	(6,101)	28,053
	(5,896)	28,339
RECONCILIATION OF NET PROFIT AFTER TAXATION TO CASHFLOW FROM OPERATING ACTIVITIES		
Reported Net Profit/(Loss) after Taxation	4,177,002	2,966,611
Add/(Less) items classified as investing or financing activities		
Net loss/(profit) on disposal of assets	-	-
Add/(Less) other non-cash items:		
Change in provisions	1,645	(144,493)
Depreciation	4,603,245	4,475,005
Provision for deferred tax	270,065	242,711
	4,874,955	4,573,222
Add/(Less) movement in other working capital items		
Increase/(decrease) in tax payable	247,697	(3,234)
(Increase)/decrease in accounts receivable	105,134	(374,854)
Increase/(decrease) in accounts payable	2,424,549	(16,723)
	2,777,380	(394,811)
NET CASHFLOWS FROM OPERATING ACTIVITIES	11,829,337	7,145,021

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TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

The financial statements are those of the Line business of Top Energy Limited. Top Energy Limited is owned 100% by the Top Energy Consumer Trust and these organisations are in a "Prescribed Business Relationship" as defined by Requirement 3(1)(a)(ii) of the Electricity Information Disclosure Requirements 2004.

The period reported is 1 April 2006 to 31 March 2007.

These financial statements are prepared in accordance with Regulations 6(2) and 6(3) of the Electricity Information Disclosure Requirements 2004. The financial statements have not been prepared for the purpose of the Financial Reporting Act 1993, or the Energy Companies Act 1992.

GENERAL ACCOUNTING POLICIES

The accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historic cost method, as modified by revaluation of the distribution system, have been followed in the preparation of these financial statements.

Methodology of Separation of Business

Top Energy Limited has followed the Electricity Information Disclosure Requirements 2004 dated 7 May 2004, as issued by the Commerce Commission.

PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which significantly affect the measurement of financial performance and financial position, have been applied.

1 Revenue

Revenue shown in the Statement of Financial Performance comprise the amounts received and receivable by the Company for electricity distribution services supplied to customers in the ordinary course of business. Revenues are stated exclusive of Goods and Services Tax collected from customers.

2 Capital Contributions

Funds received from customers, as a contribution towards the cost of uneconomic supply facilities, are recognised in the statement of financial performance as soon as any obligations attaching to the contributions have been met.

Where a customer's circumstances change such that a part or all of the contribution is to be refunded, then a separately established reserve has been set up for this purpose. Contributions may be refunded within 10 years of the original date of payment.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

3 Taxation

The taxation charged against the profit for the year is both the current year's provision and the income tax effects of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. Future taxation benefits attributable to timing differences or to losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the losses will be utilised by the Company.

4 Accounts Receivable

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

5 Property, Plant & Equipment

Property, plant & equipment held by the former Bay of Islands Electric Power Board were vested in the Company, Top Energy Ltd, on 1 May 1993 under the Energy Companies Act 1992. Property, plant & equipment were vested at book value as at 1 May 1993, and represent "cost" to the Company.

The cost of property, plant & equipment purchased after 1 May 1993 is the 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.

The cost of self - constructed assets includes the cost of all materials used in construction, direct labour on the project, costs of obtaining Resource Management Act consents and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency cost.

The Distribution system asset has been valued to depreciated replacement cost at 31 March 2007 based on a valuation conducted by Sinclair, Knight and Mertz Ltd, registered valuers. The Distribution system asset is valued on a 3 - 5 year cycle.

Capital work-in-progress includes materials, and a portion of direct labour and production overhead appropriate to the stage of completion attained.

Land and Buildings relating to substations are "owned" by the lines business. These have been valued to fair value at 31 March 2004 based on a valuation conducted by Telfer Young Ltd, registered valuers.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

6 Depreciation

Land and work-in-progress assets are not depreciated. Other property, plant & equipment assets are depreciated on a straight line (SL) or diminishing value (DV) basis that has regard to their historical cost, estimated useful life and expected residual value:

	Years
Straight line basis	
Distribution system	
Lines, Transformers & Substations	45 – 60
Switchgear	35
SCADA Communications equipment	15
Buildings	50
Office equipment, Plant and Furniture	10
Information systems assets	5 - 10
Chainsaws	3
Computer Software	3
	Rate
Diminishing value basis	
Motor Vehicles	20%

7 Statement of Cash Flows

The following is the definition of terms used in the Statement of Cash Flows:

“Cash” means coins and notes, demand deposits and other highly liquid investments in which the Company has invested as part of its day-to-day cash management. Cash includes liabilities which are the negative form of the above, such as the bank overdraft. Cash does not include accounts receivable or payable, or any borrowing subject to a term facility.

“Investing activities” are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.

