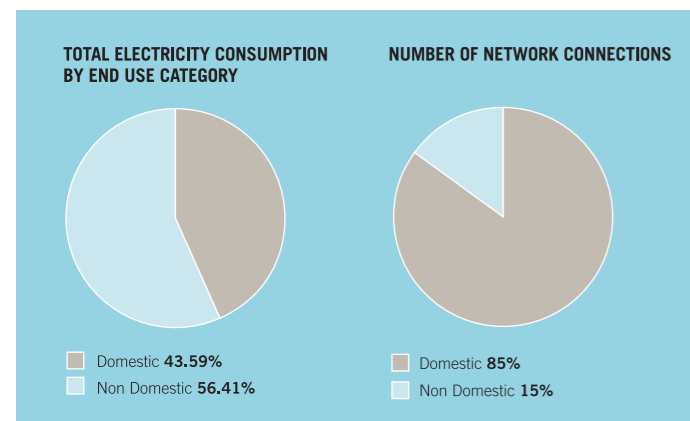


Meeting Customer Demand

“Over the past year Marlborough’s rapid growth has again necessitated an increase in the capacity of our electricity supply.”



Network Delivery and Demand

The total volume of energy delivered over the Marlborough network was 357GWh, which compared with an expected volume of 359GWh.

The lower than anticipated increase was due to the generally mild winter and a summer that did not require widespread use of irrigation. Limitations within the Transpower grid also served to constrain energy consumption and demand but these constraints in the Transpower system were removed at the end of winter, with the commissioning of the third 110kV circuit to Blenheim. The highest half hour maximum demand for the year was 61.1MW.

Our summer load continues to increase as a consequence of the significant expansion of the viticulture industry. In recent years customer requirements for installed transformer capacity have increased at approximately 4% per annum.

Keeping Trees Away from Lines is Everyone’s Responsibility



For public safety and to protect your power supply, trees need to be kept at a safe distance from power lines. Trees can become a dangerous hazard and can interrupt your power supply when they grow too close to power lines. They have the potential to cause power surges and appliance damage, power failure, fire, electric shock or electrocution.

New regulations about the safety of trees relative to power lines became effective from July 2005. The Electricity (Hazards from Trees) Regulations 2003 set down rules for tree owners and electricity network companies with regard to cutting or trimming trees that grow too close to electricity network lines.

If you have trees on your property it is very important that you are familiar with your responsibilities – in respect of both network power lines and service lines.

The legislation requires clearances of 2.6 metres for 11kV lines and 1.5 metres for those of lower voltage.

For detailed information about the Hazards from Trees regulations, including penalties for non-compliance and dispensation / dispute procedures, please refer to our website: www.marbloroughlines.co.nz

Capital Expenditure within Marlborough was a Record

As a direct reflection of the growth within Marlborough, investment in capital expenditure was a record \$11.321m, which was an increase of 7% on last year and 2.4 times that incurred in 2005.

Our capital expenditure work undertaken during the year included:

- Completion of the new 33/11kV substation at Redwoodtown.
- Installation of two new 33/11kV 15MVA transformers at Springlands.
- Construction of a new 33/11kV substation at Ward.
- Increased transformer capacity at Riverlands.
- Installation of new 11kV switchgear at Nelson Street and Havelock substations.
- Upgrade of 29.7km of 11kV reticulation, some of which was constructed at 22kV.
- The installation of 18.5km of new 11kV line.

Looking Forward

Marlborough Lines is well placed to take advantage of opportunities relative to its core business and meet the challenges of the future.

“The Company has solid foundations on which it can build. It has low levels of debt, its business practices are among the best in the industry and it is financially sound. It is the only South Island company to have significant investment in two other electricity networks and our significant contracting operations are continuing to grow.

The Directorate is committed to exploring opportunities within the Company’s core businesses. We have formed a strong alliance with our Southland network partners; Electricity Invercargill Limited, and The Power Company Limited.

