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MARLBOROUGH LINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

MARLBOROUGH LINES LIMITED - LINES BUSINESS

Financial Statements Prepared in Accord with The Electricity Information Disclosure Requirements 2004

STATEMENT OF FINANCIAL PERFORMANCE

For the Year Ended 31 March 2005

	Notes	2005 \$000	2004 \$000
Operating Revenue			
Revenue from line/access charges		18,771	16,316
Revenue from "Other" business for services carried out by the line business		-	109
Interest on cash, bank balances and short term investments		481	378
AC loss-rental rebates		267	524
Other operating revenue	2	2,440	2,234
Total Operating Revenue		21,959	19,561
Operating Expenditure			
Payment for transmission charges		3,413	3,229
Transfer payments to the "Other" business for:			
Asset maintenance		1,191	1,103
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		36	43
Royalty and patent expenses		-	-
Avoided transmission charges on account of own generation		-	-
Other goods and services		499	625
Total transfer payment to the "Other" business		1,726	1,771
Expense to entities that are not related parties for:			
Asset maintenance		694	658
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		-	-
Royalty and patent expenses		-	-
Total of specified expenses to non-related parties		694	658
Employee salaries, wages and redundancies		1,870	1,585
Consumer billing and information system expense		114	307
Depreciation on:			
System fixed assets		3,889	3,794
Other assets		726	387
Total depreciation	9	4,615	4,181
Amortisation of:			
Goodwill		-	-
Other intangibles		-	-
Total amortisation of intangibles		-	-
Corporate and administration		952	470
Human resource expenses		325	240
Marketing/advertising		83	79
Merger and acquisition expenses		-	-
Takeover defence expenses		-	-
Research and development expenses		-	-
Consultancy and legal expenses		92	92
Donations		14	31
Directors' fees		166	150

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL PERFORMANCE (continued)**For the Year Ended 31 March 2005**

	Notes	2005 \$000	2004 \$000
Auditors' fees:			
Audit fees paid to principal auditors		35	42
Audit fees paid to other auditors		-	-
Fees paid for other services provided by principal and other auditors		8	8
Total auditors' fees		43	50
Costs of offering credit:			
Bad debts written off		-	(3)
Increase in estimated doubtful debts		1	-
Total cost of offering credit		1	(3)
Local authority rates expense		61	69
AC loss-rentals rebates expense		-	-
Discount to consumers		4,100	4,000
Subvention payments		-	-
Unusual expenses		-	-
Other expenditure		532	381
Total Operating Expenditure		18,801	17,290
Operating Surplus Before Interest And Income Tax		3,158	2,271
Interest Expense			
Interest expense on borrowings		-	-
Financing charges related to finance leases		-	-
Other interest expense		1	-
Total Interest Expense		1	-
Operating Surplus Before Income Tax		3,157	2,271
Income Tax	3	1,376	1,159
Net Surplus After Tax		1,781	1,112

STATEMENT OF MOVEMENTS IN EQUITY**For the Year Ended 31 March 2005**

	Notes	2005 \$000	2004 \$000
Equity At Beginning Of Year		115,604	23,984
Net Surplus For Year		1,781	1,112
Revaluations	6	-	89,819
Total Recognised Revenues And Expenses For The Period		1,781	90,931
Dividend Provided		(150)	(150)
Transfer Of Non Lines Assets			839
Equity At End Of Year		117,235	115,604

