



New Zealand Gazette

OF THURSDAY, 30 NOVEMBER 2006

WELLINGTON: MONDAY, 4 DECEMBER 2006 — ISSUE NO. 164

THE LINES COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

Deloitte

REPORT OF THE AUDITOR-GENERAL TO THE READERS OF THE FINANCIAL STATEMENTS OF THE LINES COMPANY LIMITED FOR THE YEAR ENDED 31 MARCH 2006

We have audited the financial statements of The Lines Company Limited on pages 1 to 12. The financial statements provide information about the past financial performance of The Lines Company Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of The Lines Company Limited as at 31 March 2006, 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 Regulation 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 Graham Naylor of Deloitte 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 The Lines Company Limited's circumstances, consistently applied and adequately disclosed.

We conducted our 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.

The financial statements have been prepared using historical New Zealand Generally Accepted Accounting Practice and do not include any adjustments necessary to comply with the New Zealand equivalents of International Financial Reporting Standards.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in The Lines Company Limited.

Deloitte

Unqualified Opinion

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

In our opinion –

- proper accounting records have been maintained by The Lines Company Limited as far as appears from our examination of those records;
- the financial statements referred to above:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of The Lines Company Limited's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
- comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 22 November 2006 and our unqualified opinion is expressed as at that date.



Graham Naylor

Deloitte

On behalf of the Auditor-General

Hamilton, New Zealand

This audit report relates to the financial statements of The Lines Company for the year ended 31 March 2006 included on The Lines Company's website. The Lines Company's Board of Directors is responsible for the maintenance and integrity of the company's website. We have not been engaged to report on the integrity of the company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 22 November 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE
MEASURES OF THE LINES COMPANY LIMITED**

We have examined the information on pages 13 to 17, 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 The Lines Company Limited and dated 31 March 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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

A handwritten signature in black ink, appearing to read "Graham Naylor".

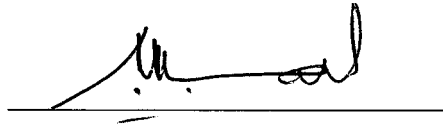
Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
22 November 2006

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

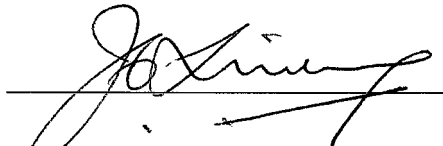
We, **Angus Malcolm Don** and **John Carleton Lindsay**, Directors of The **Lines Company Limited**, certify that, having made all reasonable inquiries, to the best of our knowledge, that;

- a) The attached audited financial statements of The Lines Company Limited – Lines Business Activity, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 2004, comply with the requirements of those regulations, 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 The Lines Company Limited - Lines Business Activity and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 2004, comply with the requirements of those regulations.

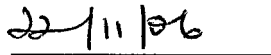
The valuations on which those financial performance measures are based are as at 31 March 2004.



(Angus Malcolm Don)



(John Carleton Lindsay)



THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY**Statement of Financial Performance
For the Year Ended 31 March 2006**

	Note	2006 \$000's	2005 \$000's
Operating Revenue	2	21,376	20,452
Operating Expenses	3	<u>15,900</u>	<u>15,441</u>
Operating Surplus before Discount & Taxation		5,477	5,011
Customer Discount		<u>4,088</u>	<u>3,800</u>
Surplus Before Taxation		1,389	1,211
Taxation Expense	4	<u>458</u>	<u>400</u>
Surplus after Taxation		<u><u>931</u></u>	<u><u>811</u></u>

**Statement of Movement of Equity
For the Year Ended 31 March 2006**

	2006 \$000's	2005 \$000's
Equity at Beginning of Year	59,507	53,261
Surplus retained for the Year	931	811
Revaluation of fixed assets	314	-
Deferred tax adjustment on line asset revaluations	<u>-</u>	<u>5,436</u>
Total Recognised Revenue and Expenses	1,245	6,247
Dividends	<u>263</u>	<u>-</u>
Total Distribution to Owners	263	-
Equity at Year End	<u><u>60,488</u></u>	<u><u>59,507</u></u>

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY**Statement of Financial Position
As at the 31 March 2006**