“Financing activities” are those activities which result in changes in the size and capital structure of the Company. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

“Operating activities” include all transactions and other events that are not investing or financing activities and includes interest and dividends received in relation to investments.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2007

8 Financial Instruments

Top Energy Ltd – Lines Business has entered into various financial instruments with risk for the primary purpose of reducing its exposure of interest. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Recognised

Financial instruments carried on the statement of financial position include cash, bank, accounts receivable, accounts payable, and term debt. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Unrecognised

Financial instruments, including derivatives, that are designated as hedges of specific items are recognised on the same basis as the underlying hedged items. Derivatives that do not constitute hedges are stated at market value and any resultant gain or loss is recognised in the statement of financial performance.

The net differential paid or received in interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

9 Employee entitlements

Employee entitlements to salaries and wages, annual leave and other benefits are recognized when they accrue to employees.

Changes in Accounting Policies

There were no material changes in accounting policy during the year.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	LINE BUSINESS	
	\$	
	2007	2006
1 REVENUE		
Electricity Line revenue	23,319,811	21,535,008
AC loss rental rebate	645,775	737,272
Capital contributions	2,123,741	1,474,807
Interest income	3,492	-
TOTAL REVENUE	26,092,819	23,747,087
2 NET PROFIT BEFORE TAXATION		
The net profit before tax is stated after charging:		
(Loss)/Profit on disposal of fixed assets	-	-
Depreciation	4,603,245	4,475,005
Buildings	1,374	656
Distribution System	4,232,589	4,085,617
Centralised Load control equipment	21,750	21,750
Office equipment & furniture	14,007	11,288
Information system & billing assets	313,663	331,913
Vehicles	19,862	23,781
Auditors - audit services	45,600	47,969
- regulatory/ODV reporting & price control submission	44,030	34,000
Directors' fees	135,154	161,000
Bad debts	-	-

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	LINE BUSINESS	
	\$	
	2007	2006
3 NET FINANCE COSTS		
Comprise:		
Interest - term debt	539,809	627,522
Interest - other	198,609	174,595
Net finance costs	738,418	802,118
4 TAXATION		
The taxation provision has been calculated as follows:		
Profit for the period	6,145,571	4,660,129
Taxation for the period at 33%	2,028,039	1,537,842
Plus/(Less) tax effect of:		
Non taxable income	(700,835)	(486,686)
Non deductible items	641,365	642,362
	1,968,569	1,693,518
The taxation charge is represented by:		
Taxation payable in respect of the current period	1,698,504	1,450,807
Deferred tax	270,065	242,711
	1,968,569	1,693,518
DEFERRED TAX LIABILITY	\$	\$
Balance at beginning of year	5,227,312	4,984,601
Transfer to Statement of financial performance	270,065	242,711
Balance at end of year	5,497,377	5,227,312
5 DIVIDENDS		
Ordinary dividend paid (.22 cents per share)	5,665,000	5,500,000
Total dividends paid	5,665,000	5,500,000

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	LINE BUSINESS	
	\$	
	2007	2006
6 SHARE CAPITAL		
23,042,500 ordinary shares issued to the trustees of the Top Energy Consumer Trust for a consideration of	23,217,980	23,217,980
	23,217,980	23,217,980
7 IMPUTATION CREDIT ACCOUNT		
Opening balance	855,818	1,275,009
Plus income tax paid	2,085,434	2,289,764
Imputation credits attached to dividends paid	(2,790,224)	(2,708,955)
Closing Balance	151,028	855,818

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

				LINE BUSINESS		
				\$		
				2007	2006	
8	BORROWINGS	Interest Rate %	Repayable	Fair Value		
	BNZ Loans					
	Borrowings 18.12.05	6.80%*	4/02/2015	1,173,965	1,176,471	1,714,286
	Borrowings 14.03.07	5.68%*	21/09/2009	840,164	882,353	1,285,714
	Borrowings 18.12.03	6.85%*	9/08/2010	1,432,160	1,470,588	2,142,857
	Borrowings 18.12.03	6.62%*	8/08/2016	1,410,688	1,470,588	2,142,857
	Borrowings 20.03.07	7.98%**	20/04/2007		4,500,000	
	Borrowings 21.03.07	8.13%**	21/06/2007		3,000,000	
	BNZ Loans					1,671,429
					12,500,000	8,957,143
	Less current portion				7,500,000	1,671,429
					5,000,000	7,285,714
					2,352,941	
					2,647,059	7,285,714
					5,000,000	7,285,714
* Effective interest rate under interest rate swap agreements ** Under a Facility Agreement dated 17 December 2003 and as amended by letter dated 26 October 2005 BNZ loans are secured by deed of guarantee from group companies.						