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2005

	Notes	2005 \$000	2004 \$000
Current Assets			
Cash and bank balances		5,320	6,508
Short-term investments		-	-
Inventories		1,602	528
Accounts receivable	7	2,034	1,225
Other current assets		3	-
Total Current Assets		8,959	8,261
Fixed Assets			
System fixed assets		108,730	108,037
Consumer billing and information system assets		985	286
Motor vehicles		348	128
Office equipment		155	153
Land and buildings		5,097	5,144
Capital works under construction		557	585
Other fixed assets		330	327
Total Fixed Assets	9	116,202	114,660
Other Tangible Assets			-
Total Tangible Assets		125,161	122,921
Intangible Assets			
Goodwill		-	-
Other intangibles		-	-
Total Intangible Assets		-	-
Total Assets		125,161	122,921
Current Liabilities			
Bank overdraft		-	-
Short-term borrowings		-	-
Payables and accruals	8,10	1,568	1,428
Provision for dividends payable		-	-
Provision for income tax	3	707	809
Other current liabilities		24	-
Total Current Liabilities		2,299	2,237
Non-current Liabilities			
Payables and accruals	10	119	84
Borrowings		-	-
Deferred tax	3	5,508	4,996
Other non-current liabilities		-	-
Total Non-current Liabilities		5,627	5,080
Equity			
Shareholders' equity			
Share capital	5	8,736	8,736
Retained earnings	6	18,680	17,049
Reserves	6	89,819	89,819
Total Shareholders' Equity		117,235	115,604
Minority interests in subsidiaries		-	-
Total Equity		117,235	115,604
Capital notes		-	-
Total Capital Funds		117,235	115,604
Total Equity and Liabilities		125,161	122,921

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2005

Notes	2005	2004
	\$000	\$000
Cash Flows from Operating Activities		
Cash Was Provided From:		
Receipts from customers	20,666	19,308
Interest Received	481	378
	<u>21,147</u>	<u>19,686</u>
Cash was applied to:		
Payments to Suppliers, Employees and Customers	(15,053)	(12,903)
Income Tax Paid	(966)	(269)
Interest Paid	(1)	-
	<u>(16,020)</u>	<u>(13,172)</u>
Net Cash Flows from Operating Activities	<u>5,127</u>	<u>6,513</u>
Cash Flows from Investing Activities		
Cash was provided from:		
Proceeds From Sale of Fixed Assets	38	-
	<u>38</u>	<u>-</u>
Cash was Applied To:		
Purchase of Fixed Assets	(6,203)	(4,690)
Net Cash Flows from Investing Activities	<u>(6,165)</u>	<u>(4,690)</u>
Cash Flows from Financing Activities		
Cash Was Applied to:		
Payment of Dividend	(150)	(150)
Net Cash Flows from Financing Activities	<u>(150)</u>	<u>(150)</u>
Net Increase in Cash Held	<u>(1,188)</u>	<u>1,673</u>
Cash at Beginning of Year	6,508	4,835
Cash at End of Year	<u>5,320</u>	<u>6,508</u>

Reconciliation of Operating Surplus after Taxation with Cash Flows from Operating Activities

Operating Surplus after Taxation	1,781	1,112
Non Cash Items		
Depreciation	4,615	4,181
Change in Future Income Tax Benefits	512	(0)
Change in Non Current Employee Entitlements	35	(18)
Loss on Sale of Fixed Assets	8	13
	<u>6,951</u>	<u>5,287</u>
Movements in Working Capital Items		
(Increase)/Decrease in Accounts Receivable	(812)	112
Increase in Inventories	(1,074)	(241)
Increase in Accounts Payable	164	466
(Decrease)/Increase in Taxation Payable	(102)	889
	<u>(1,824)</u>	<u>1,226</u>
Net Cash Flows from Operating Activities	<u>5,127</u>	<u>6,513</u>

The accompanying notes form an integral part of these financial statements.

MARLBOROUGH LINES LIMITED - LINES BUSINESS**Financial Statements Prepared in Accord with the Electricity Information Disclosure Requirements 2004****NOTES TO THE FINANCIAL STATEMENTS****For The Year Ended 31 March 2005****1. STATEMENT OF ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with, and for the sole purpose of, requirement 6 of the Electricity Information Disclosure Requirements 2004. Accordingly these financial statements are for the Line Business Activities of Marlborough Lines Limited only. Marlborough Lines' contracting and investments business, with their associated revenue and costs, have been removed from these Financial Statements in accordance with the Requirements. These accounts are not comparable with the consolidated financial statements prepared and published with the Company's Annual Report. These accounts cannot and should not be used to assess the actual performance of the Company as they are prepared for the sole purpose of complying with the requirements. The contracting and other business activities which are removed from these accounts are required to function separately and produce commercial rates of return but will continue to be a core part of Marlborough Lines' activities.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

1.1 Goods and Services Tax (GST)

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 net of GST with the exception of receivables and payables which include GST.