	Note	2006 \$000's	2005 \$000's
Equity			
Share Capital		6,021	6,021
Retained Earnings		11,983	11,316
Revaluation Reserve		42,484	42,170
Total Equity		60,488	59,507
Fixed Assets			
Fixed Assets	5	100,217	98,403
Total Fixed Assets		100,217	98,403
Current Assets			
Cash		343	404
Receivables & prepayments		448	3,081
Work in Progress		63	190
Inventory		329	713
Total Current Assets		1,183	4,388
Total Assets		101,401	102,791
Non-current Liabilities			
Loans	6	28,570	28,754
Deferred Tax	7	7,504	7,046
Total Non-current Liabilities		36,074	35,800
Current Liabilities			
Accounts Payable		2,177	4,440
Provisions		158	81
Customer Discount Provision		2,503	2,963
Total Current Liabilities		4,838	7,484
Total Liabilities		40,912	43,284
Net Assets Employed		60,488	59,507

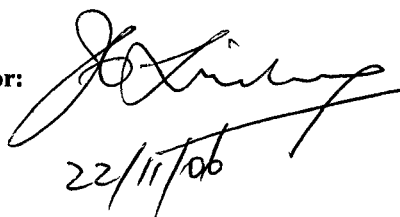
Director:



Date:

22/11/06

Director:



Date:

22/11/06

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY**Statement of Cashflows
For the Year Ended 31 March 2006**

	Note	2006 \$000's	2005 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		24,009	20,341
Less special discounts		(4,548)	(3,628)
		<u>19,462</u>	<u>16,713</u>
Cash was distributed to:			
Payment to suppliers & employees		(11,497)	(9,815)
Taxes paid		-	-
Interest paid		(2,033)	(2,019)
		<u>(13,530)</u>	<u>(11,834)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	10	<u>5,931</u>	<u>4,879</u>
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets		-	-
		<u>-</u>	<u>-</u>
Cash was applied to:			
Fixed asset purchase		(5,676)	(4,879)
		<u>(5,676)</u>	<u>(4,879)</u>
NET CASHFLOWS TO INVESTING ACTIVITIES		<u>(5,676)</u>	<u>(4,879)</u>
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans Raised		1,700	573
		<u>1,700</u>	<u>573</u>
Cash was provided for:			
Loans Repaid		(1,884)	-
Dividend		(132)	(131)
		<u>(2,016)</u>	<u>(131)</u>
NET CASHFLOWS TO FINANCING ACTIVITIES		<u>(316)</u>	<u>442</u>
Net cashflow from operating		5,931	4,879
Net cashflow to investing		(5,676)	(4,879)
Net cashflow to financing		<u>(316)</u>	<u>442</u>
Net increase in cash held		(61)	442
Cash Brought Forward		<u>404</u>	<u>(38)</u>
Total Cash		<u>343</u>	<u>404</u>

THE LINE COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Lines Company Limited is owned by Waitomo Energy Services Customer Trust (75%) and King Country Electric Power Trust (25%) and is incorporated under the Companies Act 1993. The principal activity of the entity is the provision of electricity distribution services.

BASIS FOR PREPARATION

The financial statements of The Lines Company Limited – Lines Business Activities have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 2004 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and the Electricity Information Disclosure Handbook (2004) issued by the Commerce Commission.

These financial statements are prepared in accordance with old New Zealand GAAP and have not been restated in accordance with New Zealand equivalents to International Financial Reporting Standards.

MEASUREMENT BASE

The financial statements have been prepared on the historical cost basis modified to include the revaluation of land and buildings and network assets. The network assets have been revalued to 31 March 2004 ODV less two year's depreciation.

The reporting currency is New Zealand dollars.

SPECIFIC ACCOUNTING POLICIES

The specific accounting policies used in the preparation of the financial statements are as follows:

a. Receivables

Receivables are stated at their estimated realisable value.

b. Property, Plant and Equipment

Initial Recording

All items of property, plant and equipment are initially recognised at cost in the statement of financial position. Cost includes the value of consideration exchanged, or fair value in the case of donated or subsidised assets, and those costs directly attributable to bringing the item to working condition for its intended use.

Revaluation

Land and buildings are revalued to fair value. Valuations are obtained from an independent registered valuer every three years. Valuations may be obtained on a more frequent basis if there is an indication that the fair values have changed materially from the latest valuation. Land and buildings acquired since the last revaluation are recorded at historical cost.

THE LINE COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2006

The distribution system is revalued to fair value based upon Optimised Deprival Value (ODV) and is revalued every three years.

Revaluation surpluses are taken directly to the revaluation reserve. Decreases in value are debited directly to the revaluation reserve to the extent that they reverse previous surpluses within the class of asset concerned and are otherwise recognised as an expense in the statement of financial performance.

Impairment

All items of property, plant and equipment are assessed for impairment at each reporting date.

