SUPPLEMENT TO

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COUNTIES POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

COUNTIES POWER LIMITED – LINES BUSINESS ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

Counties Power Limited's electricity business for the year ended 31 March 2004 consisted of lines business activities, electrical contracting and other business activities. To provide the best service to customers these activities were undertaken as a single operation. Accordingly statutory financial reporting and management reporting do not distinguish between lines business and other activities. For the purposes of these financial statements the reporting entity has been established using the prescribed allocation methodology to provide accounting separation.

Note that the accompanying Statement of Accounting Policies and Notes form part of and are to be read in conjunction with these Financial Statements. The Financial Statements have been prepared solely for the purpose of complying with Requirement 6 (1) of the Electricity Information Disclosure Requirements 2004 and are not intended for any other purpose. Comparative figures were prepared under the Electricity (Information Disclosure) Regulations 1999.

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

We, Paul Giles Muir and Jeffrey Webster Wilson, directors of Counties Power Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

a) The attached audited financial statements of Counties Power Limited Lines Business 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 Counties Power Limited's Lines Business, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with the requirements of those Requirements.

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

P.G Muir
Chairman

J.W. Wilson
Director

17 December 2004

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REPORT OF THE AUDITOR-GENERAL

To the readers of the financial statements of Counties Power Limited - Lines Business

We have audited the accompanying financial statements of Counties Power Limited - Lines Business. The financial statements provide information about the past financial performance of Counties Power Limited – Lines Business and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out in the Statement of 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 Counties Power Limited - Lines Business as at 31 March 2004, and the results of operations and cash flows for the year ended on that date.

Auditors' 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 presented by the Directors and report that opinion to you.

The Auditor-General has appointed Graeme Pinfold of PricewaterhouseCoopers 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 Counties Power 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.

We have carried out other assignments for Counties Power Limited in the provision of other assurance services. Other than these assignments and in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in Counties Power Limited.

Auditors' Report

Counties Power Limited - Lines Business

Unqualified Opinion

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

In our opinion:

(a) proper accounting records have been maintained by Counties Power Limited – Lines Business as far as appears from our examination of those records; and

(b) the financial statements of Counties Power Limited – Lines Business:

- (i) comply with generally accepted accounting practice in New Zealand; and
- (ii) give a true and fair view of Counties Power Limited – Lines Business's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and
- (iii) comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 17 December 2004 and our unqualified opinion is expressed as at that date.

Graeme Pinfold
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand

Counties Power Limited – Lines Business
STATEMENT OF FINANCIAL PERFORMANCE
For the Year ended 31 March 2004

	Notes	31 March 2004 $000	31 March 2003 $000
TOTAL OPERATING REVENUE	(2)	26,325	25,818
TOTAL OPERATING EXPENDITURE	(3)	(22,033)	(22,276)
OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX		4,292	3,542
INTEREST EXPENSE	(3)	(112)	(331)
OPERATING SURPLUS BEFORE INCOME TAX		4,180	3,211
INCOME TAX CREDIT/(CHARGE)	(4)	(907)	(395)
NET SURPLUS AFTER TAX		3,273	2,816

STATEMENT OF MOVEMENTS IN EQUITY
For the Year Ended 31 March 2001

		31 March 2004 $000	31 March 2003 $000
Net surplus for Year		3,273	2,816
Increase in Revaluation Reserve	(6)	6,218	6,025
Total Recognised Revenues and Expenses		9,491	8,841
Dividend		(300)	(225)
Movements in Equity for Year		9,191	8,616
Equity at Beginning of Year		96,162	87,546
EQUITY AT END OF YEAR		**105,353**	**96,162**

Counties Power Limited – Lines Business
STATEMENT OF FINANCIAL POSITION
As at 31 March 2004