Marlborough Lines is ready for change and is prepared to be proactive where it is in the best interests of its shareholders and customers. Overall we can look to the future with confidence.”



Marlborough Lines

Connections

The Newsletter of Marlborough Lines Limited ANNUAL REPORT EDITION OCTOBER 2007

In this Issue:

A summary of the Marlborough Lines 2007 Annual Report.

Marlborough’s Bright Sparks shine at Science Fair

The 2007 Marlborough Schools Science and Technology Fair continues to encourage the region’s young scientists to demonstrate an amazing range of scientific exploration and application skills. Marlborough Lines, which has been major sponsor of the regional fair for the past 17 years, congratulates the winners.

Keeping trees away from power lines is everyone’s responsibility

A reminder that new regulations governing the responsibilities of electricity network companies and tree owners in respect of trees near power lines are now in operation. If you have trees on your property that are near power lines you must comply with the regulations.

Marlborough’s Bright Sparks Shine at Science Fair

The 2007 Marlborough Schools Science and Technology Fair attracted entries from schools throughout the region and once again reflected an impressive range of scientific exploration and application skills.

The goal of the fair, which is sponsored by Marlborough Lines in partnership with Blenheim Lions and a host of other community sponsors, is to encourage youth to take a greater interest in science and technology. Every year young Marlburians impress us with the range and quality of the experiments they devise and the problems they set out to solve, and we congratulate all those whose entries were exhibited at the Fair.

Marlborough Lines has a long-standing commitment to assist local schools to foster an interest in science amongst their students and has sponsored the regional science fair for the past 17 years. We recognise the fundamental role that science plays in our everyday life and believe it is important for New Zealand’s future that we have a strong base of scientists and engineers in our workforce. We trust that all those who were involved in this year’s event – students, parents, teachers and other sponsors – found it a rewarding exercise.

This year the “Best in Fair” Award went to Daisy Boothman-Burrell from Marlborough Girls College, for her entry “Don’t Squash That Kid”, which explored how well children could judge when it was safe to cross the road.

Other major prize winners include:

Conori Bell-Bhuiyan from Rapaura School, who won Best Intermediate Exhibit, and was placed 2nd overall in the Best of Fair Award for her entry “Weight Watching Birds”, and William Irwin-Harris also from Rapaura School, for the Best Primary Exhibit, “The Heat Is On”.

The School Participation Awards went to **Rapaura School, Renwick School and St Marys School.** Each school received a cheque for \$1,000 from Marlborough Lines.



Daisy Boothman-Burrell - winner of the Marlborough Lines Best in Fair Award



Mayor Alistair Sowman, Brian Tapp from Marlborough Lines and a representative of Blenheim Lions, with the major prize-winners: Conori Bell-Bhuiyan (Rapaura School), Daisy Boothman-Burrell (Marlborough Girls College) and William Irwin-Harris (Rapaura School).

HELP US TO HELP YOU

Your electricity supply is important to us. If you are experiencing problems with your electricity supply please do not hesitate to give us a call on 577 7007.

24/7/365 THE MARLBOROUGH LINES 2007 ANNUAL REPORT

Marlborough Lines' financial results for the year ended March 31 2007 were released at the Annual General Meeting on Thursday 27th September. The following is an overview of our performance over this 12 month period, including extracts from the 2007 Annual Report.

Note: Now that Marlborough Lines has expanded to encompass other networks the company is required to report on a Group and Parent basis. Information and graphs that refer to Parent results relate specifically to Marlborough Lines activity in Marlborough whereas Group information includes Marlborough Lines' Marlborough operations as well the company's investments in Nelson and Otago companies.

You can review a full account of our annual results by completing a request form on our website www.marlboroughlines.co.nz

Twenty-four hours a day, seven days a week, three hundred and sixty five days of the year - the Marlborough Lines Group works to support the people and prosperity of our regions.

