



# New Zealand Gazette

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## NELSON ELECTRICITY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

**NELSON ELECTRICITY LIMITED****Statement of Financial Performance for the Year Ended 31 March 2006**

	Notes	2006 Line Business \$000	2005 Line Business \$000
<b><u>INCOME</u></b>			
Interest received		29	47
Network revenue		7,057	6,798
Other income		401	191
		<u>7,487</u>	<u>7,036</u>
<b><u>EXPENDITURE</u></b>			
Operations and maintenance		601	485
Transmission charges		1,782	1,797
Directors fees		63	58
Audit fees		22	17
Other administration		873	862
Interest expense		76	52
Depreciation		973	938
		<u>4,390</u>	<u>4,209</u>
<b><u>SURPLUS BEFORE TAXATION</u></b>		3,097	2,827
Provision for Taxation	3	1,127	1,057
<b><u>SURPLUS AFTER TAXATION</u></b>		<u>1,970</u>	<u>1,770</u>

**Statement of Movements in Equity for the Year Ended 31 March 2006**

	2006 Line Business \$000	2005 Line Business \$000
<b><u>Equity at Beginning of Year</u></b>	23,236	14,903
<b><u>Surplus and Revaluations</u></b>		
Revaluations	0	8,763
Net Surplus for Period	1,970	1,770
Total Recognised Revenue and Expenses	<u>1,970</u>	<u>10,533</u>
<b><u>Other Movements</u></b>		
Distributions to Owners	(3,800)	(2,200)
Total Other Movements	<u>(3,800)</u>	<u>(2,200)</u>
<b><u>Equity at End of Year</u></b>	<u>21,406</u>	<u>23,236</u>

*The Accompanying Notes form an Integral part of These Financial Statements*

**NELSON ELECTRICITY LIMITED****Statement of Financial Position as at 31 March 2006**

		2006 Line Business \$000	2005 Line Business \$000
<b><u>EQUITY</u></b>			
Share Capital	5	1	1
Revaluation Reserves	7	19,982	19,982
Pre Acquisition Reserves	7	1,291	1,291
Retained Earnings	6	132	1,962
		<u>21,406</u>	<u>23,236</u>
<b><i>Represented by</i></b>			
<b><u>CURRENT ASSETS</u></b>			
Bank and Cash		36	80
Accounts Receivable		608	636
Tax Refund Due		70	27
Inventories		137	93
		<u>851</u>	<u>836</u>
<b><u>CURRENT LIABILITIES</u></b>			
Bank Overdraft		0	30
Creditors and Accruals		531	537
		<u>531</u>	<u>567</u>
<b>Working Capital</b>		320	269
<b><u>NON CURRENT ASSETS</u></b>			
Deferred Tax Benefit	4	11	10
Fixed Assets	8	24,575	24,057
		<u>24,586</u>	<u>24,067</u>
<b><u>NON CURRENT LIABILITIES</u></b>			
Term Loans	9	3,500	1,100
		<u>3,500</u>	<u>1,100</u>
<b>NET ASSETS</b>		<u>21,406</u>	<u>23,236</u>

***The Accompanying Notes form an Integral part of These Financial Statements***

**NELSON ELECTRICITY LIMITED****Statement of Cash Flows for the Year Ended 31 March 2006**

	2006 Line Business	2005 Line Business
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Receipts from Customers	7,486	7,035
Interest Received	29	47
	<u>7,515</u>	<u>7,082</u>
<b>Cash was Applied to</b>		
Payments to Suppliers	(3,372)	(3,213)
Interest Paid	(76)	(51)
Net GST Paid	2	(45)
Taxation Paid	(1,170)	(1,128)
	<u>(4,616)</u>	<u>(4,437)</u>
Net Cash Flow From Operating Activities	<u>2,899</u>	<u>2,645</u>
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Proceeds From Sale of Fixed Assets	4	0
<b>Cash was Applied to</b>		
Purchase of Fixed Assets	(1,517)	(1,358)
Net Cash Flow From Investing Activities	<u>(1,513)</u>	<u>(1,358)</u>
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
<b>Cash was Provided From</b>		
Term Debt Raised	2,400	100
<b>Cash was Applied to</b>		
Payment of Dividends	(3,800)	(2,200)
Net Cash Flow From Financing Activities	<u>(1,400)</u>	<u>(2,100)</u>
<b>Net Increase in Cash Held</b>	(14)	(813)
<b>Opening Cash Bought Forward</b>	50	863
<b>Cash Balance at End of Year</b>	<u>36</u>	<u>50</u>
<b><u>Cash Balance at End of Year Comprises</u></b>		
Bank (Overdraft)	36	(30)
Short Term Deposits	0	80
<b><u>Reconciliation of Surplus After Taxation With Cash Flow From Operating Activities</u></b>		
<b>Net Surplus After Taxation</b>	1,970	1,770
<b>Add/(Less) Non Cash Items</b>		
Depreciation	973	938
Movement in Deferred Taxation	(1)	(1)
	<u>972</u>	<u>937</u>
<b>Add/(Less) Movements in Working Capital</b>		
(Increase)/Decrease in Receivables	28	46
(Increase)/Decrease in Inventories	(45)	17
Increase/(Decrease) in Creditors and Accruals	(6)	(158)
Increase/(Decrease) in Taxation	(42)	(88)
	<u>(65)</u>	<u>(183)</u>
<b>Less Items Classified as Investing activities</b>		
Capital Expenditure in Creditors (net movement)	22	121
<b>Net cash Flow from Operating Activities</b>	<u>2,899</u>	<u>2,645</u>