	Notes	31 March 2004 $000	31 March 2003 $000
CURRENT ASSETS			
Cash and bank balances		159	-
Short-term investments		-	-
Inventories		-	-
Accounts receivable	(7)	2,395	2,879
Other current assets		-	-
TOTAL CURRENT ASSETS		2,554	2,879
FIXED ASSETS	(10)	111,983	102,988
OTHER TANGIBLE ASSETS		-	-
TOTAL TANGIBLE ASSETS		114,537	105,867
INTANGIBLE ASSETS			
Goodwill		-	-
Other Intangibles		-	-
TOTAL INTANGIBLE ASSETS		-	-
TOTAL ASSETS		114,537	105,867
CURRENT LIABILITIES			
Bank Overdraft	(8)	-	56
Borrowings	(8)	-	3,743
Payables and accruals	(9)	2,610	2,706
Provision for dividend payable		-	-
Provision for income tax		-	-
Other current liabilities		-	-
TOTAL CURRENT LIABILITIES		2,610	6,505
NON-CURRENT LIABILITIES			
Payables and accruals		-	-
Borrowings	(8)	6,574	3,200
Deferred taxation	(4)	-	-
Other non-current assets		-	-
TOTAL NON-CURRENT LIABILITIES		6,574	3,200
SHAREHOLDERS' EQUITY			
Share capital	(5)	29,311	29,311
Retained earnings		23,686	20,713
Dividend proposed		-	
Asset revaluation reserve	(6)	52,356	46,138
TOTAL SHAREHOLDERS' EQUITY		105,353	96,162
MINORITY INTERESTS IN SUBSIDIARIES		-	-
CAPITAL NOTES		-	-
TOTAL CAPITAL FUNDS		105,353	96,162
TOTAL EQUITY AND LIABILITIES		114,537	105,867

Counties Power Limited – Lines Business
STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2004

	31 March 2004 $000	31 March 2003 $000
CASHFLOW FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	26,270	26,084
Interest from cash management	24	-
	26,294	26,084
Cash was applied to:		
Payments to suppliers and employees	(9,779)	(10,091)
Discounts credited	(7,493)	(7,438)
Income tax paid	(408)	(356)
Interest Paid	(112)	(331)
Net GST paid	(708)	(749)
	(18,500)	(18,965)
Net Cashflows from operating activities	7,794	7,119
CASHFLOW FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of plant & property	-	33
	-	33
Cash was applied to:		
Purchase and construction of fixed assets	(6,910)	(6,664)
	(6,910)	(6,664)
Net cash (used)/generated by investing activities	(6,910)	(6,631)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was applied to:		
Term Loan repayments	(369)	(319)
Dividend Paid	(300)	(225)
	(669)	(544)
Net cash (used)/generated by financing activities	(669)	(544)
Net increase/(decrease) in cash held	215	(56)
Add opening cash/(borrowings) brought forward	(56)	-
Ending cash/(overdraft) carried forward	159	(56)

RECONCILIATION OF NET OPERATING PROFIT AFTER TAXATION WITH CASH INFLOW FROM OPERATING ACTIVITIES

	31 March 2004 $000	31 March 2003 $000
Reported surplus after taxation	3,273	2,816
Add non-cash items:		
Depreciation	4,132	3,792
	4,132	3,792
Add item classified as investing activity		
Net (gain)/loss on disposal of fixed assets	1	2
	1	2
Movement in working capital:		
(Decrease)/Increase in accounts payable	(96)	220
(Increase)/Decrease in taxation receivable	499	39
(Increase)/Decrease in accounts receivable	(15)	250
	388	509
Net cash inflow/(outflow) from operating activities	7,794	7,119

Counties Power Limited – Lines Business
STATEMENT OF ACCOUNTING POLICIES
For the Year Ended 31 March 2004

1. STATEMENT OF ACCOUNTING POLICIES

ENTITY REPORTING

Counties Power's electricity business for the year ended 31 March 2004 consisted of lines business activities, electrical construction, garage workshop services and other related activities. To provide the best service to customers these activities were undertaken as a single operation. Accordingly statutory financial reporting and management reporting do not distinguish between lines business and other business activities. For the purposes of these financial statements the reporting entity has been established using the prescribed allocation methodology to provide accounting separation.

