

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES

STATEMENTS OF FINANCIAL PERFORMANCE

For the Year ended 31 March 2007

	Note	Group 2007 \$000	2006 \$000	Parent 2007 \$000	2006 \$000
Total Revenue	1	30,748	20,132	199	196
Less Expenses:					
Maintenance and Operations		9,339	6,587	10	65
Administration and General Expenses		6,078	5,451	155	132
Depreciation		2,825	2,530		0
Loss /(Gain) On Sale Of Fixed Assets		(660)	324		0
Total Expenses	2	17,582	14,892	165	197
Net Surplus (Loss) Before Income Tax		13,166	5,240	34	(1)
Income Tax	3	858	1,301	0	0
Net Surplus (Loss) After Income Tax		12,308	3,939	34	(1)
Minority Interest in Surplus		(20)	0	0	0
Net Surplus for the Year		12,288	3,939	34	(1)

The accompanying notes and policies form part of and are to be read in conjunction with these financial statements.

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES

STATEMENTS OF MOVEMENTS IN EQUITY

For the Year ended 31 March 2007

	Note	Group 2007 \$000	2006 \$000	Parent 2007 \$000	2006 \$000
EQUITY AT BEGINNING OF THE YEAR		69,990	66,051	30,984	30,985
Net surplus (deficit) for the period		12,288	3,939	34	(1)
Net surplus for the period - Minority Interest		20	0	0	0
Revaluation of Assets & Investments		14,091	0	0	0
Total recognised revenues and expenses		26,399	3,939	34	(1)
Contributions from Owners		0	0	0	0
Dividends - Ordinary Shares		0	0	0	0
Dividends - Preference Shares		0	0	0	0
Shares acquired by Minority Interest		800	0	0	0
EQUITY AT END OF THE YEAR	10	97,189	69,990	31,018	30,984

The accompanying notes and policies form part of and are to be read in conjunction with these financial statements.

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

For the Year ended 31 March 2007

	Note	Group 2007	2006	Parent 2007	2006
		\$000	\$000	\$000	\$000
TOTAL EQUITY	10	97,189	69,990	31,018	30,984
Represented by:					
CURRENT ASSETS:					
Bank & Cash		2,495	1,370	89	123
Debtors	4	4,517	3,870	15	78
Income Tax Refund Due		951	796	5	5
Inventories - Reticulation		897	839	0	0
		<u>8,860</u>	<u>6,875</u>	<u>109</u>	<u>206</u>
NON-CURRENT ASSETS:					
Investments	5	4,259	988	30,925	30,808
Fixed Assets	6	102,148	80,242	0	0
Deferred Tax Asset		0	0	0	0
		<u>106,407</u>	<u>81,230</u>	<u>30,925</u>	<u>30,808</u>
TOTAL ASSETS		115,267	88,105	31,034	31,014
CURRENT LIABILITIES:					
Creditors, Accruals & Consumer Deposits	7	4,783	2,972	16	30
		<u>4,783</u>	<u>2,972</u>	<u>16</u>	<u>30</u>
NON-CURRENT LIABILITIES					
Borrowings	8	12,984	14,902	0	0
Provision for Retiring Gratuities and Long Service Leave	9	311	241	0	0
		<u>13,295</u>	<u>15,143</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES		18,078	18,115	16	30
NET ASSETS		97,189	69,990	31,018	30,984

Authorised for issue on 20 August 2007 for and on behalf of the Trustees.

Trustee

Trustee

The accompanying notes and policies form part of and are to be read in conjunction with these financial statements.

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

For the Year ended 31 March 2007

	Note	Group 2007	2006	Parent 2007	2006
		\$000	\$000	\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from Customers		29,663	20,190	0	0
Interest Received		391	135	28	40
Dividends Received		33	9	234	78
		<u>30,087</u>	<u>20,334</u>	<u>262</u>	<u>118</u>
<i>Cash was applied to:</i>					
Payments to Suppliers & Employees		13,322	11,572	179	166
Interest Paid		913	709	0	0
Income Tax Paid		1,008	2,123	0	0
GST Paid		(157)	93	0	0
		<u>15,086</u>	<u>14,497</u>	<u>179</u>	<u>166</u>
Net cash inflows/(outflows) from operating activities	14	15,001	5,837	83	(48)
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Sale of Fixed Assets		4,714	49	0	0
Sale of Investments		0	95	0	95
Loan Payments Received		579	0	0	0
		<u>5,293</u>	<u>144</u>	<u>0</u>	<u>95</u>
<i>Cash was applied to:</i>					
Purchase of Fixed Assets		14,201	15,563	0	0
Purchase of Investments		6,849	36	117	0
		<u>21,050</u>	<u>15,599</u>	<u>117</u>	<u>0</u>
Net cash inflows/(outflows) from investing activities		(15,757)	(15,455)	(117)	95