Where the carrying amount is assessed to be greater than its recoverable amount, the item is written down. The writedown is recognised in the statement of financial performance.

Depreciation

All items of property, plant and equipment, other than land, are depreciated either on a straight line or diminishing value basis, at rates which will write off their cost or revalued amount less estimated residual value, over their expected useful lives.

Assets purchased post 1 April 1999 have been depreciated on a straight-line basis.

Major depreciation rates and methods:

Buildings	40-100 years	Straight Line
Motor Vehicles, plant & equipment	10% to 50%	Diminishing Value or Straight Line
Network plant & equipment	20 - 50 years	Straight Line
Network Lines	1.9% to 10.3%	Straight Line
Land		Is not depreciated

c. Provisions

All provisions are recorded at the best estimate of the expenditure required to settle the obligation at balance date. Where the effect is material, the expected expenditures are discounted to their present value using pre-tax discount rates.

Staff Leave and Gratuity Payments

Provisions for employee entitlements includes accrued wages, bonuses, accrued holiday pay, long service leave, sick leave, trainee bonds and gratuities. Where settlement is greater than one year, the item(s) is discounted using the group's weighted average cost of capital.

d. Dividends

Dividends are recognised in the financial year in which they are authorised and approved by the Board of Directors.

e. Discount

As the company has committed itself to crediting a discount to customers before the end of the financial year, and each individual's entitlement has been conveyed to that individual, the full liability for the discount payment is recognised.

f. Inventory

Inventories are valued at the lower of cost, determined on an average cost basis, or net realisable value.

THE LINE COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31 March 2006

g. Goods & Services Tax

All amounts in the financial statements have been shown exclusive of Goods and Services Tax, with the exception of Accounts Payable and Accounts Receivable which are shown inclusive of Goods and Services Tax.

h. Taxation

The income tax expense recognised for the year is based on the operating surplus before taxation adjusted for permanent differences between accounting and taxable income.

Deferred tax, which is calculated on the comprehensive basis using the liability method, arises from amounts of income or expense recognised for tax purposes in years different from those in which they are dealt with in the financial statements. A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery.

Income tax benefits arising from income tax losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

i. Statement of Cash Flows

The statement of cash flows is prepared exclusive of Goods and Services Tax, which is consistent with the method used in the statement of financial performance. Definitions of the terms used in the statement of cash flows:

Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by the company and the group as part of their day-to-day cash management.

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 those activities relating to the cost of servicing the company's equity capital.

j. Comparative Figures

Comparative information has not been reclassified, to achieve consistency in disclosure with the current year, which is in accordance with Information Disclosure requirements.

k. Changes in Accounting Policies

Accounting policies have been applied on a consistent basis with those of the previous year.

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

Disclosure of information to be disclosed in Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 2004 Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

Statement of Financial Position Disclosure (Schedule 1, Part 2)

	2006 \$000's	2005 \$000's
1 Current assets		
(a) Cash and bank balances	343	404
(b) Short term investments	-	-
(c) Inventories	329	713
(d) Accounts receivable	448	3,081
(e) Other current assets not listed in (a) to (d)	63	190
(f) Total current assets	<u>1,183</u>	<u>4,388</u>
2 Fixed assets		
(a) System fixed assets	98,940	97,389
(b) Consumer billing and information systems	26	40
(c) Motor vehicles	250	225
(d) Office equipment	29	62
(e) Land and buildings	850	545
(f) Capital works under construction	-	-
(g) Other fixed assets not listed in (a) to (f)	123	143
(h) Total fixed assets	<u>100,217</u>	<u>98,403</u>
3 Other tangible assets not listed above	-	-
4 Total tangible assets	<u>101,401</u>	<u>102,791</u>
5 Intangible assets		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a)	-	-
(c) Total intangible assets	<u>-</u>	<u>-</u>
6 Total assets	<u>101,401</u>	<u>102,791</u>
7 Current liabilities		
(a) Bank overdraft	-	-
(b) Short-term borrowings	-	-
(c) Payables and accruals	2,203	4,521
(d) Provision for dividend payable	132	-
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e)	2,503	2,963
(g) Total current liabilities	<u>4,838</u>	<u>7,484</u>
8 Non-current liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	28,570	28,754
(c) Deferred tax	7,504	7,046
(d) Other non-current liabilities not listed in (a) to (c)	-	-
(e) Total non-current liabilities	<u>36,074</u>	<u>35,800</u>