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year to 31 March 2006**

**Statement of Accounting Policies**

**1. Entity Statement**

Nelson Electricity Limited is a public company registered under the Companies Act 1993 and a reporting entity for the purposes of the Financial Reporting Act 1993.

Nelson Electricity owns the electricity distribution network which serves the central Nelson City area. The distribution network assets were leased to Citipower Ltd between December 1991 and March 1999. As a result of restructuring required in accord with the Energy Industry Reform Act the lease was terminated on 1 April 1999 and Nelson Electricity now contracts with the electricity retailers (Trustpower, Meridian etc) who supply electricity across the Nelson network.

**2. Accounting Policies**

**2.1 Authority**

These financial statements have been prepared for the sole purpose of complying with Requirement 6 of the Electricity (Information Disclosure) Requirements 2004.

**2.2 Measurement Base**

The measurement base adopted is that of historic cost with the exception of certain items for which specific accounting policies are disclosed.

**2.3 Depreciation**

Depreciation has been provided on all major assets, excluding land, at the following rates.

Buildings	2% SL
Distribution System	1.43% to 6.67% SL
Plant and Equipment	14.4% - 60% DV

**2.4 Taxation**

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method.

A debit balance in the deferred taxation account arising from timing differences or income tax losses is only recognised when there is virtual certainty of realisation.

**2.5 Financial Instruments**

The company is party to financial instruments as part of its every day operations. These financial instruments include cash and bank deposits, accounts receivable and payable, and loans which have been recognised in the statement of financial position.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of financial performance.

Except for loans, which are recorded at cost and those items covered by a separate accounting policy all financial instruments are shown at their estimated fair value.

**2.6 Plant Property and Equipment**

Distribution system assets were revalued as at 1 April 2004 to current depreciated replacement cost (DRC) as assessed by independent valuers PricewaterhouseCoopers and certified in their advice of 6 May 2005.

Revaluation surpluses are transferred directly to the asset revaluation reserve.

Land assets are carried at current market value.

It is intended that network and land assets will be revalued every three years. Subsequent additions are recorded at cost. All other assets are recorded at cost less depreciation.

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year to 31 March 2006**

**2.7 Good and Services Tax**

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated exclusive of GST with the exception of receivables and payables which include GST invoiced.

**2.8 Receivables**

Receivables are stated at the amount they are expected to realise. Bad debts will be written off in the year in which they are identified.

**2.9 Inventories**

Inventories are valued on the basis of the lower of cost (on a weighted average basis) and net realisable value. Allowance is made for damaged or obsolete items.

**2.10 Operating Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Payments under these leases are recognised as expenses in the periods in which they occur.

**2.11 Network Revenue**

The Company's principal source of revenue arises from the supply of network services to electricity traders who trade across the network. Terms and conditions for supply of these services are provided for in "use of system" agreements signed with the electricity retailers.

**2.12 Employee Entitlements**

Provision is made in respect of the company's liability for employees annual leave. Annual leave is calculated on an actual entitlement basis at current rates of remuneration.

**2.13 Statement of Cash Flows**

*Cash* means cash balances on hand, held in bank accounts, demand deposits and other highly liquid investments in which the company invests as part of its day to day cash management.

*Operating activities* include all cash received from all income sources of the company and records the cash payments made for the supply of goods and services.

*Investing activities* are those activities relating to the acquisition and disposal of non current assets

*Financing activities* comprise the change in equity and debt capital structure of the company.