1.2 Income Tax

Income tax expense recognises the current obligations and all amounts arising from differences between the accounting results and assessable income for the period. This is the liability method applied on a comprehensive basis.

1.3 Receivables

Receivables are stated at the amount they are expected to realise. An estimate for doubtful debts is made and bad debts are written off during the year in which they are identified.

1.4 Inventories

Inventories predominantly comprise network system spares and materials and are valued on the basis of the lower of cost and net realisable value. Cost is determined on the basis of weighted average of purchase costs. Due allowance is made for damaged and obsolete inventory. Work in progress comprises the cost of direct materials and labour together with chargeable overheads.

1.5 Plant, Property and Equipment and Depreciation

Distribution system assets are valued at depreciated replacement cost. Land and buildings are valued at net current value. All revaluation surpluses are transferred directly to the asset revaluation reserves.

All other plant property and equipment is recorded at cost. The cost of assets constructed by the Company includes all materials used in construction, direct labour and direct overheads.

Where commitments arise offshore for capital purchases the exchange rates are fixed forward to minimise foreign currency risk. Any exchange variations are included in the statement of financial performance.

Plant property and equipment is depreciated in order to write off the cost less any estimated residual value over the expected economic lives. Depreciation rates are as follows:

Buildings - Straight line over 40 to 70 years

Reticulation System - Straight line over 15 to 70 years

Plant Equipment and Motor Vehicles - Diminishing value basis 2 to 20 years

1.6 Research and Investigation Expenditure

Research and investigation costs are charged to expense in the year in which they are incurred.

Development expenditure is capitalised to the extent that future benefits are expected to accrue.

1.7 Employee Entitlements

Employee entitlements to salaries and wages, annual and long service leave and other benefits are recognised when they accrue to employees. Allowance is made for the present value of future staff retirement gratuity benefits. The calculations provide also for the probability of the employees completing the appropriate period of service.

1.8 Financial Instruments

Financial instruments carried in the statement of financial position include cash and bank balances, receivables and trade creditors. These instruments are generally carried at their estimated fair value. For example receivables are carried net of estimated doubtful receivables. The Company may also on occasions enter into foreign currency forward exchange contracts, in order to reduce exposure to fluctuations in foreign currency values in respect of equipment sourced offshore.

1.9 Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Monetary items receivable or payable in a foreign currency, other than those resulting from short term transactions covered by forward exchange contracts, are translated at balance date at the closing rate. For transactions covered by short term forward exchange contracts, the rates specified in those contracts are used as the basis for measuring and reporting the transaction. Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance.

1.10 Changes in Accounting Policies

All policies have been applied on a basis consistent with previous years.

	2005 \$000's	2004 \$000's
2. OPERATING REVENUE		
Other operating revenue includes:		
Donated Assets	1,932	1,800
Capital Contributions	481	426
Other operating revenue	27	8
	<u>2,440</u>	<u>2,234</u>
3. INCOME TAX		
3.1 Income Tax Expense		
Operating Surplus before Taxation	3,158	2,271
Add/(Deduct)		-
Non Deductible Costs	3,975	3,905
Non Assessable Revenue	(2,962)	(2,656)
Taxable Income	4,171	3,520
Taxation Charge @ 33%	1,376	1,162
Prior Year Under/(Over) Provision	-	(2)
Tax Expense	<u>1,376</u>	<u>1,159</u>
The Income Tax Expense is represented by:		
Tax Payable in Respect of the Current Year	856	1,159
Deferred Tax Liability	520	-
	<u>1,376</u>	<u>1,159</u>