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

9 PAYABLES		LINE BUSINESS	
		\$	
		2007	2006
Accounts payable and accruals		3,698,589	1,274,041
Payroll & other provisions		204,484	202,839
		3,903,073	1,476,880

10 FIXED ASSETS	Cost or Valuation		Acc. Depreciation		Net Book Value	
	2007	2006	2007	2006	2007	2006
Land & Buildings at valuation	1,522,342	1,522,342	(50,355)	(49,117)	1,471,987	1,473,224
Distribution system	135,812,121	111,420,078	-	(8,138,484)	135,812,121	103,281,594
- At Cost		9,160,402	-	(185,246)	-	8,975,156
- At Valuation	135,812,121	102,259,676	-	(7,953,238)	135,812,121	94,306,438
Centralised load control equipment	183,879	183,879	-	(43,500)	183,879	140,379
Office equipment & furniture	182,004	167,997	(127,089)	(115,914)	54,915	52,083
Information system & billing assets	2,783,074	2,155,331	(2,291,643)	(1,608,315)	491,431	547,015
Vehicles	219,334	163,444	(132,154)	(70,975)	87,180	92,468
Capital work in progress	1,095,037	1,414,169			1,095,037	1,414,169
Total fixed assets	141,797,791	117,027,239	(2,601,241)	(10,026,306)	139,196,550	107,000,933

i) Land & buildings were revalued at 31 March 2004 by Telfer Young Ltd, registered valuers.

The Distribution system was revalued by independent engineering consultants, Sinclair, Knight & Mertz. The valuation was carried out at 31 March 2007 and the report is dated 17 May 2007. Subsequent additions are at cost. The valuation is based on depreciated replacement cost (DRC) of the distribution system asset. The Directors consider this valuation to be fair.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

	LINE BUSINESS	
	\$	
	2007	2006
11 CASH AND BANK BALANCES CURRENT ASSETS Comprise: Cash on hand BNZ current account	205 - 205	286 28,053 28,339
CURRENT LIABILITY Bank overdraft Net Cash & Bank position	6,101 (5,896)	- 28,339
12 INTERBUSINESS CURRENT ACCOUNT Represents notional net funds advanced to the Lines business from 'Other businesses'	(4,489,607) (4,489,607)	(6,788,992) (6,788,992)
13 ACCOUNTS RECEIVABLE Comprise: Trade debtors Accruals and prepayments	2,226,012 162,759 2,388,771	2,067,121 426,784 2,493,905

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

14 RELATED PARTY TRANSACTIONS

There have been no material related party transactions requiring disclosure in accordance with SSAP 22 "Related Party Disclosures", apart from the following:

i. **Top Energy Consumer Trust:**

Top Energy Ltd is wholly owned by Top Energy Consumer Trust. For the period ended 31 March 2007, Top Energy Ltd paid \$5.665m (31 March 2006: \$5.5m) in the form of a dividend to the above Trust. This payment is reflected in the Statement of movements in Equity of Top Energy Ltd.

During the year Top Energy processed transactions on an agency basis on behalf of the Trust in order to settle routine business dealings. As at 31 March 2007, a balance of \$590,637 was owed by the Company to the Trust (31 March 2006: \$1,644 owed by the Trust to the Company) and this has been included in Payables and Accruals in the Statement of Financial Position. All transactions with the Trust are made on normal business terms

ii. **Transfer Payments between Line & 'Other' business:**

The following related party transactions occurred in the year between the Line & Other businesses.

Note	2007 (Income)/cost	2006 (Income)/cost
Transfer Payment Cost to Line:		
Asset maintenance services	a 3,490,980	3,702,582
Avoided transmission charges	b 746,362	659,159
Property rental	c 67,788	77,872
Payment for meter data	Nil	Nil
Consumer based load control	Nil	Nil
Disconnection/reconnection services	Nil	Nil
Asset construction	d	
Sub transmission assets	Nil	Nil
Zone substations	1,168,274	196,902
Distribution lines & cable	2,912,834	2,333,096
Medium voltage switchgear	Nil	Nil
Distribution transformers	2,190,006	2,452,825
Distribution substations	Nil	Nil
Low voltage lines & cables	1,737,974	1,286,716
Other system fixed assets	Nil	Nil

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

14 RELATED PARTY TRANSACTIONS

- a. Asset maintenance services are provided by the Contracting Division in respect of the System fixed asset. Services are provided as contracted by the Line business and are charged at market rates on an arms length basis. Services were provided throughout the year. The outstanding balance at 31 March 2007 was \$286,364 (2006: \$263,172).
- b. Avoided Transmission charges are paid in respect of embedded generation provided by Ngawha Generation Limited. Charges are based on the Transpower market rate. The service was provided for the full year. The outstanding balance at 31 March 2007 was \$62,748 (2006: \$51,515).
- c. Property facilities are provided to the Line business by the Property Division. Rentals are at market rates for the specific sites. Services were provided throughout the year. The property rental includes cost recovery in respect of rates of \$5,649 (2006: \$6,494).
- d. Asset construction services are provided by the Contracting Division in respect of the System fixed asset. Services are provided as contracted by the Line business and are charged on a full cost recovery basis. Services were provided throughout the year. The outstanding balance at 31 March 2007 was \$387,567 (2006: \$301,651).