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (cont'd)

For the Year ended 31 March 2007

Note	Group 2007 \$000	2006 \$000	Parent 2007 \$000	2006 \$000
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Cash was provided from:</i>				
Contributions from Owners	800	0	0	0
Term Loan	7,750	11,250	0	0
	<u>8,550</u>	<u>11,250</u>	<u>0</u>	<u>0</u>
<i>Cash was applied to:</i>				
Repayment of Loan	6,669	1,000	0	0
Dividends paid	0	0	0	0
	<u>6,669</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Net cash inflows from financing activities	1,881	10,250	0	0
NET INCREASE (DECREASE) IN CASH HELD				
Cash at beginning of the year	1,125	632	(34)	47
	1,370	738	123	76
CASH AT END OF THE YEAR	<u>2,495</u>	<u>1,370</u>	<u>89</u>	<u>123</u>
COMPOSITION OF CASH AT END OF THE YEAR				
Bank Accounts	2,495	1,370	89	123
	<u>2,495</u>	<u>1,370</u>	<u>89</u>	<u>123</u>

The accompanying notes and policies form part of and are to be read in conjunction with these financial statements.

WEST COAST ELECTRIC POWER TRUST AND SUBSIDIARIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 1. TOTAL REVENUE

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
CONTINUING ACTIVITIES				
Line Charges	13,034	11,662	0	0
Interest	406	135	43	40
Interest on Inter-Company Loan	0	0	0	0
Rentals & Sundry Income	472	630	0	0
Capital Contributions	8,604	475	0	0
Vested Assets	942	1,054	0	0
Contracting Income	7,290	6,176	0	0
Dividends	0	0	156	156
	30,748	20,132	199	196

NOTE 2. EXPENSES

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
INCLUDED IN EXPENSES ARE THE FOLLOWING ITEMS:				
<i>Amounts paid to auditors</i>				
Audit fees paid to auditors of parent	6	6	6	6
Audit fees paid to auditors of subsidiary	58	55	0	0
Fees paid for other services provided Audit New Zealand - consulting	37	9	28	0
Directors' Fees	88	73	0	0
Trustees Honoraria	48	47	48	47
Depreciation :				
Distribution System	2,203	2,061	0	0
Land and Buildings	64	35	0	0
Plant and Equipment	86	71	0	0
Motor Vehicles	293	242	0	0
Other	180	121	0	0
Loan Interest	1,048	807	0	0
Bad debts written off	10	0	0	0
Increase (decrease) in estimated doubtful debts	(1)	(19)	0	0
Loss (Profit) on Sale of Fixed Assets	(660)	324	0	0
Rent and Lease Costs	154	88	0	0
Donations	0	0	0	0

NOTE 3. INCOME TAX

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(i) INCOME TAX EXPENSE				
Net Surplus before Income Tax	13,166	5,240	34	(1)
Taxation thereon at 33%	4,344	1,729	11	0
Taxation adjustment previous year return	(12)	(2)	0	0
Imputation Credits received	(16)	(5)	0	0
Tax effect of Permanent Differences and Timing Differences not recognised	(3,458)	(421)	(11)	0
Income Tax attributable to Operating Surplus	858	1,301	0	0
Comprising				
Current Tax Provision	870	1,303	0	0
Prior Period Adjustments	(12)	(2)	0	0
	858	1,301	0	0

The group has not recognised a deferred taxation liability of \$7,517,000 (2006 \$8,700,000)

(ii) IMPUTATION CREDIT MEMORANDUM ACCOUNT

Balance at beginning of year	11,766	9,305	1,026	948
Prior Year Adjustments	0	331	0	0
Current Year Dividends paid	0	0	0	0
Taxation payments made	955	2,113	0	0
Imputation Credits Attached to Dividends Received	16	5	77	77
Taxation Refunded	(5)	(7)	(5)	(7)
Resident Withholding Tax	5	5	5	5
UOMI Interest	4	11	0	0
Balance at end of the year	12,741	11,763	1,103	1,023

NOTE 4. SUNDRY DEBTORS

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Dividend Receivables	0	0	0	78
Electricity & Sundry Debtors	4,097	3,356	15	0
Doubtful Debts Provision	(5)	(5)	0	0
Work-In-Progress	425	519	0	0
	4,517	3,870	15	78