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

	2006	2005
	\$000's	\$000's
9 Equity		
(a) Shareholders' equity		
(i) Share capital	6,021	6,021
(ii) Retained earnings	11,983	11,316
(iii) Reserves	42,484	42,170
(iv) Total shareholders' equity	60,488	59,507
(b) Minority interests in subsidiaries	-	-
(c) Total equity	60,488	59,507
(d) Capital notes	-	-
(e) Total capital funds	60,488	59,507
10 Total equity and liabilities	101,401	102,791

Statement of Financial Performance Disclosure (Schedule 1, Part 2)**NOTE 2 : OPERATING REVENUE**

11 Operating Revenue		
(a) Revenue from line/access charges	20,846	20,214
(b) Revenue from 'Other' business (transfer payment)	-	-
(c) Income from Interest on bank & short term investments	20	16
(d) AC loss-rental Rebates	510	222
(e) Other operating revenue not listed in (a) to (d)	-	-
(f) Total operating revenue	21,376	20,452

NOTE 3 : OPERATING EXPENDITURE

12 Operating Expenditure		
(a) Transmission costs	4,083	4,160
(b) Transfer payments to the "Other" business for:		
(i) Asset Maintenance Services	1,492	1,460
(ii) Disconnection/Reconnection Services	24	17
(iii) Meter Data	-	-
(iv) Consumer Based Load control	2	2
(v) Royalty and patent expenses	-	-
(vi) Avoided Transmission Charges	-	-
(vii) Other	-	75
(viii) Total transfer payments to the "Other" business	1,517	1,554
(c) Expenses to entities that are non-related parties for:		
(i) Asset Maintenance Services	1,105	1,203
(ii) Disconnection/Reconnection Services	-	-
(iii) Meter Data	-	-
(iv) Consumer Based Load control	33	14
(v) Avoided Transmission Charges	-	-
(vi) Royalty and patent expenses	-	-
(vii) Total of specified expenses to non-related entities	1,139	1,217
(d) Employee salaries/redundances	1,584	1,377
(e) Consumer Billing and Information System	81	97
(f) Depreciation on:		
(i) System Fixed Assets	4,011	3,793
(ii) Other assets not listed in (i)	165	291
(iii) Total Depreciation	4,176	4,084

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

	2006 \$000's	2005 \$000's
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other Intangibles	-	-
(iii) Total amortisation of intangibles	<u>-</u>	<u>-</u>
(h) Corporate & Administration	143	141
(i) Human Resource	18	23
(j) Marketing & Advertising	43	21
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy & legal expenses	6	6
(o) Donations	-	-
(p) Directors' fees	141	148
(q) Auditors' fees		
(i) Audit fees paid to principal auditors	48	37
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors' fees	<u>48</u>	<u>37</u>
(r) Cost of offering credit		
(i) Bad Debts written off	-	-
(ii) Increase in estimated doubtful debts	98	10
(iii) Total cost of offering credit	<u>98</u>	<u>10</u>
(s) Local Authority rates expense	98	96
(t) AC loss-rentals (distribution to customers) expense	474	198
(u) Rebate to consumers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other	216	253
13 Total operating expenditure	<u>13,866</u>	<u>13,422</u>
14 Operating surplus before interest and income tax	7,510	7,030
15 Interest expense		
(a) Interest Expense on Borrowings	1,106	1,012
(b) Financing Charges relating to Finance Leases	-	-
(c) Other Interest Expense	927	1,007
(d) Total Interest Expense	<u>2,033</u>	<u>2,019</u>
16 Operating surplus before income tax	5,477	5,011
17 Income tax	458	400
18 Net surplus after tax	5,019	4,611
19 Less Discount	4,088	3,800
20 Net Surplus After Discount	<u>931</u>	<u>811</u>

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

	2006 \$'000'	2005 \$'000'
NOTE 4 : TAXATION EXPENSE		
Nominal Operating Surplus Before Tax	5,477	5,011
Nominal Discount Paid to Customers	(4,088)	(3,800)
Prima Facie Taxation on Operating Surplus	1,807	1,654
Prima facie Taxation on Nominal Discount	(1,349)	(1,254)
Net Taxation Expense	<u>458</u>	<u>400</u>

NOTE 5 : FIXED ASSETS 2005

	at cost	at valuation	accumulated depreciation	carrying value
Land and Buildings	-	562	17	545
Reticulation System	-	101,182	3,793	97,389
Customer billing and Information system	77	-	38	40
Motor Vehicles	375	-	150	225
Office Equipment	463	-	402	62
Other Plant & Equipment	182	-	39	143
	<u>1,097</u>	<u>101,744</u>	<u>4,438</u>	<u>98,403</u>

FIXED ASSETS 2006

	at cost	at valuation	accumulated depreciation	carrying value
Land and Buildings	-	850	-	850
Reticulation System	-	106,744	7,804	98,940
Customer billing and Information system	84	-	58	26
Motor Vehicles	467	-	217	250
Office Equipment	468	-	439	29
Other Plant & Equipment	192	-	69	123
	<u>1,211</u>	<u>107,594</u>	<u>8,588</u>	<u>100,217</u>

Land and buildings were valued by Doyle Valuations Ltd (ANZI, SNZPI) and independent valuer with local experience, on 31 March 2006. Summation and income approaches were used for the valuation.