15 FINANCIAL INSTRUMENTS

a. **Currency and Interest Rate Risk**

Nature of activities and management policies with respect to financial instruments:

i. *Currency*

Top Energy Group has undertaken foreign currency transactions from time to time in connection with its activities. To manage the foreign currency risk the Group has used forward exchange contracts. There are no contracts in place at 31 March 2007 relating to the Line business.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

15 FINANCIAL INSTRUMENTS

ii. *Interest Rate*

The Lines business facility of \$30m allows borrowings to be made over variable periods. At balance date \$12.5m was advanced and these advances will be renewed to coincide with funding requirements. The expected repayment dates are as disclosed in Note 8.

The principal or contract amounts of interest rate contracts swaps outstanding at 31 March 2007 for the Line business are \$5.00m (2006: \$7.29m). The effective interest rates are disclosed in Note 8.

The Company has not entered into forward agreements or futures transactions.

b. **Concentration of Credit Risk**

In the normal course of its business, the Company incurs credit risk from trade debtors and transactions with financial institutions.

Contact Energy Ltd comprise 90% of the debtors total as of balance date but subsequent to balance date this amount has been cleared. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Company does not have any significant concentrations of credit risk. The Company does not require any collateral or security to support financial instruments as it only deposits with, or lends to, banks and other financial institutions of recognised quality. The Company does not expect the non-performance of any material obligations at balance date.

c. **Fair Values**

The following methods were used to estimate the fair values of these classes of financial instruments:

- i. Cash and liquid deposits, debtors and other accounts receivable including sundry debtors, creditors and other accounts payable including sundry creditors, loans payable within twelve months.

The carrying value of these items is equivalent to their fair value.

- ii. *Borrowings* – see Note 8.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

16 SEGMENT INFORMATION

The Lines business operates primarily in one industry, the electricity conveyance industry, and in one geographic location: Far North, New Zealand.

17 CAPITAL EXPENDITURE COMMITMENTS

Top Energy Ltd – Lines Business has commitments for capital expenditure of \$254,359 at 31 March 2007 (31 March 2006: \$139,436).

18 CONTINGENT LIABILITIES

There were no contingent liabilities relating to the Top Energy Ltd – Lines Business at 31 March 2007.

19 EVENTS OCCURRING AFTER BALANCE DATE

There are no events which have arisen after the balance sheet date that require disclosure.

20 INTERNATIONAL FINANCIAL REPORTING STANDARDS

New Zealand Equivalents to International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board (ASRB) announced that New Zealand entities required to comply with NZ GAAP under Financial Reporting Act 1993 would be required to apply International Financial Reporting Standards (IFRS) for financial periods commencing on or after 1 January 2007 with earlier adoption permitted from 1 January 2005. The new standards that have been approved by the ASRB for application in New Zealand are referred to as New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as certain adaptations have been made to reflect New Zealand circumstances.

Top Energy Limited has commenced reviewing its accounting policies and financial reporting to comply with NZ IFRS. The Company has allocated internal resources and is carrying out impact assessments to isolate key areas that will be impacted by the transition to NZ IFRS and to facilitate adoption of NZ IFRS. The Company will transition to NZ IFRS and publish its first set of annual financial statements prepared under NZ IFRS for the year ending 31 March 2008.

The company has not quantified any differences between current NZ GAAP and NZ IFRS in relation to the impact under the company's Information Disclosure Requirements regulatory accounts. This is due to the uncertainty that exists as to whether the company would be reporting these regulatory accounts under NZ GAAP and whether future regulatory accounts will be reported under NZ IFRS

The key differences between current NZ GAAP and NZ IFRS identified to date as potentially having significant effect on the Company's financial statements as summarised overleaf.

TOP ENERGY LIMITED-LINE BUSINESS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

20 INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Financial Instruments

Any movements of the fair value of the interest rate swaps and forward exchange contracts from year to year will have the potential to affect the statement of financial performance and the statement of financial position, the extent to which will depend on whether hedge accounting is adopted. The financial impact of the change cannot be reliably estimated at this stage.

Deferred Taxation

The IFRS basis of accounting for deferred tax is conceptually different to current GAAP. Under current GAAP deferred taxation is calculated using the income statement approach whereas under NZ IFRS deferred taxation will be based on a balance sheet approach. This method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. The most significant impact for the Company is the potential recognition of a deferred tax liability in relation to the revaluation of distribution assets.