NOTE 5. INVESTMENTS

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Sinking Funds	280	450	0	0
Investment in Subsidiaries				
- ElectroNet Services Limited	0	0	0	0
- Amethyst Hydro Ltd	0	0	0	0
Shares				
- International Panel & Lumber (West Coast) Limited	30	30	0	0
- Orb Communications Ltd	1	0	0	0
Other Loans	3,323	0	0	0
BNZ Term Deposit	225	108	225	108
ANZ Term Deposit	400	400	400	400
Westpower Limited Ordinary Shares	0	0	25,000	25,000
Wedstpower Limited Preference Shares	0	0	5,300	5,300
	4,259	988	30,925	30,808

The Trust's investment in subsidiary companies shares are at cost. Significant subsidiaries comprise:

Name of Entity	Principal Activity	Interest Held	
		2007	2006
Westpower Limited	Lines Company	100%	100%
Electronet Services Limited	Contracting	100%	100%
West Coast Options Limited	Non Trading	100%	100%
Amethyst Hydro Limited	Hydro Developm	80%	80%

All subsidiaries have a balance date of 31 March

NOTE 6. FIXED ASSETS

SUBSIDIARIES 2007

	Cost/ Valuation \$000	Accumulated Depreciation \$000	Book Value 2007 \$000
At Cost:			
Distribution System	0	0	0
Land and Buildings	3,246	44	3,202
Other	5,192	2,687	2,505
	<u>8,438</u>	<u>2,731</u>	<u>5,707</u>
At Valuation:			
Distribution System	94,926	0	94,926
Land and Buildings	1,599	84	1,515
	<u>96,525</u>	<u>84</u>	<u>96,441</u>
Total Subsidiaries	104,963	2,815	102,148
PARENT 2007			
At Cost:			
Other	0	0	0
Total Parent	0	0	0
GROUP 2007	104,963	2,815	102,148

Distribution System Assets have been revalued by means of a "Directors Valuation" on 31 March 2007 to assessed fair value. The assessed fair value was achieved by taking the previously revalued assets at their 1 April 2004 carrying values and updating those values in terms of today's materials and labour costs. The valuation was independently reviewed by Kerslake and Partners, Registered Valuers.

The fair value of land and buildings is equivalent to the net book value for both the Group and Parent. Carrying value is considered an accurate reflection of fair value.

SUBSIDIARIES 2006

	Cost/ Valuation \$000	Accumulated Depreciation \$000	Book Value 2006 \$000
At Cost:			
Distribution System	21,048	210	20,838
Land and Buildings	1,537	6	1,531
Other	3,730	2,157	1,573
	<u>26,315</u>	<u>2,373</u>	<u>23,942</u>
At Valuation:			
Distribution System	58,494	3,734	54,760
Land and Buildings	1,599	59	1,540
	<u>60,093</u>	<u>3,793</u>	<u>56,300</u>
Total Subsidiaries	86,408	6,166	80,242
PARENT			
At Cost:			
Other	5	5	0
Total Parent	5	5	0
GROUP 2006	86,413	6,171	80,242

NOTE 7. CREDITORS, ACCRUALS & CONSUMER DEPOSITS

	Group		Parent	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Creditors	3,992	2,330	16	30
Accrued Holiday Pay	467	457	0	0
Accrued Interest	324	185	0	0
Provision for Preference Dividend	0	0	0	0
Provision for Ordinary Dividend	0	0	0	0
Advance from Amethyst Hydro Limited	0	0	0	0
	<u>4,783</u>	<u>2,972</u>	<u>16</u>	<u>30</u>

NOTE 8. BORROWINGS

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Term Liabilities - Repayable 1-2 years	12,750	14,500	0	0
- Repayable 2-5 years	234	402	0	0
- Repayable later than 5 years	0	0	0	0
	<u>12,984</u>	<u>14,902</u>	<u>0</u>	<u>0</u>

Loans are secured as followed:

Loan:

Short Term Advance Facility \$16,000,000 * (2006:\$15,000,000)	12,750	14,500	0	0
Various (No Security)	234	402	0	0
	<u>12,984</u>	<u>14,902</u>	<u>0</u>	<u>0</u>

* Secured by a charge over all assets.

The National Bank Short Term Advance facility is used to fund the Company's long term debt requirements. The facility is reviewed annually. The roll over of the facility is at the discretion of the Bank. The Company has no reason not to expect the facility will continue to be rolled over.