	2005 \$000's	2004 \$000's
3.2 Future Income Tax Benefits / Deferred Taxation		
Balance at Beginning of Year	4,996	462
Prior Year Adjustments	(8)	-
Deferred Tax Arising on Revaluation	-	4,533
Deferred Tax Arising on Timing Differences	520	-
Balance at End of Year	5,508	4,996
4. EARNINGS PER SHARE		
Earnings per share is calculated by dividing the net surplus after taxation by the average number of shares on issue during the year.		
Average number of shares on issue	8,736	8,371
Net surplus per share	20 cents	13 cents
5. SHARE CAPITAL		
5.1 Marlborough Lines shares are held by the Trustees to the Marlborough Electric Power Trust.		
5.2 Issued and Paid up Capital ordinary \$1.00 shares	8,736	8,736
6. RETAINED EARNINGS / REVALUATION RESERVES		
Retained Earnings Balance at Beginning of Year	17,049	15,978
Net Surplus for the Year	1,781	1,112
Transfers to/from Other business	-	109
Dividends Provided	(150)	(150)
Retained Earnings Balance at End of Year	18,680	17,049
Revaluations Reserve Balance at Beginning of Year	89,819	-
Revaluations	-	89,819
Revaluations Reserve Balance at End of Year	89,819	89,819
Retained Earnings and Revaluations Reserve Balance at End of Year	108,499	106,723
Distribution system assets were revalued as at 1 April 2003 to depreciated replacement cost (DRC). This valuation was completed in accordance with the requirements of FRS 3 by PricewaterhouseCoopers and their valuation report is dated 11 May 2004. The company's land and building assets were also revalued to net current value. The total revaluation credit to reserves of \$94.352m was offset by a charge to deferred tax of \$4.533m representing the deferred tax liability on accumulated tax depreciation on revalued assets at 31 March 2003.		
The revaluation reserve comprises revaluations in the following categories:		
Land and Buildings	4,368	4,368
Reticulation System Assets	85,451	85,451
	89,819	89,819
7. ACCOUNTS RECEIVABLE		
The balance of Accounts Receivable comprises:		
Network and other trade debtors	1,520	1,225
GST Receivable	514	-
Total	2,034	1,225
8. CREDITORS AND ACCRUALS		
In current liabilities the balance of creditors and accruals comprises:		
Trade Creditors Including GST	1,417	1,318
Employee Entitlements (Annual Leave)	151	110
Total	1,568	1,428

		2005	2004
		\$000's	\$000's
9. PLANT PROPERTY AND EQUIPMENT			
9.1 Valuation			
The latest Government valuations for land and improvements dated September 2002 show the following values:			
Land		1,871	1,871
Improvements		3,827	3,827
9.2 Depreciation Charges			
Buildings		73	124
Reticulation System		3,889	3,724
Plant Equipment and Motor Vehicles		653	333
Total		4,615	4,181

		Valuation	Accumulated Depreciation	31 Mar 2005 Net Book Value
9.3				
	Land	3,201	-	3,201
	Buildings	5,967	(1,712)	4,255
	Reticulation System	110,239	(3,868)	106,371
	Plant and Equipment	4,228	(2,670)	1,558
	Motor Vehicles	285	(25)	260
	Capital Works in Progress	557	-	557
		124,477	(8,275)	116,202

Distribution system assets belonging to the company were revalued as at 1 April 2003 to depreciated replacement cost as assessed and certified by independent valuers PricewaterhouseCoopers. Land and buildings belonging to the company were revalued to net current value as at 1 April 2003 in accord with values provided by Ian Lyall and Chris Orchard of Hadley and Lyall Ltd. Upon revaluation a deferred tax liability totalling \$4.533m was created in respect of accumulated tax depreciation on revalued assets at 1 April 2003. The revaluation reserve balance at 31 March thus reflects the total revaluation adjustment of \$94.352m less the deferred tax adjustment of \$4.533m.