Employee Benefits

The basis of accounting for certain elements of employee remuneration is different under NZ GAAP and NZ IFRS. Eligibility for retirement gratuity payments are currently recognised under NZ GAAP only when they vest, but under NZ IFRS the employer's liability will be recognized on an actuarial basis. The Company expects that the current level of provisions for retirement gratuity payments and other compensated absences will increase as a result of adopting the NZ IFRS basis of accounting.

Deemed historic cost adjustment to Fixed Assets

The carrying values of previously revalued items of land, buildings and the distribution network, all of which were most recently revalued as at 31 March 2004, will be deemed as the historic cost on first time adoption of NZ IFRS and will not be revalued going forward.

Transfers between Reserves

NZ IFRS requires all items of income and expense recognised in a period to be included in profit or loss unless specifically required to the contrary. Accordingly, the various reserves shown within equity at 31 March 2007 under NZ GAAP will be transferred to retained earnings when these accounts are restated under NZ IFRS.

This summary should not be taken as an exhaustive list of all the differences between NZ GAAP and NZ IFRS. Further, the Company has not yet quantified the effects of these differences. Accordingly there can be no assurances that the financial performance and financial position as disclosed in these financial statements would not be significantly different if determined in accordance with NZ IFRS.

Note 21 Other Required Financial Statement Disclosures

para		2007 \$	2006 \$
1	Current assets		
(a)	Cash and bank balances:	205	28,339
(b)	Short-term investments:	0	0
(c)	Inventories:	0	0
(d)	Accounts receivable:	2,388,771	2,493,905
(e)	Other current assets not listed in (a) to (d):	0	0
(f)	Total current assets	2,388,976	2,522,244
2	Fixed assets		
(a)	System fixed assets:	137,467,987	104,895,197
(b)	Consumer billing and information system assets:	491,431	547,015
(c)	Motor vehicles:	87,180	92,468
(d)	Office equipment:	54,915	52,083
(e)	Land and buildings (Excluding Sub-Station Land & Buildings classified as Network System Fixed Assets)	0	0
(f)	Capital works under construction:	1,095,037	1,414,169
(g)	Other fixed assets not listed in (a) to (f):	0	0
(h)	Total fixed assets	139,196,550	107,000,933
3	Other tangible assets not listed above	0	0
4	Total tangible assets	141,585,526	109,523,177
5	Intangible assets		
(a)	Goodwill:	0	0
(b)	Other intangibles not listed in (a) above:	0	0
(c)	Total intangible assets	0	0
6	Total assets	141,585,526	109,523,177
7	Current liabilities		
(a)	Bank overdraft:	6,101	0
(b)	Short-term borrowings:	7,500,000	1,671,429
(c)	Payables and accruals:	3,903,073	1,476,880
(d)	Provision for dividends payable:	0	0
(e)	Provision for income tax:	1,698,504	1,450,807
(f)	Other current liabilities not listed in (a) to (e) above:	4,489,607	6,788,992
(g)	Total current liabilities	17,597,285	11,388,108
8	Non-current liabilities		
(a)	Payables and accruals:	0	0
(b)	Borrowings:	5,000,000	7,285,714
(c)	Deferred tax:	5,497,377	5,227,312
(d)	Other non-current liabilities not listed in (a) to (c) above:	0	0
(e)	Total non-current liabilities	10,497,377	12,513,026
9	Equity		
(a)	Shareholders' equity:		
(i)	Share capital:	23,217,980	23,217,980
(ii)	Retained earnings:	-2,957,896	-97,533
(iii)	Reserves:	93,230,780	62,501,596
(iv)	Total Shareholders' equity:	113,490,864	85,622,043
(b)	Minority interests in subsidiaries:	0	0
(c)	Total equity:	113,490,864	85,622,043
(d)	Capital notes:	0	0
(e)	Total capital funds:	113,490,864	85,622,043
10	Total equity and liabilities	141,585,526	109,523,177

Top Energy Limited - Year ended 31 March 2007

Operating Revenue (Schedule 1, Part 2)

	2007	2006
11 Operating revenue		
(a) (a) Revenue from line/access charges:	23,319,811	21,535,008
(b) (b) Revenue from "Other" business for services carried out by the line business (transfer payment):	0	0
(c) (c) Interest on cash, bank balances and short term investments:	3,492	0
(e) (d) AC loss-rental rebates:	645,775	737,272
(f) (e) Other revenue not listed in (a) to (d):	2,123,741	1,474,807
(g) (f) Total operating revenue	26,092,819	23,747,087

Expenditure (Schedule 1, Part 2)