The Reticulation System has been valued based on Optimised Deprival Value (ODV) by our electrical engineer and verified by PricewaterhouseCoopers as at 31 March 2004. The valuation method used is depreciated cost, using the assumptions about replacement cost, useful lives and residual values as set in the "Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Lines Businesses" issued by the Commerce Commission on the 30 August 2004.

NOTE 6 : LOANS

"Other" (The Lines Company Activities)	12,770	14,654
Perpetual	3,000	3,000
Bank of New Zealand Loan	<u>12,800</u>	<u>11,100</u>
	<u>28,570</u>	<u>28,754</u>

Bank loans are at floating rates and expose the Group to cashflow interest rate risk. Security held by the bank is a Negative Pledge Deed, where an undertaking has been given that certain actions will not be undertaken and key financial ratios will be maintained.

Perpetual loans are subordinated debentures which are unsecured.

The "Other" loan is an internal debt between the Electricity Lines Business and the other business activities, both within the Lines Company Limited (the disclosing entity). This represents the internal funding required by the Electricity Lines Business from the other businesses in order to continue its operations.

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

	2006 \$'000'	2005 \$'000'
NOTE 6 CONTINUED : LOANS		
<u>The following interest rates applied at balance date</u>		
"Other" (The Lines Company Activities)	7.00%	7.00%
Perpetual - \$1,000,000 loan	7.42%	6.75%
Perpetual - \$2,000,000 loan	5.00%	0.00%
Bank of New Zealand Loan (effective interest rate)	9.26%	9.08%

NOTE 7 : DEFERRED TAX

Fixed Assets	7,717	7,259
Accruals & Provisions	(213)	(213)
	<u>7,504</u>	<u>7,046</u>

NOTE 8 : SEGMENTAL INFORMATION

The Lines Company Limited operates predominantly in one geographical segment. It is located in the mid-central North Island in the King Country. The head office is located in Te Kuiti.

NOTE 9 : CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At balance date the company had no capital commitments or contingent liabilities (2005:Nil).

NOTE 10 : CASHFLOW RECONCILIATION WITH NET PROFIT

Net Profit after Tax and Customer Discount	931	811
Add: Non cash items		
Depreciation	4,176	4,084
	<u>5,107</u>	<u>4,895</u>
Add/Less: Movements in Working Capital		
(Increase)/Decrease in Receivables	2,633	(111)
(Increase)/Decrease in Inventory	384	100
(Increase)/Decrease in Work in Progress	127	(122)
Increase/(Decrease) in Accounts Payable	(2,394)	(352)
Increase/(Decrease) in Provision for Discount	(460)	172
Increase/(Decrease) in Other	535	297
	<u>825</u>	<u>(16)</u>
Net cashflows from operating activities	<u>5,931</u>	<u>4,879</u>

NOTE 11 : EVENTS AFTER BALANCE DATE

No events have occurred after balance date that could materially affect these financial statements.

NOTE 12 : FINANCIAL INSTRUMENTS

The fair values of financial instruments are considered to be not materially different from the carrying values shown in the Financial Statements.

Financial instruments that potentially subject the Company to credit risk principally consist of bank deposits and accounts receivable.

Credit risk in respect of debtors is limited as the major debtors either have high credit rating by recognised international rating agencies or have their debt secured by way of bank guarantee. Other Accounts Receivable are subject to credit control and are unsecured.

Borrowing Facilities from the Bank of New Zealand

The Company has a Multi Option facility of \$16 million with the Bank of New Zealand. Against this facility the Company drew down a loan of \$13.5 million for the purchase of King Country Energy's lines.

Part of the loan (\$5 million) is covered by interest rate swaps (pay fixed, receive floating) that hedge servicing costs for the next three years. The swap cover diminishes by \$1 million per year.