Delivering vital energy for lifestyles, horticulture, manufacturing and processing, enabling economic and employment growth and sponsoring special events and educational initiatives - we are involved at all levels of our communities.

Highlights

- Group total revenue \$43.253m (up 3.31%).
- Group earnings before interest, tax and depreciation of \$17.420m.
- Discounts totalling \$4.88m inclusive of GST paid to Marlborough customers - an average customer as defined by the Ministry of Economic development received \$160.
- Total Marlborough network connections increased by 186 to 23,118.
- Nelson Electricity dividend paid to Marlborough Lines of \$1.06m.
- Otago Power Services net surplus after tax increased by 29.81% to \$1.234m.
- Total cash flows of \$9.922m were received from investment companies and the OtagoNet joint venture.

Extract from Chairman's Report

"This Company has solid foundations on which it can build. It has low levels of debt, its business practices are among the best in the industry and it is financially sound."

"The Marlborough Lines Group of companies owns electricity networks in Marlborough, Otago and Nelson, and has significant contracting operations in Marlborough, Otago and Southland.

We are proud of the results Marlborough Lines Group has achieved for the year ended 31 March 2007, in financial, operational and strategic terms.

Our Group surplus of \$5.194m (after taxation) was a reduction from \$7.105m the previous year, but this was expected given the combination of the present price setting process involving the Commerce Commission and necessarily incurred maintenance and expenditure.

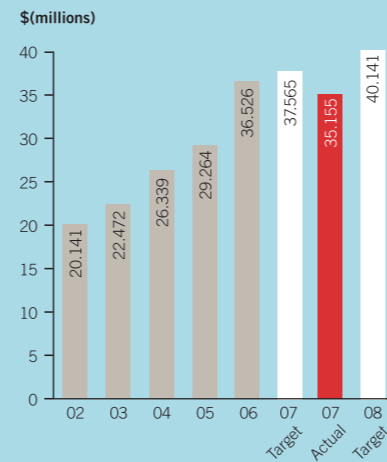
Capital expenditure undertaken within the Marlborough network over the last year ensures that we have the capacity to meet the increasing demands of Marlborough's growing economy. Importantly, we have achieved extremely high levels of customer satisfaction as determined by independent survey.

Our investment companies, Nelson Electricity, OtagoNet, and Otago Power Services are all continuing to improve in performance and to increase shareholder value.

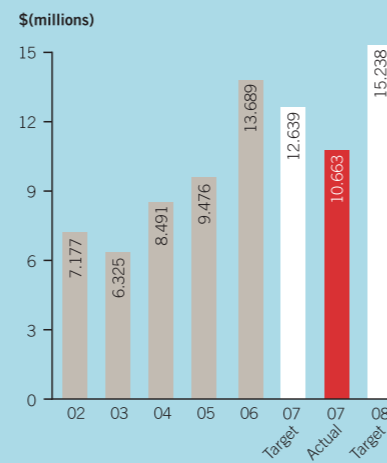
However, common to all network companies is a cloud of uncertainty relative to regulation. Such uncertainty is contrary to good financial planning and the encouragement of investment and innovation. Irrespective, until directed otherwise by the regulator, the Company has continued investing to meet customer demand and has continued maintenance in the expectation that ultimately, commonsense will prevail in regulatory requirements for network companies."

The company has a positive relationship with the regulator and looks forward to a satisfactory conclusion.