The interest rates payable on these loans are:

Floating Rate - based on 90 day bill rate
Fixed Rates 6.95% - 10.5%

NOTE 9. PROVISION FOR RETIRING GRATUITIES AND LONG SERVICE LEAVE

	Retiring Gratuities	Long Service Leave	Total
	\$000	\$000	\$000
Movements in Provisions			
Opening Balance	170	71	241
Additional provisions made during the year.	32	52	84
Transfer to current liabilities	(3)	(11)	(14)
Closing Balance	<u>199</u>	<u>112</u>	<u>311</u>

NOTE 10. EQUITY

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Asset Revaluation Reserve:	35,952	21,861	0	0
Retained Earnings	60,417	48,129	31,018	30,984
Minority Interest	820	0	0	0
	<u>97,189</u>	<u>69,990</u>	<u>31,018</u>	<u>30,984</u>

NOTE 11. FINANCIAL INSTRUMENTS

Credit Risk

Financial instruments which potentially subject the Group to credit risk principally consist of bank accounts, accounts receivable and investments.

The Group places its cash with high quality financial institutions and limits the amount of exposure to any one financial institution. Due to the sale of electricity retail operations there are high concentrations of credit risk to Trustpower.

The maximum exposure to credit risk at balance date is the fair value of the instruments as stated in the Statement of Financial Position.

Fair Values

For all financial instruments other than the interest rate swaps and the shareholding in International Panel and Lumber (West Coast) Limited the fair value is equivalent to the carrying amount as stated in the Statement of Financial Position. Borrowings are planned to be run to maturity. The fair value of the interest rate swaps at 31 March 2007 is \$98,078 (2006 \$0).

The fair value of the shares in International Panel and Lumber (West Coast) Limited is \$102,810 (2006 \$95,400). This represents the value of the 30,000 shares based on the value of net assets as at 31 January 2007.

Currency Risk

The Group has minimal currency risk given that financial instruments are principally transacted in New Zealand dollars. Forward exchange contracts may be employed by the Group to manage exposure to currency fluctuations.

At balance date the contract amount of foreign currency forward exchange contracts outstanding was \$667,902. (2006 \$0)

Interest Rate Risk

Interest rate risk is small as borrowings have fixed interest rates except for the Short Term Advance Facility for \$16,000,000 (2006 \$15,000,000). The contract amount of interest rates swaps held at 31 March 2007 is \$4,000,000 (2006 \$0).

NOTE 12. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Capital Commitments

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
The total amount committed at balance date was:				
Not later than 1 year	1,827	2,670	0	0

Operating Lease Commitments

These are long-term operating leases relating to land occupied by the group.

	Group		Parent	
Period	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Not later than 1 year	55	55	0	0
1 - 2 years	88	88	0	0
2 - 5 years	42	97	0	0
Later than 5 years	0	0	0	0
	<u>185</u>	<u>240</u>	<u>0</u>	<u>0</u>

Contingent Liabilities / Contingent Assets

ElectroNet Services Limited has provided a guarantee to the National Bank in relation to debts owed by Westpower Limited over the assets of the company

ElectroNet Services Limited has a contractor bond of \$300,000 held by Westpac. (2006 nil)

NOTE 13. RELATED PARTIES

Subsidiaries

ElectroNet Services Limited

ElectroNet Services Ltd is a wholly owned subsidiary of Westpower. The following transactions occurred between Westpower and ElectroNet Services Ltd:

	2007 \$000	2006 \$000
Services received from ElectroNet Services Ltd	15,818	16,374
Services provided to ElectroNet Services Ltd	25	75
Amounts receivable from ElectroNet Services Ltd	14	7
Amounts owing to ElectroNet Services Ltd	1,267	1,485

Amethyst Hydro Limited

Amethyst Hydro Limited is an 80% owned subsidiary of Westpower. The following transactions occurred between Westpower and Amethyst Hydro Ltd:

	2007 \$000	2006 \$000
Services provided to Amethyst Hydro Ltd	633	0
Interest paid to Amethyst Hydro Ltd	148	0
Amounts receivable from Amethyst Hydro Ltd	48	0
Amounts owing to Amethyst Hydro Ltd	21	0
Advance from Amethyst Hydro Ltd	3,000	0

West Coast Options Limited

West Coast Options Ltd is a wholly owned subsidiary of Westpower, which has not traded in the period to 31 March 2007.

Mitton ElectroNet Limited

Mitton ElectroNet Limited is a wholly owned subsidiary of ElectroNet Services Ltd, which has not traded in the period to 31 March 2007.

Directors Interests

	2007 \$000	2006 \$000
Hugh Little - Operations Manager - Westland Milk Products Ltd		
- Owner/Director - Stations Inn Restaurant, Bar and Accommodation		
Services received from the group.	62	590
Services provided to the group.	0	0
Sue Merriman - Managing Director - Marshall and Heaphy Ltd		
Services received from the group.	3	7
Services provided to the group.	0	0
Richard Cornelius - Director - CMP Kokiri Ltd		
Services received from the group.	75	25
Services provided to the group.	0	0

No related party debts have been written off or forgiven during the year.
All services were provided and received under normal commercial terms.