**2.14 Changes in Accounting Policies**

There have been no changes in accounting policies during the year. All policies have been applied on bases consistent with those used in other years.

**3. Taxation**

	Year Ended 31-Mar-06 \$ooo	Year Ended 31-Mar-05 \$ooo
Surplus Before Taxation	3,097	2,827
Taxation @ 33 %	1,022	933
Over Provision from Prior Year	(15)	(10)
Effect of Permanent Differences	120	134
	<hr/>	<hr/>
Tax Expense as per Statement of Financial Performance	1,127	1,057
<i>Comprising:</i>		
Current Taxation	1,128	1,058
Deferred Taxation	(1)	(1)
	<hr/>	<hr/>
	1,127	1,057
<b>Imputation Credit Account</b>		
Balance 1 April	823	759
Imputation Credits Attached to Dividends Paid in the Year	(1,871)	(1,084)
Income Tax Payments During the Year	1,179	1,152
Refunds Received From Inland Revenue	(12)	(4)
<b>Balance 31 March</b>	<hr/>	<hr/>
	119	823

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year to 31 March 2006**

	31-Mar-06	31-Mar-05
	\$ooo	\$ooo
<b>4. Deferred Taxation</b>		
Balance 1 April	(10)	(9)
Current Period Provision	(1)	(1)
<b>Balance 31 March</b>	<b>(11)</b>	<b>(10)</b>

	31-Mar-06	31-Mar-05
	\$ooo	\$ooo
<b>5. Share Capital</b>		
Share Capital	1	1

As at 31 March 2006 Marlborough Lines Ltd and Network Tasman Ltd each held 500 shares. (2005 500 shares each)

	31-Mar-06	31-Mar-05
	\$ooo	\$ooo
<b>6. Retained Earnings</b>		
Opening Balance 1 April	1,962	2,392
Net Surplus for Year	1,970	1,770
Dividends Paid	(3,800)	(2,200)
<b>Closing Balance 31 March</b>	<b>132</b>	<b>1,962</b>

	31-Mar-06	31-Mar-05
	\$ooo	\$ooo
<b>7. Reserves</b>		
<b>Pre acquisition Reserves</b> (Retained earnings accumulated to 19.06.96 when the company was purchased by Marlborough Lines Ltd and Network Tasman Ltd)	1,291	1,291
<b>Revaluation Reserves</b> - Credits to Revaluation Reserves		
Land and Buildings	1,054	1,054
Distribution System assets	18,928	18,928
	<b>19,982</b>	<b>19,982</b>

Distribution system assets were revalued as at 1 April 2004 to current depreciated replacement cost (DRC). The valuation was completed in accord with the requirements of FRS 3 by PricewaterhouseCoopers and their valuation report is dated 6 May 2005. The company's Haven Road land was also revalued to net current value as at 1 April 2004.

	As At 31-Mar-06	As At 31-Mar-05
	\$ooo	\$ooo
<b>8. Plant Property and Equipment</b>		
Land (at valuation)	1,163	1,163
Buildings (at cost)	175	175
Accumulated Depreciation	86	82
Book Value	89	93
<b>Distribution System Assets (at valuation)</b>		
Subtransmission Assets	3,928	3,725
Accumulated Depreciation	1,710	1,635
Book Value	2,218	2,090
Zone Substations	3,253	3,028
Accumulated Depreciation	1,999	1,917
Book Value	1,254	1,111
Distribution Assets	35,885	34,478
Accumulated Depreciation	17,807	17,099
Book Value	18,078	17,379
Other System Fixed Assets	3,350	3,227
Accumulated Depreciation	1,637	1,564
Book Value	1,713	1,663
Plant and Equipment (at cost)	252	215
Accumulated Depreciation	192	169
Book Value	60	46
Capital Work in Progress		512
<b>Total Fixed Assets</b>	<b>24,575</b>	<b>24,057</b>

**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year to 31 March 2006**

Note 8 Continued

The most recent Optimised Deprival Valuation for the Nelson Electricity Ltd network system assets was dated 31 March 2004 and the total value recorded was **\$19,393m.**

The current rating valuation for improvements is \$138,000 (2005 \$138,000)

**9. Term Loans**

	As At 31-Mar-06 \$ooo	As At 31-Mar-05 \$ooo
Westpac Trust Multi Option Credit Facility	3,500	1,100

The effective interest rate at 31 March 2006 is 7.70% (2005, 7.59%) This is a three year revolving facility reviewed and able to be extended annually. The facility limit is \$8.1m and the company has granted a negative pledge as an alternative to issuing security in respect of the facility. The agreement expires on 31 October 2008.