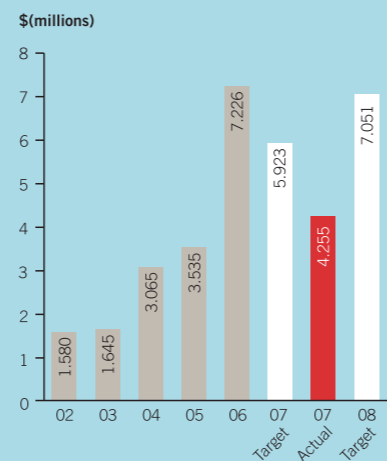
TOTAL REVENUE (PARENT COMPANY)



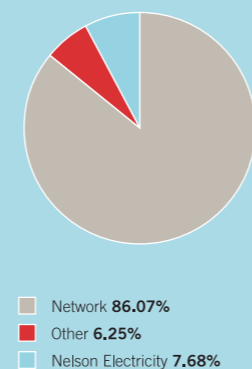
PRE-DISCOUNT, PRE-TAX PROFIT (PARENT COMPANY)



OPERATING SURPLUS AFTER TAX (PARENT COMPANY)



SOURCE OF PRE-TAX, PRE-DISCOUNT PROFIT (PARENT COMPANY)



"Our focus is towards our customers and we are committed to achieving the highest levels of customer satisfaction."

Our Customers have Benefited from Discounts

For the year ended 31 March 2007, an above the line discount of \$4.341m (or \$4.884m incl GST) was paid to all customers connected to the Marlborough network.

All surpluses of the Company are either provided to customers by way of discount, or reinvested, to increase the value of the Company's assets and result in greater customer benefits long-term.

Since 1993, when the Company was established, Marlborough electricity customers have received total dividends and discounts of \$44.12m excluding GST.

Our Line Charges

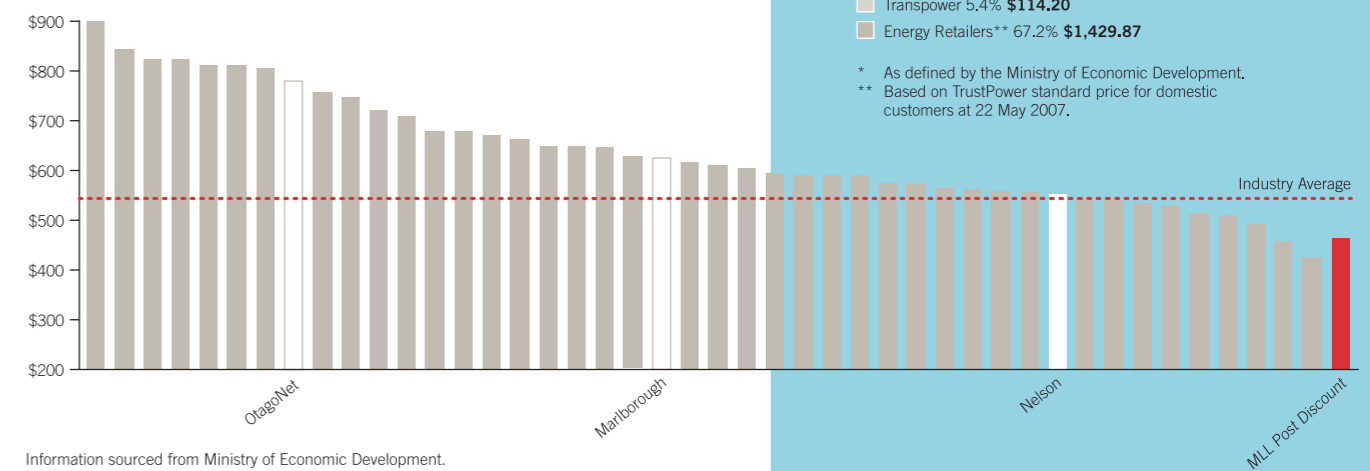
The Company's charges for the delivery of electricity over its Marlborough network were unchanged from the previous year as a consequence of our agreement with the Commerce Commission.

Overall Marlborough Lines charges continue to form a diminishing component of a customer's annual electricity account. Pre-discount, a typical domestic customer pays a line charge of 27.4 cents in each dollar of a total electricity account, and post-discount this amount reduces to 19.9 cents.

From 1998 when the Electricity Industry Reform Act was introduced, the network charges in Marlborough for a typical domestic customer have been reduced in overall terms by -1.01% while over the same period the charges of energy suppliers have typically increased by in excess of 100%.