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY**2006**
\$000's**2005**
\$000's**NOTE 13 : RELATED PARTY TRANSACTIONS**

- a) The period covered in these statements are 1st April 2005 to 31st March 2006.
- b) There are no outstanding balances and no related party debts have been written off.
- c) There are two related parties to the Electricity Lines Business of The Lines Company Limited, being the Contracting Division and the Revenue Collection Division. Details of transactions are given below.

Contracting division of The Lines Company Limited

Maintenance work is recorded on the basis of material at cost plus 15% and labour & plant at \$45 per hour. Capital expenditure is recorded at ODV values.

Construction of the following types of assets were undertaken for the lines business.

Construction of Subtransmission Assets	-	523
Construction of Zone Substations	332	200
Construction of Distribution Lines and Cables	3,628	2,198
Construction of Medium Voltage Switchgear	596	537
Construction of Distribution Substations	823	557
Construction of Low Voltage Reticulation	86	22
Construction of Other Assets	97	354
Consumer connections & disconnections	24	97
Maintenance of distribution system	1,492	1,460
	<u>7,077</u>	<u>5,947</u>

Revenue Collection Division of The Lines Company Limited

From the 1 October 2005, billing and revenue collection is carried out for the ELB by the Revenue Collection Division within The Lines Company Limited. Prior to this date revenue was collected on The Line Company behalf by energy retailers, who operated on the network.

For this function a flat monthly fee of \$30,000 is charged to the ELB. This quantum of fee is based on commercial arms length basis, as evidenced by a tendering process for this function, which occurred prior to commencement of direct customer billing.

Billing and Collection Charges	180	-
	<u>180</u>	<u>-</u>

Interest and dividends paid to Waitomo Energy Services Customer Trust

During the year company paid interest (on subordinated debt) and dividends, of the following amounts to it's controlling entity, the Waitomo Energy Services Customer Trust.

Interest Paid	68	61
Dividends paid	197	-
	<u>266</u>	<u>61</u>

THE LINES COMPANY LIMITED - LINE BUSINESS ACTIVITY

	2006 \$'000'	2005 \$'000'
NOTE 14 : ODV RECONCILIATION		
System Fixed Assets at ODV (at the end of the previous year)	97,389	96,400
New Revaluation of System Fixed Assets (previous year)	-	-
System Fixed Assets at ODV (Beginning of Year)	97,389	96,400
System Fixed Assets Acquired during year at ODV	5,562	4,782
System Fixed Assets Disposed of during year at ODV	-	-
Depreciation on System Fixed Assets at ODV	(4,011)	(3,793)
Revaluations of Systems Fixed Assets	-	-
System Fixed Assets at ODV (at the end of the current year)	<u>98,940</u>	<u>97,389</u>

As at 31st March 2004 the ODV Valuation of the lines business as certified by PricewaterhouseCoopers was \$97,003,343. Included in that valuation was a Generator Truck with DRC of \$132,322 and Strategic Stores of \$470,910, which been accounted for as Inventory and Plant at their financial value in these accounts.

THE LINE COMPANY LIMITED - LINE BUSINESS ACTIVITY

Form for the derivation of Financial Performance Measures from Financial Statements-Schedule 1, Part 7

<i>Derivation Table</i>	<i>Input and Calculat.</i>	<i>Symbol in form.</i>	<i>ROF</i>	<i>ROE</i>	<i>ROI</i>
Operating surplus before interest and tax (OSBIIT)	3,422				
Interest on cash, bank & short term investments (ISTI)	20				
OSBIIT minus ISTI	3,402	<i>a</i>	3,402		3,402
Net surplus after tax from financial statements	931	<i>n</i>		931	
Amortised Goodwill	-	<i>g</i>	-	-	-
Subvention Payment	-	<i>s</i>	-	-	-
Depreciation of SFA at BV (x)	4,011				
Depreciation of SFA at ODV (y)	4,011				
ODV Depreciation adjustment	-	<i>d</i>	-	-	-
Subvention Payment tax adjustment	-	<i>s*t</i>		-	-
Interest Tax Shield	664	<i>q</i>			664
Revaluations	314	<i>r</i>			314
Income Tax	458	<i>p</i>			458
Numerator			3,402	931	2,594
Fixed Assets at Start of Year	98,403				
Fixed Assets at Year End	100,217				
Net Working Capital at end of previous financial year	(3,096)				
Net Working Capital at end of current financial year	(3,655)				
Average Total Funds Employed (ATFE)	95,935	<i>c</i>	95,935		95,935
Total Equity at end of previous financial year	59,507				
Total Equity at end of current financial year	60,488				
Average Total Equity	59,998	<i>k</i>		59,998	
Works Under Construction at end of previous year	-				
Works Under Construction at end of current year	-				
Average Total Works Under Construction	-	<i>e</i>	-	-	-
Revaluations	314	<i>r</i>			
Half of revaluations	157	<i>r/2</i>			157
Intangible assets at end of previous financial year	-				
Intangible assets at end of current financial year	-				
Average total intangible asset	-	<i>m</i>		-	
Subvention Payment at end of previous financial year	-				
Subvention Payment at end of current financial year	-				
Subvention Payment Tax Adjustment previous year	-				
Subvention Payment Tax Adjustment current year	-				
Average Subvention payment and tax adjustment	-	<i>v</i>		-	
System Fixed Assets at end of previous year at BV	97,389				
System Fixed Assets at end of current year at BV	98,940				
Average value of system fixed assets at BV	98,165	<i>f</i>	98,165	98,165	98,165
System Fixed Assets at year beginning at ODV	97,389				
System Fixed Assets at end of current year at ODV	98,940				
Average value of system fixed assets at ODV	98,165	<i>h</i>	98,165	98,165	98,165
Denominator			95,935	59,998	95,778
Financial Performance Measure			3.55%	1.55%	2.71%