**10. Related Party Transactions**

Marlborough Lines limited and Network Tasman Limited each own 50% of the shares in Nelson Electricity limited and have in the past year provided management and administrative services to the following value:

	2006 \$	2005 \$
Marlborough Lines Ltd	167,496	167,496
Network Tasman Ltd	132,502	132,504
Payable to Marlborough Lines at 31 March.	13,958	13,958
Payable to Network Tasman at 31 March.	11,042	11,042

Nelson Electricity reimburses Marlborough Lines for salaries paid to staff on their behalf. Salaries totalling \$31,510 remained payable to Marlborough Lines as at 31 March 2006. (2005 \$35,809)

Network Tasman oncharged to Nelson Electricity Transpower national grid charges during the year totalling \$1,782,305 (net). (2005, \$1,797,012). As at 31 March 2006 Nelson Electricity owed Network Tasman \$148,735 (net) for transmission charges. (2005, \$149,738)

Network Tasman credited Nelson Electricity with loss rental rebates (from Transpower) totalling \$280,506 (net). (2005, \$126,084) As at 31 March 2006 Network Tasman owed Nelson Electricity \$22,200 (net) for loss rental rebates. (2005, \$12,846)

During the year Nelson Electricity paid dividends totalling \$1,900,000 to each of Marlborough Lines limited and Network Tasman Limited. (2005, \$1,100,000 each)

	2006 \$	2005 \$
Directors fees paid to Marlborough Lines in respect of Mr K Forrest	10,080	9,340

There were no related party transactions at nil or nominal value.

There were no related party debts written off or forgiven during the year. (2005 Nil)

**11. Financial Instruments**

**Credit Risk**

Credit risk is the risk that an outside party will not be able to meet its obligations to the company.

The company places its cash deposits with high credit quality financial institutions. Credit risk in respect of accounts receivable is minimised through the company's ability to place bonding requirements on its major electricity retailing customers and the substantial financial nature of these businesses. The company does not have any other significant contrations of credit risk.



**NELSON ELECTRICITY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year to 31 March 2006*

**Interest Rate risk**

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The company's short term deposits are at fixed interest rates and mature within one year. The company has the opportunity to vary interest rates on its non current borrowings on such terms as it selects. The interest rate applying to the company's current borrowings is disclosed in note 9.

**Currency Risk**

The company has no present exposure to risks arising from movement in exchange rates. (2005, Nil)

**12. Commitments and Contingent Liabilities**

As at 31 March 2006 the company had no commitments or contingent liabilities that are not included in these financial statements. (2005, Nil)

There were no uncompleted capital projects as at 31 March 2006. (2005, \$197,161)

**13. Events Subsequent to Balance Date**

There were no events subsequent to balance date requiring notification in these financial statements.

<b>Schedule 1 Part 8</b>		31-Mar-06	31-Mar-05
<b>Annual Valuation Reconciliation Report for Year ending 31 March 2006</b>		\$000	\$000
System Fixed Assets at ODV at 31 March 2005		19,522	19,393
<i>Add</i>	System Fixed Assets Acquired During the Year at ODV	1,684	883
<i>Less</i>	System Fixed Assets Disposed of During the Year At ODV	(248)	(86)
<i>Less</i>	Depreciation on System Fixed Assets	(668)	(668)
<i>Add</i>	Revaluations of System Fixed Assets	0	0
<b><i>Equals</i> System Fixed Assets at ODV at 31 March 2006</b>		<b>20,290</b>	<b>19,522</b>

**Schedule 1, Part 2**

Items required to be separately listed in financial statements required under requirement 5(1) or requirement 6(1):