	2007	2006
12 Operating expenditure		
(a) Payment for transmission charges	5,868,543	4,980,110
(b) Transfer payments to the "Other" business for:		
(i) Asset maintenance:	3,439,609	3,158,069
(ii) Consumer disconnection/reconnection services:	0	0
(iii) Meter data:	0	0
(iv) Consumer-based load control services:	0	0
(v) Royalty and patent expenses:	0	0
(vi) Avoided transmission charges on account of own generation	746,362	659,159
(vii) Other goods and services not listed in (i) to (vi) above	0	0
(viii) Total transfer payment to the "Other" business	4,185,971	3,817,228
(c) Expense to entities that are not related parties for:		
(i) Asset maintenance:	51,371	544,513
(ii) Consumer disconnection/reconnection services	0	0
(iii) Meter data	0	0
(iv) Consumer-based load control services	0	0
(v) Royalty and patent expenses	0	0
(vi) Total of specified expenses to non-related parties (sum of (i) to (v))	51,371	544,513
(d) Employee salaries, wages and redundancies	2,562,328	2,802,448
(e) Consumer billing and information system expense	222,144	157,046
(f) Depreciation on:		
(i) System fixed assets:	4,254,339	4,107,367
(ii) Other assets not listed in (i)	348,906	367,637
(iii) Total depreciation	4,603,245	4,475,005
(g) Amortisation of:		
(i) Goodwill:	0	0
(ii) Other intangibles:	0	0
(iii) Total amortisation of intangibles	0	0

Top Energy Limited - Year ended 31 March 2007

Expenditure (Schedule 1, Part 2)

		2007	2006
(h)	Corporate and administration:	466,187	452,637
(i)	Human resource expenses:	208,477	159,145
(j)	Marketing/advertising:	296,719	218,323
(k)	Merger and acquisition expenses:	0	0
(l)	Takeover defence expenses:	0	0
(m)	Research and development expenses:	0	0
(n)	Consultancy and legal expenses:	300,877	265,286
(o)	Donations:	0	0
(p)	Directors' fees:	135,154	161,000
(q)	Auditors' fees:		
	(i) Audit fees paid to principal auditors:	45,600	47,969
	(ii) Audit fees paid to other auditors:	0	0
	(iii) Fees paid for other services provided by principal and other auditors:	44,030	34,000
	(iv) Total auditors' fees:	89,630	81,969
(r)	Costs of offering credit:		
	(i) Bad debts written off:	0	0
	(ii) Increase in estimated doubtful debts:	0	0
	(iii) Total cost of offering credit:	0	0
(s)	Local authority rates expense:	0	0
(t)	AC loss-rentals (distribution to retailers/customers) expense:	0	0
(u)	Rebates to consumers due to ownership interest:	0	0
(v)	Subvention payments:	0	0
(w)	Unusual expenses:	0	0
(x)	Other expenditure not listed in (a) to (w).	218,185	170,130
13	Total operating expenditure	19,208,830	18,284,840
14	Operating surplus before interest and income tax	6,883,989	5,462,247
15	Interest expense		
	(a) Interest expense on borrowings	738,418	802,118
	(b) Financing charges related to finance leases	0	0
	(c) Other interest expense not listed in (a) or (b):	0	0
	(d) Total interest expense	738,418	802,118
16	Operating surplus before income tax	6,145,571	4,660,129
17	Income tax	1,968,569	1,693,518
18	Net surplus/(deficit) after tax	4,177,002	2,966,611