STATUTORY BASE

These financial statements are presented in accordance with Requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

MEASUREMENT BASE

The financial statements have been prepared on the historic cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

ACCOUNTING POLICIES

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

Revenue

Goods and Services
Sales comprise the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.

Lines revenue is charged to customers based mainly upon the volume of energy transmitted through lines. The volume of energy upon which invoicing is based, is advised to the Company by Electricity Retailers. This information is in turn based upon a combination of actual meter reads and assessments.

Investment Income

Interest and rental income are accounted for as earned.

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 invoiced.

Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract.

Accounts Receivable

Accounts receivable are stated at expected net realisable value after providing against debts where collection is doubtful.

Employee Entitlements

Employee entitlements to salaries and wages, annual leave, long service leave and other benefits are recognised when they accrue to employees.

Fixed Assets

Initial Recording

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of self-constructed assets includes the cost of all materials used in construction, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Revaluations

Distribution system assets, excluding meters and relays, are normally revalued to depreciated replacement cost at intervals of three years. A revaluation was undertaken as at 31 March 2004. Because the valuation as at 31 March 2003 was considered to no longer adequately represent current replacement costs an out of cycle revaluation was also undertaken as at that date. The next revaluation is anticipated to occur in the year ending 31 March 2007.

Impairment

Annually, the Directors assess the carrying value of major assets. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment, if any, is recognised in the statement of financial performance.

Depreciation

Fixed assets have been depreciated, so as to write off cost less estimated residual value over their estimated useful lives, on the following basis:

Electricity Distribution System	1.4% to 2.2% (45 to 70 years) straight line (SL) for lines, cables & zone substations 2.2% to 2.9% (35 to 45 years) SL for switchgear, distribution transformers, distribution substations, service connection equipment and most other distribution equipment other than voltage regulators (which are depreciated at 1.8%, 55 years SL)
Buildings	1% to 4% SL for the majority of buildings
Plant & Equipment	40% diminishing value (DV) for computer hardware and software 20% and 25% DV for other items
Motor Vehicles	20% and 25% DV for majority of vehicles

Estimated useful lives of Distribution System fixed assets were reviewed in conjunction with their revaluation to Depreciated Replacement Cost on 31 March 2004.

Intangible Assets - Research and Development

All research costs are recognised as an expense when incurred.

When a project reaches the stage where it is reasonably certain that further expenditure can be recovered through the processes or products produced, development expenditure is recognised as a development asset. The asset is amortised from the commencement of commercial production of the product or service to which it relates over the period of the expected benefit, which generally ranges from 5 to 10 years.

Taxation

The tax expense recognised for the year is based on the accounting surplus, adjusted for permanent differences between accounting and tax rules, and timing differences between accounting and tax rules that are not expected to crystallise in future periods. This is the partial basis for the calculation of deferred tax under the liability method.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

a) Cash is considered to be cash on hand, current accounts in banks net of bank overdrafts and short term deposits with banks.

b) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.

c) Financing activities are those activities that result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.

d) Operating activities include all transactions and other events that are not investing or financing activities.

Financial Instruments

Counties Power Limited Line Business had no financial instruments with off-balance sheet risk during or at the end of the year (2003 Nil).

CHANGES IN ACCOUNTING POLICY

During the year there have been no changes in accounting policies.