NOTE 14. CASH FLOWS**RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES**

	Group		Parent	
	2007	2006	2007	2006
	\$000	\$000	\$000	\$000
Net surplus After Income Tax	12,288	3,939	34	(1)
Plus Non Cash Items:				
Depreciation	2,825	2,530	0	0
Vested Assets	(942)	(1,054)	0	0
Group Unrealised Profit	413	468	0	0
Total Non Cash Items	2,296	1,944	0	0
Movements in Working Capital:				
(Increase) Decrease in Debtors	(455)	1,080	63	(63)
(Increase) Decrease in General Stocks	(101)	(213)	0	0
Increase (Decrease) in Creditors, Accrued Interest	1,726	(366)	(14)	17
(Increase) Decrease in Income Tax Refund	(156)	(821)	0	(1)
	1,014	(320)	49	(47)
Other				
(Profit) Loss on Sale of Fixed Assets	(667)	320	0	0
Increase (Decrease) in Provision for Retiring Gratuities	70	(46)	0	0
Operating Cashflow	15,001	5,837	83	(48)

NOTE 15. EVENTS SUBSEQUENT TO BALANCE DATE

The financial statements for the year ended 31 March 2007 were authorised for issue by the Trustees on 13 August 2007.

In the period between balance date and authorisation of the financial statements, the Trustees authorised entering into the following transactions:

- ElectroNet Services Limited purchased 100 shares (\$250,000) in Mitton ElectroNet Limited (a wholly owned subsidiary).
- Mitton ElectroNet Limited purchased the business of Mitton Consulting Limited.

Since 31 March 2007 the corporate tax rate has been reduced from 33% to 30% with effect from the 2008/09 year.

The unrecognised deferred tax liability disclosed under Note 3 (\$7.517 million) has been based on the current income tax rate of 33%.

Had the new rate been used, the unrecognised deferred tax liability would have been reduced to \$6.833 million.

NOTE 16. BUSINESS ACTIVITIES

West Coast Electric Power Trust and its subsidiaries conducts its business predominantly on the West Coast of New Zealand and is therefore within one geographical area for financial reporting purposes.

The group's activities were vertically integrated.

These activities included:

- . Line Owner - ownership of works for the conveyance of electricity
- . Electrical Contracting - maintenance of the network and generation assets and construction of new assets

NOTE 17. CONVERSION TO IFRS

Adoption of International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand International Financial Reporting Standards ("NZ IFRS") will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007. Entities have the option to adopt NZ IFRS for periods beginning on or after 1 January 2005.

Westpower intends to implement NZ IFRS in its annual financial statements for the year ending 31 March 2008.

Transition Management

Westpower started a project, to:

- assess the key differences in accounting policies under NZ IFRS and current accounting policies;
- determine the impacts on the financial statements from transition; and
- determine and to implement processes to deal with any related business impacts.

Change in accounting policies on transition to NZ IFRS

Significant differences identified by Westpower are outlined below. It should not be regarded as a complete list of changes in accounting policies that will result from the transition to NZ IFRS, as some decisions have not yet been finalised where choices of accounting policies are available.

Westpower has not yet completed an exercise to quantify the effects of the differences in accounting policies discussed below, and are therefore currently unable to reliably quantify impacts on the financial statements, which will arise from transitioning to NZ IFRS. It is possible that the actual impact of adopting NZ IFRS may vary from the information presented below, and the variation may be material.

1. Deferred Tax

On transition to NZ IFRS deferred tax is provided using the balance sheet approach rather than the income statement approach currently applied. The balance sheet approach provides for all temporary differences between the carrying amount of assets and liabilities for accounting and tax purposes. Deferred tax will be recognised in the income statement except to the extent that it relates to items recognised directly in equity or as part of a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Any deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2. Impairment Testing

Existing NZ GAAP requires consideration of impairment of assets but provides limited guidance. NZIFRS has a dedicated standard NZIAS 36 Impairment of Assets which includes detailed requirements.

Westpower will need to assess whether any assets are impaired under NZ IFRS.

3. Lease Classification

Under NZIAS 17 Leases, a lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership to the lessee. One of the indicators of whether a lease is a finance lease is whether the leased asset is specialised. All other leases are to be classified and accounted for as operating leases. The substance rather than the form of a contract should be considered when determining the lease type. Westpower may have some leases that would be classified as operating leases under current NZ GAAP but finance leases under NZ IFRS.