**Statement of Financial Position**

		2006 \$(000)	2005 \$(000)
1	<b>Current assets</b>		
(a)	Cash and bank balances:	36	0
(b)	Short-term investments:	0	80
(c)	Inventories:	137	93
(d)	Accounts receivable:	608	636
(e)	Other current assets not listed in (a) to (d):	0	0
(f)	<b>Total current assets</b> (sum of (a) to (e)).	781	809
2	<b>Fixed assets</b>		
(a)	System fixed assets:	23,263	22,243
(b)	Consumer billing and information system assets:	0	0
(c)	Motor Vehicles:	18	11
(d)	Office equipment:	42	35
(e)	Land and buildings:	1,252	1,256
(f)	Capital works under construction:	0	512
(g)	Other fixed assets not listed in (a) to (f):	0	0
(h)	<b>Total fixed assets</b> (sum of (a) to (g)).	24,575	24,057
3	<b>Other tangible assets not listed above</b>	0	0
4	<b>Total tangible assets</b> (1(f)+2(h)+3).	25,356	24,866
5	<b>Intangible assets</b>		
(a)	Goodwill:	0	0
(b)	Other intangibles not listed in (a):	0	0
(c)	<b>Total intangible assets</b> (sum of (a) and (b)).	0	0
6	<b>Total assets</b> (4+5(c)).	25,356	24,866
7	<b>Current liabilities</b>		
(a)	Bank overdraft:	0	30
(b)	Short-term borrowings:	0	0
(c)	Payables and accruals:	531	505
(d)	Provision for dividends payable:	0	0
(e)	Provision for income tax:	(70)	(27)
(f)	Other current liabilities not listed in (a) to (e):	0	32
(g)	<b>Total current liabilities</b> (sum of (a) to (f)).	461	540
8	<b>Non-current liabilities</b>		
(a)	Payables and accruals:	0	0
(b)	Borrowings:	3,500	1,100
(c)	Deferred tax:	(11)	(10)
(d)	Other non-current liabilities not listed in (a) to (c):	0	0
(e)	<b>Total non-current liabilities</b> (sum of (a) to (d)).	3,489	1,090
9	<b>Equity</b>		
(a)	Shareholders' equity-		
(i)	Share capital:	1	1
(ii)	Retained earnings:	132	1,962
(iii)	Reserves:	21,273	21,273
(iv)	<b>Total Shareholders' equity</b> (sum of (i) to (iii)).	21,406	23,236
(b)	Minority interests in subsidiaries:	0	0
(c)	<b>Total equity</b> (sum of (a) and (b)).	21,406	23,236
(d)	Capital notes:	0	0
(e)	<b>Total capital funds</b> (sum of (c) and (d)).	21,406	23,236
10	<b>Total equity and liabilities</b> (7(g)+8(e)+9(e)).	25,356	24,866

**Statement of Financial Performance**

		2006 \$(000)	2005 \$(000)
11	<b>Operating revenue</b>		
(a)	Revenue from line / access charges:	7,057	6,798
(b)	Revenue from "Other" business for services carried out by the line business (transfer payment):	0	0
(c)	Interest on cash, bank balances and short term investments:	29	47
(d)	AC loss-rental rebates:	281	126
(e)	Other revenue not listed in (a) to (d):	120	65
(f)	<b>Total operating revenue</b> (sum of (a) to (e)).	7,487	7,036

		2006 \$(000)	2005 \$(000)
12	<b>Operating expenditure</b>		
(a)	Payment for transmission charges:	1,782	1,797
(b)	Transfer payments to the "Other" business for-		
(i)	Asset maintenance:	0	0
(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	0	0
(vii)	Other goods and services not listed in (i) to (vi):	0	0
(viii)	<b>Total transfer payment to the "Other" business (sum of (i) to (vii)):</b>	0	0
(c)	Expense to entities that are not related parties for-		
(i)	Asset maintenance:	601	485
(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)	<b>Total of specified expenses to non-related parties (sum of (i) to (v)):</b>	601	485
(d)	Employee salaries, wages, and redundancies:	308	291
(e)	Consumer billing and information system expense:	0	0
(f)	Depreciation on-		
(i)	System fixed assets:	940	905
(ii)	Other assets not listed in (i):	33	33
(iii)	<b>Total depreciation (sum of (i) and (ii)):</b>	973	938
(g)	Amortisation of-		
(i)	Goodwill:	0	0
(ii)	Other intangibles:	0	0
(iii)	<b>Total amortisation of intangibles (sum of (i) and (ii)):</b>	0	0
(h)	Corporate and administration:	504	487
(i)	Human resource expenses:	0	0
(j)	Marketing / advertising:	0	0
(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:	43	73
(o)	Donations:	0	0
(p)	Directors' fees:	63	58
(q)	Auditors' fees:		
(i)	Audit fees paid to principal auditors:	22	14
(ii)	Audit fees paid to other auditors:	0	0
(iii)	Fees paid for other services provided by principal and other auditors:	3	3
(iv)	<b>Total auditors' fees (sum of (i) to (iii)):</b>	25	17
(r)	Costs of offering credit:		
(i)	Bad debts written off:	3	0
(ii)	Increase in estimated doubtful debts:	0	0
(iii)	<b>Total cost of offering credit (sum of (i) to (ii)):</b>	3	0
(s)	Local authority rates expense:	12	11
(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)	0	0
13	<b>Total operating expenditure (sum of 12(a) to 12(x)).</b>	4,314	4,157
14	<b>Operating surplus before interest and income tax (11(f)-13).</b>	3,173	2,879
15	<b>Interest expense</b>		
(a)	Interest expense on borrowings:	76	52
(b)	Financing charges related to finance leases:	0	0
(c)	Other interest expense not listed in (a) or (b):	0	0
(d)	<b>Total interest expense (sum of (a) to (c)):</b>	76	52
16	<b>Operating surplus before income tax (14-15(d))</b>	3,097	2,827
17	<b>Income tax</b>	1,127	1,057
18	<b>Net surplus after tax (16-17)</b>	1,970	1,770