		Valuation	Accumulated Depreciation	31 Mar 2004 Net Book Value
	Land	3,200	0	3,200
	Buildings	4,358	100	4,258
	Reticulation System	109,505	3,782	105,723
	Plant and Equipment	2,830	2,064	766
	Motor Vehicles	348	220	128
	Capital Works in Progress	585	0	585
		120,826	6,166	114,660

		2005	2004
		\$000's	\$000's
9.4 Annual Valuation Reconciliation Report Year ending 31 March 2005 (Schedule 1 Part 8)			
System fixed assets at ODV at 31 March 2004		100,396	76,992
Add system fixed assets acquired during the Year at ODV		4,384	5,660
Less system fixed assets disposed of during the year at ODV		(349)	(892)
Less depreciation on system fixed assets at ODV		(3,936)	(3,847)
Add revaluations of system fixed assets		-	22,483
Equals system fixed assets at ODV at 31 March 2005		100,495	100,396

10. PROVISIONS

The following movements were recorded in provisions held by Marlborough Lines Limited during the 2004/2005 financial year.

	Opening balance	movement	Closing balance
Provision for Staff Leave	110	41	151
Provision for Retirement Gratuities	84	35	119

11. COMMITMENTS**11.1 Capital Commitments.**

Marlborough Lines capital expenditure committed to at balance date but not recognised in the financial statements

2005 \$000's	2004 \$000's
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2,021	968
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11.2 Lease Commitments

Commitments under present lease agreements over the next five years for the parent company are presently estimated as follows: less than 1 year - \$11,628, less than 2 years - \$11,628, 3-5 years - \$25,883, greater than 5 years - \$25,770. The Company will continue to incur lease costs for a number of substation and repeater sites beyond 2010.

12. CONTINGENT LIABILITIES

Marlborough Lines has no contingent liabilities as at 31 March 2005. (2004 Nil)

13. FINANCIAL INSTRUMENTS**13.1 Credit Risk**

Credit risk is the risk that an outside party will not be able to meet its obligations to the Company. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash deposits, short term deposits and trade receivables. The maximum credit risk is the book value of these financial instruments; however, the Company considers the risk of non-recovery of these amounts to be minimal. The Company places its cash deposits with high credit quality financial institutions. Credit risk exists in respect of accounts receivable. The Company is able to impose bond requirements on retailers trading across its network in accord with the use of system agreements held with the retailers.

13.2 Interest Rate Risk

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or lending. The Groups short term deposits are at fixed interest rates and mature within one year.

13.3 Currency Risk

Currency risk is the risk that amounts payable in foreign currencies will change due to movements in exchange rates. The Company enters into foreign currency forward exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on the purchase of specific plant and equipment items from overseas suppliers. Total cover under forward exchange contracts at balance date was \$nil (2004 - \$nil).

13.4 Fair Values

The carrying amount of cash, short term deposits and trade receivables reflect their fair values. The fair value of foreign currency forward exchange contracts represents the estimated amount the Company would receive on termination of the contract at balance date, thereby taking into account the unrealised gain of open contracts.

	2005 \$000's	2004 \$000's
14. <u>RELATED PARTIES</u>		
Transactions with these related parties are for the period 1 April 2004 to 31 March 2005. No related party debt has been written off or forgiven		
14.1 <u>Marlborough Electric Power Trust</u>		
The Trustees of the Marlborough Electric Power Trust hold all of the Company's shares. The Company may from time to time advance funds of a short term nature to the Trust; the Company also pays dividends to the same Trust.		
Dividends Paid to the Trust	150	150
Administrative Costs Charged to the Trust		-
Amounts Owed by the Trust to the Company as at 31 March		-
14.2 <u>Parties Associated with Directors</u>		
The company undertook one transaction with a party associated with a director of Marlborough Lines Limited. The transaction involved the provision of legal services. The transaction was at commercial rates.		
D W R Dew (Dew and Company)	<1	<1
14.3 <u>Marlborough Lines' Contracting business</u>		
The contracting division of Marlborough Lines Limited has provided the following services at commercial rates:		
Construction of sub transmission assets	5	9
Construction of zone substations	105	78
Construction of distribution lines and cables	286	191
Construction of medium voltage switchgear	24	15
Construction of distribution substations	20	23
Construction of low voltage reticulation	124	134
Maintenance of assets	1,191	1,103
Consumer Connections & Disconnections	-	-
Other services	535	697
The Contracting Division of Marlborough Lines Limited has paid for the following:		
Other services	94	109
At year end there were no outstanding balances (31 March 2004 nil)		
15. <u>EVENTS SUBSEQUENT TO BALANCE DATE</u>		
The Directors are not aware of any matter or circumstance since the end of the financial year not otherwise dealt with in these financial statements, that has or may significantly affect the operations of Marlborough Lines.		