Schedule 1 -part 8 of the Electricity Requirements 2004

Annual Valuation Reconciliation Report

	\$'000
Year ending 31 March 2007	
System fixed assets at ODV – 31 March 2006	100,702
Add system fixed assets acquired during the year at ODV	8,009
Less system fixed assets disposed of during the year at ODV	0
Less depreciation on system fixed assets at ODV	(4,254)
Revaluations of systems fixed assets	
Equals system fixed assets at ODV – 31 March 2007	<u>104,457</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								
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIIT)	6,883,989							
Interest on cash, bank balances, and short-term investments (ISTI)	3,492							
OSBIIT minus ISTI	6,887,480	a		6,887,480				6,887,480
Net surplus after tax from financial statements	4,177,002							
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	4,177,002	n				4,177,002		
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)	4,254,339							
Depreciation of SFA at ODV (y)	4,254,339							
ODV depreciation adjustment	0	d	add	0	add	0	add	0
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	243,678	q					deduct	243,678
Revaluations	0	r					add	0
Income tax	1,968,569	p					deduct	1,968,569
Numerator				6,887,480		4,177,002		4,675,232
				OSBIIT ^{ADJ} = a + g + s + d		NSAT ^{ADJ} = n + g + s - s*t + d		OSBIIT ^{ADJ} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	107,000,933							
Fixed assets at end of current financial year (FA ₁)	139,196,550							
Adjusted net working capital at end of previous financial year (ANWC ₀)	1,017,025							
Adjusted net working capital at end of current financial year (ANWC ₁)	-1,520,404							
Average total funds employed (ATFE)	122,847,052	c		122,847,052				122,847,052
	(or regulation 33 time-weighted average)							
Total equity at end of previous financial year (TE ₀)	85,622,043							
Total equity at end of current financial year (TE ₁)	113,490,864							
Average total equity	99,556,453	k				99,556,453		
	(or regulation 33 time-weighted average)							
WUC at end of previous financial year (WUC ₀)	1,414,169							
WUC at end of current financial year (WUC ₁)	1,095,037							
Average total works under construction	1,254,603	e	deduct	1,254,603	deduct	1,254,603	deduct	1,254,603
	(or regulation 33 time-weighted average)							
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 regulation 33 time-weighted average)							
Subvention payment at end of previous financial year (S ₀)	0							
Subvention payment at end of current financial year (S ₁)	0							
Subvention payment tax adjustment at end of previous financial year	0							
Subvention payment tax adjustment at end of current financial year	0							
Average subvention payment & related tax adjustment	0	v			add	0		
System fixed assets at end of previous financial year at book value (SFA _{bv0})	104,895,197							
System fixed assets at end of current financial year at book value (SFA _{bv1})	137,467,987							
Average value of system fixed assets at book value	121,181,592	f	deduct	121,181,592	deduct	121,181,592	deduct	121,181,592
	(or regulation 33 time-weighted average)							
System Fixed assets at year beginning at ODV value (SFA _{odv0})	100,702,000							
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	104,456,750							
Average value of system fixed assets at ODV value	102,579,375	h	add	102,579,375	add	102,579,375	add	102,579,375
	(or regulation 33 time-weighted average)							
Denominator				102,990,232		79,699,633		102,990,232
				ATFE ^{ADJ} = c - e - f + h		Ave TE ^{ADJ} = k - e - m + v - f + h		ATFE ^{ADJ} = c - e - 1/2r - f + h
Financial Performance Measure:				6.7%		5.2%		4.5%
				ROF = OSBIIT ^{ADJ} /ATFE ^{ADJ} x 100		ROE = NSAT ^{ADJ} /ATE ^{ADJ} x 100		ROI = OSBIIT ^{ADJ} /ATFE ^{ADJ} x 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

TOP ENERGY LIMITED

**Performance Measures and Statistics
For the Year Ended 31 March 2007**

Regulations 15 and 16

i. **Financial Performance Measures**

	2007	2006	2005	2004
a. Return on Funds	6.7%	5.4%	4.5%	5.9%
b. Return on Equity	5.2%	3.7%	2.3%	-2.4%
c. Return on Investment	4.5%	3.5%	2.4%	24.6%

*2004 - includes the effect of (1) revaluations and (2) providing for deferred tax for the first time.

ii. **Efficiency Performance Measures**

	2007	2006	2005	2004
	\$	\$	\$	\$
a. Direct Line Costs per kilometre	1,288	1,478	1,388	1,087
b. Indirect Line Costs per Electricity Customer	107	80	77	68

Optimised Deprival Valuation

The Optimised Deprival Valuation as at 31 March 2007 is \$104,457,000.

Regulation 21

i. **Energy Delivery Efficiency Performance Measures**

	2007	2006	2005	2004
	%	%	%	%
a. Load Factor	64.3	67.8	67.5	65.0
b. Loss Ratio	7.3	7.3	7.7	6.8
c. Capacity Utilisation	34.3	28.8	29.7	33.0

ii. **Statistics**

See table below for the following statistics:

- a. System Length (kms) and breakdown by nominal line voltage.
b. Underground circuit length (kms) and breakdown by nominal line voltage.
c. Overhead circuit length (kms) and breakdown by nominal line voltage.

Kilometres

	(c) Overhead Circuit				(b) Underground Circuit				(a) Total System			
	2007	2006	2005	2004	2007	2006	2005	2004	2007	2006	2005	2004
33kV	277	270	270	270	1	2	2	2	278	272	272	272
11kV	2,539	2,801	2,717	2,713	149	136	133	116	2,689	2,937	2,850	2,829
400V	240	196	307	310	592	582	441	417	832	778	748	727
	<u>3,056</u>	<u>3,267</u>	<u>3,294</u>	<u>3,293</u>	<u>741.3</u>	<u>720</u>	<u>576</u>	<u>535</u>	<u>3,798</u>	<u>3,987</u>	<u>3,870</u>	<u>3,828</u>

	2007	2006	2005	2004
d. Transformer Capacity (kVA)	186,750	205,000	198,815	181,420
e. Maximum Demand (kW)	64,000	59,000	59,000	59,000
f. Total Electricity supplied by System before losses	362,607,115	350,331,997	348,720,837	336,368,518
g. Total Elec' conveyed by System for other persons after losses	336,252,861	324,685,063	321,750,316	313,545,550
Retailer 1	221,332,690	216,529,181	220,374,975	216,756,107
Retailer 2	66,701,669	63,454,444	65,305,548	56,924,734
Retailer 3	17,424,909	20,600,889	17,479,397	12,872,628
Retailer 4	14,437,339	11,400,375	8,111,455	14,307,470
Retailer 5	12,827,525	9,424,281	8,009,326	6,666,071
Retailer 6	3,528,729	3,273,278	2,852,309	6,018,540
h. Total Customers (average for year)	29,073	28,486	27,656	27,075