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Disclosure of financial performance measures and efficiency performance measures under regulation 15 of the Electricity (Information Disclosure) Regulations 2004 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

	2006	2005	2004	2003
1 Financial performance measures				
(a) Accounting return on funds	3.55%	3.54%	3.20%	2.76%
(b) Accounting return on equity	1.55%	1.44%	1.20%	1.97%
(c) Accounting return on investment	2.71%	2.23%	25.14%	7.72%
2 Efficiency performance measures				
(a) Direct line costs per kilometer	\$832	\$818	\$582	\$629
(b) Indirect line costs per electricity customer.	\$45	\$45	\$42	\$42

Disclosure of energy delivery efficiency performance measures under regulation 21 of the Electricity (Information Disclosure) Regulations 2004 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

1	(a) Load Factor	65.09%	64.61%	59.77%	51.92%
	(b) Loss Ratio	7.18%	7.35%	7.34%	6.77%
	(c) Capacity Utilisation	27.28%	27.60%	29.55%	33.96%
2	(a) System lengths (kms)				
	- 33kV	501.0	460.5	500.5	465.5
	- 11kV	3279.3	3292.2	3,631.7	3,674.3
	- LV	628.9	623.3	636.0	690.8
	- Total	4,409.2	4,376.0	4,768.2	4,830.6
	(b) Circuit length (overhead) (kms)				
	- 33kV	500.6	460.08	500.2	465.1
	- 11kV	3201.0	3215.0	3,552.7	3,588.0
	- LV	460.0	458.2	471.3	519.6
	- Total	4,161.6	4,133.3	4,524.2	4,572.7
	(c) Circuit length (underground) (kms)				
	- 33 kV	0.3	0.5	0.3	0.4
	- 11 kV	78.3	77.2	79.0	86.3
	- LV	168.9	165.1	164.7	171.2
	- Total	247.6	242.8	244.0	257.9
	(d) Transformer capacity (kVA)	204,208	201,408	193,974	192,122
	(e) Maximum demand (kW)	55,700	55,580	57,320	65,240
	(f) Total electricity supplied (kWh)(000's)	317,610	314,591	300,100	296,727
	(g) Total electricity conveyed on behalf of other persons.				
	Retailer A	23,954	36,139	16,031	-
	Retailer B	6,813	3,718	3,002	4,717
	Retailer C	455	815	717	1,847
	Retailer D	10,955	14,862	13,947	10,052
	Retailer E	3,589			
	Retailer F	20,781	19,973	11,953	11,456
	Retailer G	19,168	12,017	11,876	11,015
	Retailer H	1,475	1,769	2,171	1,349
	Retailer I	207,613	202,160	218,381	236,204
		294,803	291,453	278,078	276,640
	(h) Total customer	26,181	25,535	25,197	25,045

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Reliability Performance Measures (Regulation 22)**1 Total number of Interruptions according to class**

	2006	2005	2004	2003	2002
Planned (Transpower)	0	1	3	3	3
Planned (TLC)	257	279	334	659	546
Unplanned (TLC)	395	397	497	587	375
Unplanned (Transpower)	0	8	4	2	9
Generation (Others)	0	0	0	0	0
Other (Private Lines)	38	44	24	0	0
Total	690	729	862	1251	933