## 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	3,173				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	3,173				
Interest on cash, bank balances, and short-term investments (ISTI)	29				
OSBIT minus ISTI	3,144	a	3,144		3,144
Net surplus after tax from financial statements	1,970				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	1,970	n		1,970	
Amortisation of goodwill and amortisation of other intangibles	-	g	add 0	add 0	add 0
Subvention payment	-	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	940				
Depreciation of SFA at ODV (y)	668				
ODV depreciation adjustment	272	d	add 272	add 272	add 272
Subvention payment tax adjustment	-	s*t		deduct 0	deduct 0
Interest tax shield	16	q			deduct 16
Revaluations	-	r			add 0
Income tax	1,127	p			deduct 1,127
<b>Numerator</b>			3,416	2,242	2,273
			$OSBIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s^*t + d$	$FE^{ADJ} = a + g - q + r + s + d - p - s^*t$
Fixed assets at end of previous financial year (FA <sub>0</sub> )	24,057				
Fixed assets at end of current financial year (FA <sub>1</sub> )	24,575				
Adjusted net working capital at end of previous financial year (ANWC <sub>0</sub> )	192				
Adjusted net working capital at end of current financial year (ANWC <sub>1</sub> )	214				
Average total funds employed (ATFE)	24,519 (or requirement 32 time-weighted average)	c	24,519		24,519
Total equity at end of previous financial year (TE <sub>0</sub> )	23,236				
Total equity at end of current financial year (TE <sub>1</sub> )	21,406				
Average total equity	22,321 (or requirement 32 time-weighted average)	k		22,321	
WUC at end of previous financial year (WUC <sub>0</sub> )	512				
WUC at end of current financial year (WUC <sub>1</sub> )	-				
Average total works under construction	256 (or requirement 32 time-weighted average)	e	deduct 256	deduct 256	deduct 256
Revaluations	-	r			
Half of revaluations	-	r/2			deduct 0
Intangible assets at end of previous financial year (IA <sub>0</sub> )	-				
Intangible assets at end of current financial year (IA <sub>1</sub> )	-				
Average total intangible asset	- (or requirement 32 time-weighted average)	m		deduct 0	
Subvention payment at end of previous financial year (S <sub>0</sub> )	-				
Subvention payment at end of current financial year (S <sub>1</sub> )	-				
Subvention payment tax adjustment at end of previous financial year	-				
Subvention payment tax adjustment at end of current financial year	-				
Average subvention payment & related tax adjustment	-	v		add 0	
System fixed assets at end of previous financial year at book value (SFA <sub>bv0</sub> )	22,243				
System fixed assets at end of current financial year at book value (SFA <sub>bv1</sub> )	23,263				
Average value of system fixed assets at book value	22,753 (or requirement 32 time-weighted average)	f	deduct 22,753	deduct 22,753	deduct 22,753
System Fixed assets at year beginning at ODV value (SFA <sub>odv0</sub> )	19,522				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odv1</sub> )	20,290				
Average value of system fixed assets at ODV value	19,906 (or requirement 32 time-weighted average)	h	add 19,906	add 19,906	add 19,906
<b>Denominator</b>			21,416	19,218	21,416
			$ATFE^{ADJ} = c - e - f + h$	$FE^{ADJ} = k - e - m + v - f + h$	$FE^{ADJ} = c - e - \frac{1}{2}r - f + h$
<b>Financial Performance Measure:</b>			16.0	11.7	10.6
			$ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