MARLBOROUGH LINES LIMITED - LINES BUSINESS

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	3,158				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	3,158				
Interest on cash, bank balances, and short-term investments (ISTI)	481				
OSBIT minus ISTI	2,677	a	2,677		2,677
Net surplus after tax from financial statements	1,781				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	1,781	n		1,781	
Amortisation of goodwill and amortisation of other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,889				
Depreciation of SFA at ODV (y)	3,936				
ODV depreciation adjustment	-47	d	add -47	add -47	add -47
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	-158	q			deduct -158
Revaluations	0	r			add 0
Income tax	1,376	p			deduct 1,376
Numerator			2,630	1,734	1,412
			$OSBIT^{ADJ} = a+g+s+d$	$NSAT^{ADJ} = n+g+s^{*}+d$	$OSBIT^{ADJ} = a+g-q+r+s+d-p-s^{*}t$
Fixed assets at end of previous financial year (FA ₀)	114,660				
Fixed assets at end of current financial year (FA ₁)	116,202				
Adjusted net working capital at end of previous financial year (ANWC ₀)	325				
Adjusted net working capital at end of current financial year (ANWC ₁)	2,068				
Average total funds employed (ATFE)	116,628	c	116,628		116,628
Total equity at end of previous financial year (TE ₀)	115,604				
Total equity at end of current financial year (TE ₁)	117,235				
Average total equity	116,420	k		116,420	
WUC at end of previous financial year (WUC ₀)	585				
WUC at end of current financial year (WUC ₁)	557				
Average total works under construction	571	e	deduct 571	deduct 571	deduct 571
Revaluations	0	r			
Half of revaluations	0	r/2			deduct 0
Intangible assets at end of previous financial year (IA ₀)	0				
Intangible assets at end of current financial year (IA ₁)	0				
Average total intangible asset	0	m		deduct 0	
Subvention payment at end of previous financial year (S ₀)	0				
Subvention payment at end of current financial year (S ₁)	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA _{bv0})	108,037				
System fixed assets at end of current financial year at book value (SFA _{bv1})	108,730				
Average value of system fixed assets at book value	108,384	f	deduct 108,384	deduct 108,384	deduct 108,384
System Fixed assets at year beginning at ODV value (SFA _{odv0})	100,396				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	100,495				
Average value of system fixed assets at ODV value	100,445	h	add 100,445	add 100,445	add 100,445
Denominator			108,118	107,910	108,118
			$ATFE^{ADJ} = c-e-f+h$	$AveTE^{ADJ} = k-e-m+v-$	$ATFE^{ADJ} = c-e-1/2r-f+h$
			2.43	1.61	1.31
Financial Performance Measure:			$ROF = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$

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

MARLBOROUGH LINES LIMITED - LINES BUSINESS
PERFORMANCE MEASURES AND STATISTICS
Prepared in Accordance with The Electricity Information Disclosure Requirements 2004

REQUIREMENT 14 - FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

	2005	2004	2003	2002
1. Financial Performance Measures				
(a) Return on Funds	2.43%	1.96%	0.40%	-2.94%
(b) Return on Equity	1.61%	1.10%	-0.08%	-2.19%
(c) Return on Investment	1.31%	28.23%	5.14%	-4.34%
ROI Excluding Revaluations	1.31%	0.86%	-0.28%	-4.34%

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In 2004, Marlborough Lines changed its accounting policy in respect of the recognition of distribution assets vested from consumers, crediting the fair value of these assets together with capital contributions received to the Statement of Financial Performance.

The financial performance measures for 2003 and 2002 years have not been adjusted to reflect this change in accounting policy. Additionally, the performance measures for 2004 have been calculated using opening balances that have not been adjusted for this change.