Overall, the Company's charges after discount are among the lowest in New Zealand, which is exceedingly good given the high costs of our network.

ANNUAL LINE COST TO TYPICAL DOMESTIC CUSTOMER AS AT 15 FEBRUARY 2007 (PRE DISCOUNT)



Information sourced from Ministry of Economic Development.

We Seek High Levels of Customer Satisfaction

The company undertakes regular customer surveys to measure satisfaction with a range of performance indices.

Although our performance can always be improved, approximately 90.5% of the total sample of commercial and residential customers in a recent independent survey responded that they are either satisfied or very satisfied with the Company's overall performance.

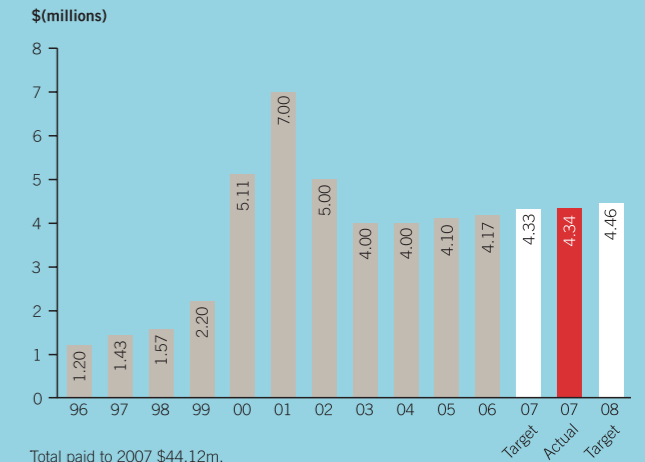
We Support our Community

Marlborough Lines has a strong commitment to the community it serves and we have continued to contribute within the community through our sponsorship programme.

Feedback from our customer surveys demonstrates a high level of support for the sponsorship which the Company has undertaken.

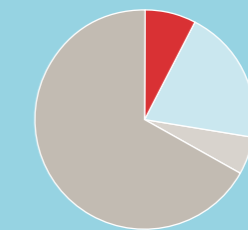
Generally we are committed to sponsorship of youth, education and community events which have wide public appeal. Events and entities for which the Company has provided sponsorship over the past year include:

TOTAL CUSTOMER DIVIDENDS/DISCOUNTS PAID TO MARLBOROUGH LINES CUSTOMERS



Total paid to 2007 \$44.12m.

ALLOCATION OF THE AVERAGE ELECTRICITY ACCOUNT FOR A TYPICAL DOMESTIC CUSTOMER*



- Marlborough Lines Discount 7.5% \$160.00
- Marlborough Lines Post Discount 19.9% \$424.20
- Transpower 5.4% \$114.20
- Energy Retailers** 67.2% \$1,429.87

* As defined by the Ministry of Economic Development.
** Based on TrustPower standard price for domestic customers at 22 May 2007.

- The Marlborough Wine and Food Festival.
- Blues, Brews and BBQs.
- Classic Fighters Airshow.
- Blenheim and Picton Christmas Parades.
- Carols by Laserlight.
- Marlborough Business Excellence Awards.
- Marlborough Colleges Tertiary Study Awards.
- Maori Tertiary Study Award.
- Marlborough Schools Science and Technology Fair.
- Marlborough Hospice.
- Decorative lighting of Pollard Park Gardens.
- Illumination of Lansdowne Park Rugby Ground.
- Marlborough Lines Stadium 2000.

Of note, in the 2007 year the Company entered into a contract with the Marlborough Stadium Trust to take naming rights of the Marlborough Stadium for a period of five years. The stadium is now known as the Marlborough Lines Stadium 2000 and the Company is delighted to have taken up the opportunity to support this facility, which is certainly the busiest and most widely used sports facility in Marlborough.