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

NELSON ELECTRICITY LIMITED  
PERFORMANCE MEASURES

PREPARED IN ACCORDANCE WITH THE ELECTRICITY (INFORMATION DISCLOSURE) REQUIREMENTS 2004

	2006	2005	2004	2003	2002
1 Financial Performance Measures					
note The Electricity conveyed through the system on behalf of retailers includes an estimate of usage due to lack of reliable data from retailers, the statistics including loss factors relating to this information should be read with caution.					
(a) Return on Funds	16.0%	14.8%	16.6%	20.7%	24.1%
(b) Return on Equity	11.7%	10.0%	11.7%	13.0%	14.7%
(c) Return on Investment	10.6%	9.7%	57.0%	12.8%	14.0%
2 Efficiency Performance Measures					
(a) Direct Line Costs per Kilometre	\$3,089	\$2,639	\$2,536	\$2,864	\$1,884
(b) Indirect line costs per Consumer	\$90	\$89	\$92	\$84	\$118
1 Energy Delivery Efficiency Performance Measures					
(a) Load Factor	56.3%	58.5%	56.1%	57.7%	55.0%
(b) Loss Ratio	5.08%	5.0%	5.8%	5.8%	2.5%
(c) Capacity Utilisation	36.3%	37.2%	36.8%	37.6%	39.0%
2 Statistics					
(a) System Length Break Down in Kilometres					
33kV	11	11	11	17	17
11kV	79	78	78	78	78
LV	154	153	151	147	146
Total	244	242	240	242	241
(b) Circuit Length of Overhead System in Kilometres					
33kV	1	1	1	7	8
11kV	8	8	8	9	9
LV	26	27	28	25	25
Total	35	36	37	41	42
(c) Circuit Length of Underground System in Kilometres					
33kV	10	10	10	10	10
11kV	71	70	69	69	68
LV	128	126	123	122	121
Total	209	206	202	201	199
(d) Transformer Capacity in kVA	85485	80920	81,005	79,100	78,190
(e) Maximum demand in kW	31,066	30120	29,800	29,767	30,470
(f) Total Electricity supplied from the System in kWh	153215839	154295704	146,420,659	150,532,170	146,924,719
(g) Total Electricity Conveyed through the System on behalf of each generator and retailer in kWh					
Retailer A	91315743	98252944	98,433,829	110,038,068	116,967,198
Retailer B	28753864	23913677	21,734,016	20,725,835	17,346,953
Retailer C	22058579	20455452	15,066,831	8,381,913	3,294,004
Retailer D	2712092	3389660	1,961,175	1,969,082	2,723,393
Retailer E	592717	623124	474,878	1,219,138	3,049,344
(h) Total Consumers	8915	8876	8,735	8,614	8,575
Reliability Performance Measures					
1 Number of interruption by class	2006	2005	2004	2003	2002
Class Description	number of interruptions				
A Transpower Planned	-	-	-	-	-
B Nelson Electricity Planned	27	25	10	22	9
C Nelson Electricity Unplanned	4	13	7	13	7
D Transpower Unplanned	2	-	-	-	-
E ECNZ Unplanned	-	-	-	-	-
F Other Generation	-	-	-	-	-
G Unplanned Other Line Owner	-	-	-	-	-
H Planned Other Line Owner	-	-	-	-	-
I Other	-	-	-	-	-
Total	33	38	17	35	16
2/3 Interruption targets for the average of the next five years				2008-2011	2007
Class Description					
(a) B Nelson Electricity Planned				25	25
(b) C Nelson Electricity Unplanned				8	8
4 Percentage of Class C interruptions not restored within:	2006	2005	2004	2003	2002
(a) Three hours	0	15.4%	5.9%	7.7%	14.0%
(b) 24 hours	0	0.0%	0.0%	0.0%	0.0%
5 Faults (Class C) per 100 kilometres					