2. Efficiency Performance Measures

(a) Direct Line Costs per Kilometre	\$1,082	\$1,005	\$752	\$1,016
(b) Indirect Line Costs per Consumer	\$144	\$117	\$104	\$101
- including one off acquisition cost			\$135	

REQUIREMENT 20 - ENERGY DELIVERY EFFICIENCY PERFORMANCE

MEASURES AND STATISTICS

	2005	2004	2003	2002
1. Energy Delivery Efficiency Performance Measures				
(a) Load Factor	68.0%	67.6%	67.3%	62.3%
(b) Loss Ratio	6.6%	5.9%	6.7%	5.7%
(c) Capacity Utilisation	22.5%	22.7%	23.8%	25.0%
2. Statistics				
(a) System Length Breakdown in Kilometres				kms
33kV	298	298	324	262
11kV	2,168	2,153	2,092	2,075
6.6kV	49	49	51	51
LV	654	641	706	663
Total	3,169	3,141	3,173	3,050
(b) Circuit Length of Overhead System in Kilometres				kms
33kV	294	294	320	258
11kV	2,090	2,080	2,013	2,010
6.6kV	49	49	51	51
LV	457	458	537	527
Total	2,890	2,881	2,921	2,845
(c) Circuit Length of Underground System in Kilometres				kms
33kV	4	4	4	4
11kV	78	72	79	65
6.6kV	-	-	-	-
LV	197	183	169	136
Total	279	260	252	205
(d) Transformer Capacity in kVA	256,327	241,193	231,853	222,362
(e) Maximum demand in kW	57,590	54,814	55,092	55,609
(f) Total Electricity Entering the System in kWh (before losses)	343,022,932	325,697,527	325,014,378	303,561,295
(g) Total Electricity Supplied from the System on behalf of each Generator and Retailer in kWh (after losses)				
Retailer B	214,611,503	206,965,060	217,894,998	216,073,128
Retailer C	55,678,936	58,077,922	59,720,229	57,955,341
Retailer D	1,881,472	1,508,728	1,674,182	2,482,763
Retailer E	-	-	-	2,928,427
Retailer F	16,249,036	8,414,488	1,412,667	2,640,299
Retailer G	31,858,823	31,455,535	22,665,538	4,280,802
Total	320,279,770	306,421,733	303,367,614	286,360,760
These energy volumes have been provided by energy retailers; Marlborough Lines cannot assure readers as to the accuracy of this information.				
(h) Total Consumers at year end	22,547	22,251	21,417	21,038
Average Consumers for year	22,399	21,834	21,228	20,922

Total Consumers includes a small number of installations where consumption is estimated on the basis of known load rather than recorded by metering equipment.

REQUIREMENT 21 - RELIABILITY PERFORMANCE MEASURES

		targets					
		2006-09	2006	2005	2004	2003	2002
<hr/>							
1.- 3.	Total Interruptions and Interruption Targets by Class						
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	181	181	259	277	241	159
(b)	Class C - MLL Unplanned	222	222	233	219	210	283
	Class D - Transpower Unplanned			6	11	3	1
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
	Total			498	507	454	443
<hr/>							
4.	Percentage of Class C Interruptions not Restored within -						
(a)	Three hours			27.9%	29.7%	21.4%	29.3%
(b)	24 hours			3.0%	3.2%	0.5%	2.8%
Faults (Class C) per 100 Kilometres							
5.	Total number of faults per 100 Kilometres						faults/100 km
	33 kV	2.0	2.1	2.3	3.0	0.9	3.8
	11kV	9.8	10.0	10.4	9.7	9.8	13.2
	6.6kV	-	-	-	4.1	2.0	-
	Total	8.6	8.8	9.3	8.8	8.5	11.9
<hr/>							
6.	Faults (Class C) per 100 Kilometres Underground						faults/100 km
	33 kV			-	-	-	-
	11kV			-	-	-	-
	Total			-	-	-	-
<hr/>							
7.	Faults (Class C) per 100 Kilometres Overhead						faults/100 km
	33 kV			2.4	3.1	0.9	3.9
	11kV			10.8	10.0	10.2	13.6
	6.6kV			-	4.1	2.0	-
	Total			8.6	9.0	8.8	12.2