2 Interruption targets for the following year**3 and for the subsequent four financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Planned (TLC)	450	450	450	450	450	450
Unplanned (TLC)	373	360	348	336	324	348

4 Percentage of total number for faults not restored in 3 or 24 hours

Unplanned (TLC) faults for 2005/06	Number	% of Outages
Not Restored in 3 hours	204	52%
Not Restored in 24 hours	1	0%

5a Total number of faults per 100km of lines for :

	2006	2005	2004	2003
Faults per 100km				
33kV	9.6	10.5	14.6	15.7
11kV	10.7	9.7	11.7	14.0
Total	10.5	9.8	12.0	14.2

5b Target for the following year**5c and the subsequent 4 financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Faults per 100km						
33kV	9.0	8.6	8.2	7.8	7.4	8.2
11kV	10.0	9.7	9.4	9.1	8.8	9.4
Total	9.9	9.5	9.2	8.9	8.6	9.2

6a Total number of faults per 100km of underground lines for :

	2006	2005	2004	2003
Faults per 100km				
33kV	0.0	0.0	0.0	0.0
11kV	6.5	6.5	6.9	6.9
Total	6.4	6.4	6.9	6.9

6b Target for the following year**6c and the subsequent 4 financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Faults per 100km						
33kV	0.0	0.0	0.0	0.0	0.0	0.0
11kV	3.8	2.6	2.6	2.6	2.6	2.8
Total	3.8	2.5	2.5	2.5	2.5	2.8

7a Total number of faults per 100km of overhead lines for :

	2006	2005	2004	2003
Faults per 100km				
33kV	9.6	11.1	14.6	15.7
11kV	10.8	11.1	11.8	14.2
Total	10.6	10.7	12.1	14.3

7b Target for the following year**7c and the subsequent 4 financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Faults per 100km						
33kV	9.0	8.6	8.2	7.8	7.4	8.2
11kV	10.2	9.8	9.5	9.2	8.9	9.5
Total	10.0	9.7	9.4	9.0	8.7	9.3

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8 SAIDI for total of interruptions during :

	2006	2005	2004	2003
SAIDI	284.9	305.6	400.2	729.0

**9 SAIDI targets for the following year
10 and for the subsequent four financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Planned (TLC)	105.6	96.8	96.8	96.8	96.8	98.6
Unplanned (TLC)	221.4	203.2	203.2	203.2	203.2	206.8

11 SAIDI according to class

	2006	2005	2004	2003
Planned (Transpower)	0.0	38.5	7.9	48.9
Planned (TLC)	97.5	79.5	78.2	226.2
Unplanned (TLC)	180.0	146.1	264.4	450.4
Unplanned (Transpower)	0.0	30.0	36.5	3.5
Generation (Others)	0.0	0.0	0.0	0.0
Other (Private Lines)	7.4	11.6	13.2	0.0

12 SAIFI for total of interruptions during :

	2006	2005	2004	2003
SAIFI	3.84	4.02	4.96	7.15

**13 SAIFI targets for the following year
14 and for the subsequent four financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Planned (TLC)	0.5	0.5	0.5	0.5	0.5	0.5
Unplanned (TLC)	3.5	3.4	3.4	3.4	3.4	3.4

15 SAIFI according to class

	2006	2005	2004	2003
Planned (Transpower)	0.00	0.11	0.38	0.16
Planned (TLC)	0.60	0.43	0.46	1.12
Unplanned (TLC)	3.16	2.52	3.48	5.71
Unplanned (Transpower)	0.00	0.84	0.45	0.15
Generation (Others)	0.00	0.00	0.00	0.00
Other (Private Lines)	0.08	0.12	0.18	0.00

16 CAIDI for total of interruptions during :

	2006	2005	2004	2003
CAIDI	74.2	76.1	80.7	102.0

**17 CAIDI targets for the following year
18 and for the subsequent four financial years**

	2007	2008	2009	2010	2011	Average 2007/11
Planned (TLC)	195.6	184.4	184.4	184.4	184.4	186.6
Unplanned (TLC)	63.4	60.2	60.2	60.2	60.2	60.9

19 CAIDI according to class

	2006	2005	2004	2003
Planned (Transpower)	0.0	357.0	20.6	300.3
Planned (TLC)	162.5	185.1	169.4	202.5
Unplanned (TLC)	57.0	58.0	76.0	78.8
Unplanned (Transpower)	0.0	35.6	80.5	22.6
Generation (Others)	0.0	0.0	0.0	0.0
Other (Private Lines)	91.9	100.3	72.2	0.0