(a)	Total number of faults per 100 km					
	Voltage	2006	2005	2004	2003	
	33 kV	0	-	-	11.5	
	11kV	5	16.6	9.1	14.0	
	Total	4.4	14.7	8.0	13.6	
(b/c)	Average total number of faults per 100 km for the next five years			2008-2011		
	Voltage	average total number of faults per 100 kms each year over this period				2007
	33 kV				3.8	
	11kV				3.8	
	Total				3.8	
6	Faults (Class C) per 100 kilometres underground					
	Voltage	2006	2005	2004	2003	
	33 kV	0	-	-	-	
	11kV	4.2	15.7	7.2	8.7	
	Total	3.7	13.8	6.3	7.6	
7	Faults (Class C) per 100 kilometres overhead					
	Voltage	2006	2005	2004	2003	
	33 kV	0	-	-	26.8	
	11kV	11.9	23.9	25.0	54.3	
	Total	11	22.1	22.2	42.0	
8	SAIDI	2006	2005	2004	2003	
	Customer Minutes	122	51.0	53.2	99.6	
9/10	SAIDI target			2008-2011	2007	
		average SAIDI for each year over this period				
(a)	Class B				15.0	
(b)	Class C				30.0	
11	SAIDI per interruption class	2006	2005	2004	2003	
	Class Description				customer minutes	
	A Transpower Planned	0	-	-	-	
	B Nelson Electricity Planned	12.2	12.5	6.6	27.4	
	C Nelson Electricity Unplanned	10.1	38.6	46.6	72.1	
	D Transpower Unplanned	99.8	-	-	-	
	E ECNZ Unplanned	0	-	-	-	
	F Other Generation	0	-	-	-	
	G Unplanned Other Line Owner	0	-	-	-	
	H Planned Other Line Owner	-	-	-	-	
	I Other	-	-	-	-	
12	SAIFI	2006	2005	2004	2003	
	Total Interruptions	2.2	0.8	0.8	1.4	
13/14	SAIFI target			2008-2011	2007	
		average SAIFI for each year over this period				
(a)	Class B Planned				0.3	
(b)	Class C Unplanned				0.6	
15	SAIFI per interruption class	2006	2005	2004	2003	
	Class Description				customer minutes	
	A Transpower Planned	0	-	-	-	
	B Nelson Electricity Planned	0.1	0.1	0.3	0.0	
	C Nelson Electricity Unplanned	0.2	0.8	0.5	1.0	
	D Transpower Unplanned	1.9	-	-	-	
	E ECNZ Unplanned	0	-	-	-	
	F Other Generation	0	-	-	-	
	G Unplanned Other Line Owner	0	-	-	-	
	H Planned Other Line Owner	0	-	-	-	
	I Other	0	-	-	-	
16	CAIDI	2006	2005	2004	2003	
	Customer minutes	54.8	61.1	70.7	69.6	
17	CAIDI target			2008-2011	2007	
		average CAIDI for each year over this period				
(a)	Class B Planned				50.0	
(b)	Class C Unplanned				50.0	
19	CAIDI per interruption class	2006	2005	2004	2003	
	Class Description				customer minutes	
	A Transpower Planned	0	-	-	-	
	B Nelson Electricity Planned	161	142.3	23.4	171.1	
	C Nelson Electricity Unplanned	61.8	51.6	99.5	57.0	
	D Transpower Unplanned	50.2	-	-	-	
	E ECNZ Unplanned	0	-	-	-	
	F Other Generation	0	-	-	-	
	G Unplanned Other Line Owner	0	-	-	-	
	H Planned Other Line Owner	-	-	-	-	
	I Other	-	-	-	-	

**Deloitte****AUDITOR'S REPORT****TO THE READERS OF THE FINANCIAL STATEMENTS OF NELSON ELECTRICITY LIMITED  
LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2006**

We have audited the accompanying financial statements of Nelson Electricity Limited Lines Business. The financial statements provide information about the past financial performance of Nelson Electricity Limited and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on Page 4 and 5.

**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 Nelson Electricity Limited Lines Business as at 31 March 2006, and results of operations and cash flows for the year then ended.

**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 G R Mitchell 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 Nelson Electricity Limited Lines Business' circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give 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.

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

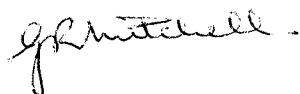
**Unqualified Opinion**

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

In our opinion:

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

Our audit was completed on 3 November 2006 and our unqualified opinion is expressed as at that date.



**G. R. Mitchell**

**Deloitte**

**Appointed Auditor**

**On behalf of the Auditor-General**

**Wellington, New Zealand**

**Deloitte**<sup>®</sup>

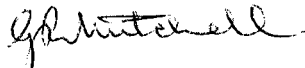
**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF  
NELSON ELECTRICITY LIMITED LINES BUSINESS**

We have examined the information, being:

- (a) a derivation table; and
- (b) the annual ODV reconciliation report; and
- (c) financial performance measures; and
- (d) financial components of the efficiency performance measures,

that were prepared by Nelson Electricity Limited Lines Business 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, to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.



**G.R. Mitchell**

**Deloitte**

**Appointed Auditor**

**On behalf of the Auditor-General**

**Wellington, New Zealand**

**3 November 2006**



## Form 4

## Requirement 31(1)

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE  
MEASURES, AND STATISTICS DISCLOSED BY DISCLOSING ENTITIES  
(OTHER THAN TRANSPower)

We, David William Richard Dew and Kenneth John Forrest, directors of Nelson Electricity Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of Nelson Electricity Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Nelson Electricity 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 2006.

Signed:

D W R Dew

Signed:

K Forrest

Date: 3 November 2006