		targets					
		2006-09	2006	2005	2004	2003	2002
8.	SAIDI - total interruptions			224.9	222.4	203.8	208.2
9.- 11.	SAIDI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	62.5	64.4	93.4	52.5	74.1	37.9
(b)	Class C - MLL Unplanned	109.9	113.2	119.8	141.2	125.7	148.0
	Class D - Transpower Unplanned			11.6	28.7	5.9	23.5
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
12.	SAIFI - total interruptions			2.5	3.4	2.1	2.8
13.- 15.	SAIFI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	0.3	0.3	0.4	0.3	0.3	0.2
(b)	Class C - MLL Unplanned	1.5	1.5	1.5	1.4	1.5	1.6
	Class D - Transpower Unplanned			0.6	1.7	0.3	1.0
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
16.	CAIDI - total interruptions			89.0	65.7	96.1	73.6
17.- 19.	CAIDI per interruption class						consumer minutes
	Class A - Transpower Planned			-	-	-	-
	Class B - MLL Planned	187.3	187.3	254.3	156.0	232.6	158.4
	Class C - MLL Unplanned	74.9	74.9	78.8	101.3	83.1	90.9
	Class D - Transpower Unplanned			18.2	17.3	19.0	24.0
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-

All SAIDI, SAIFI and CAIDI figures have been calculated from average, rather than year end, consumer numbers. This is the methodology prescribed in the Commerce Act (Electricity Industry Distribution Threshold) Notice 2004. Prior years figures have been restated in accord with that method although the changes are not material.



REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF MARLBOROUGH LINES LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2005

We have audited the attached financial statements of Marlborough Lines Limited Lines Business. The financial statements provide information about the past financial performance of Marlborough Lines Limited and its financial position as at 31 March 2005. This information is stated in accordance with the accounting policies.

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 Marlborough Lines Limited – Lines Business as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

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

The Auditor-General has appointed 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 Marlborough Lines Limited – Lines Business' 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.

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

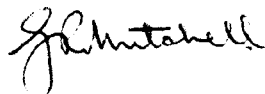
Deloitte**Unqualified Opinion**

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

In our opinion:

- proper accounting records have been maintained by Marlborough Lines Limited as far as appears from our examination of those records; and
- the attached financial statements of Marlborough Lines Limited – Lines Business;
 - a) comply with generally accepted accounting practice; and
 - b) give a true and fair view of Marlborough Lines Limited – Lines Business' financial position as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date; and
 - c) comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 16 August 2005 and our unqualified opinion is expressed as at that date.



G. R. Mitchell

Deloitte

On behalf of the Auditor-General

Wellington, New Zealand

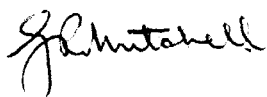
Deloitte**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
MARLBOROUGH LINES LIMITED – LINES BUSINESS**

We have examined the information being:

- (a) the derivation table in Requirement 15; and
- (b) the annual ODV reconciliation report in Requirement 16; and
- (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 Marlborough Lines Limited – Lines Business and dated 31 March 2005 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 except for requirement 14(2)b that requires comparative information for financial performance measures to be adjusted so as to be consistent with accounting policies applied in the current financial year. The non-compliance with requirement 14(2)b of the Commerce Commission's Electricity Information Disclosure Requirements 2004 impacts on the financial performance measures in Clause 1 of Part 3 of Schedule 1 as outlined on each schedule.



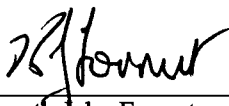
G. R. Mitchell
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand
16 August 2005

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

We, Kenneth John Forrest and David Scott Ferraby, directors of Marlborough Lines Limited certify that, having made all reasonable enquiry, to the best of our knowledge,-

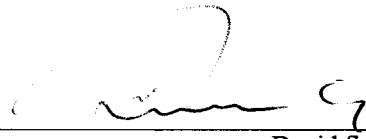
- (a) The attached audited financial statements of Marlborough Lines Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Marlborough Lines 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 2005.



Kenneth John Forrest
Managing Director

16 August 2005



David Scott Ferraby
Chairman

16 August 2005