TOP ENERGY LIMITED

**Performance Measures and Statistics
For the Year Ended 31 March 2007**

Regulation 22

Reliability Performance Measures

i. Total number of interruptions and breakdowns by interruption class

Class Type of Interruption	Target	Target	2007	2006	2005	2004
	5yr Ave.	2008				
A Planned - Transpower			No	No	No	No
B Planned - Top Energy	122	150	0	1	0	0
C Unplanned - Top Energy	178	200	168	159	147	169
D Unplanned - Transpower			330	368	220	219
E Unplanned - Embedded Generation			2	0	2	1
F Unplanned - Other Generation			0	0	0	0
G Unplanned - Another Line owner			0	0	0	0
H Planned - Another Line owner			0	0	0	0
I Any other interruption			0	0	0	0
Total - All interruptions			500	528	369	389
Class C Interruptions not restored:			%	%	%	%
a Within 3 hours			30%	46%	46%	42%
b Within 24 hours			2%	2%	0%	1%

ii. Number of faults per 100 circuit kms

Line Voltage	Total				Underground				Overhead			
	2007	2006	2005	2004	2007	2006	2005	2004	2007	2006	2005	2004
100kV												
66kV												
33kV	7.58	3.70	2.22	4.78	0.00	0.00	0.00	0.00	7.55	3.70	2.22	4.81
11kV	11.46	12.90	8.71	7.28	0.00	0.00	0.00	0.00	10.82	13.50	8.71	7.59
6.6kV	7.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.16	0.00	0.00	0.00
3.3kV	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	10.80	12.10	8.07	7.06	0.00	0.00	0.00	0.00	8.69	12.70	8.07	7.34
Target Faults:		Target	Target			Target	Target			Target	Target	
33kV		5yr Ave.	2008			5yr Ave.	2008			5yr Ave.	2008	
11kV		2.0	2.0			0.3	0.0			2.0	2.0	
Total		7.0	7.5			0.0	0.0			7.0	7.5	
		7.0	7.0			0.0	0.0			7.0	7.0	

iii. Breakdown of statistics by interruption class

Class Type of Interruption	SAIDI (Minutes)				SAIFI (Interruptions)				CAIDI (Minutes)			
	2007	2006	2005	2004	2007	2006	2005	2004	2007	2006	2005	2004
A Planned - Transpower	0.0	34.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	229.0	0.0	0.0
B Planned - Top Energy	18.2	22.3	39.4	39.5	0.1	0.1	0.3	0.3	151.0	154.0	154.0	113.0
C Unplanned - Top Energy	398.9	499.8	343.1	311.9	5.4	5.4	4.3	4.2	74.0	92.0	80.0	74.0
D Unplanned - Transpower	70.7	0.0	113.7	1.5	0.2	0.0	1.6	0.1	418.0	0.0	71.0	17.0
E Unplanned - Embedded Generation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
F Unplanned - Other Generation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
G Unplanned - Another Line owner	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
H Planned - Another Line owner	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
I Any other interruption	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total - All interruptions	487.8	556.1	496.2	352.9	5.7	5.6	6.2	4.6	85.0	96.0	81.0	77.0
Targets:		Target	Target			Target	Target			Target	Target	
B Planned - Top Energy		5yr Ave.	2008			5yr Ave.	2008			5yr Ave.	2008	
C Unplanned - Top Energy		40	50			0.3	0.3			133	166	
		260	270			4.9	4.9			53	55	

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

We have examined the information 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 Top Energy Limited and dated 22 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 the Electricity Information Disclosure Requirements 2004.



Graeme Pinfold
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand
25 February 2008

REPORT OF THE AUDITOR-GENERAL

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

We have audited the financial statements of Top Energy Limited – Lines Business on pages 2 to 24. The financial statements provide information about the past financial performance of Top Energy Limited – Lines Business and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 7 to 10.

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

Auditor's Responsibilities

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

The Auditor-General has appointed Graeme Pinfold of PricewaterhouseCoopers to undertake the audit.

Basis of Opinion

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

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Top Energy Limited – Lines Business'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.

In addition to the audit we have carried out audit related assignments for the Company. This involved issuing audit opinions on the 31 March 2007 statutory financial statements of Top Energy Limited and subsidiaries, the audit of the threshold compliance statement prepared pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice 2004, and other engagements of an assurance nature. Other than these assignments we have no relationship with or interests in the company.