Counties Power Limited – Lines Business
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2004

2. OPERATING REVENUE

	2004 $000	2003 $000
Revenue from lines/access charges	24,275	24,223
Revenue from "Other" Business for services carried out by the lines business	-	-
Interest on cash, bank balances and short-term investments	24	-
AC loss-rental rebates	980	644
Other operating revenue	1,046	951
Total Operating Revenue	26,325	25,818

3. OPERATING EXPENDITURE

	2004 $000	2003 $000
Transmission charges	4,941	5,040
Transfer payments to the "Other" business for -		
Asset maintenance	1,331	1,493
Consumer disconnection/reconnection services	-	-
Meter data	-	-
Consumer based load control services	-	-
Royalty and patent expenses	-	-
Avoided transmission charges on account of own generation	-	-
Other goods and services provided by "Other" business	-	-
Total transfer payment to the "Other" business	1,331	1,493
Expense to entities that are not related parties for -		
Asset maintenance	589	795
Consumer disconnection/reconnection services	77	94
Meter data	-	-
Consumer based load control services	-	-
Royalty and patent expenses	-	-
Total of specified expenses to non-related parties	666	889
Employee salaries, wages and redundancies	1,545	1,698
Consumer billing and information system expense		-
Depreciation on -		
System fixed assets	3,473	3,018
Other assets not listed	659	774
Total depreciation	4,132	3,792

Amortisation of -		
Goodwill	-	-
Other intangibles	-	-
Total amortisation of intangibles	-	-
Corporate and administration	659	313
Human resource expenses	111	127
Marketing/advertising	70	131
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	239	280
Donations		-
Directors' fees	112	108
Auditors' fees -		
Audit fees paid to principal auditors	38	38
Audit fees paid to other auditors	-	-
Fees paid for other services provided by the principal & other auditors	64	22
Total auditors' fees	102	60
Cost of offering credit -		
Bad debts written off	6	21
Increase in estimated doubtful debts	42	-
Total cost of offering credit	48	21
Local authority rates expense	88	18
AC loss-rental rebates (distribution to retailers/customers) expense		
Customer discounts	7,162	7,514
Subvention payments	-	-
Unusual expenses	-	-
Loss on disposal of fixed assets	1	2
(Gain) on disposal of fixed assets	-	-
Other expenditure not listed	826	790
Total Operating Expenditure	22,033	22,276
Interest Expense:		
Interest expense on borrowings	112	331
Financing charges related to finance leases	-	-
Other interest expense	-	-
Total Interest Expense	112	331

4. TAXATION

	2004 $000	2003 $000
Accounting profit before taxation	4,180	3,211
Prima facie taxation @ 33%	1,379	1,059
Plus/(less) taxation effect of:		
Over/(Under)estimation in prior year	74	51
Other items treated as permanent differences	(546)	(715)
Income Tax Charge/(Credit) to Net Operating Surplus	907	395

The taxation charge is represented by:

Current Taxation	907	395
Deferred Taxation	-	-
	907	395

The Lines Business has a potential deferred tax liability net of future tax benefits of $15,122,000 (2003 $12,764,000). This liability is not expected to crystallise and has therefore not been recognised in the financial statements, in accordance with the business's accounting policy.

Imputation credit account:

Balance as at 1 April 2003	3,092	2,593
Overestimation in prior year	(21)	-
Income tax payments/(benefit from operating deficit) during the period:		
Lines Business	711	357
Other Business	(361)	290
Imputation credits attached to dividends paid to shareholders:		
Lines Business	(148)	(111)
Other Business	-	(37)
Balance as at 31 March 2004	3,273	3,092

Imputation credits are recorded for both the Lines and Other Businesses, as the two businesses operate as a single legal and tax entity. As a consequence all imputation credits are available for utilisation by either or both businesses.

5. SHARE CAPITAL

	2004 $000	2003 $000
Issued and Paid In Capital: 15,000,000 Ordinary Shares	29,311	29,311

6. ASSET REVALUATION RESERVE

	2004 $000	2003 $000
BALANCE AT BEGINNING OF YEAR	46,138	40,113
Revaluation	6,218	6,025
BALANCE AT END OF YEAR	52,356	46,138

7. ACCOUNTS RECEIVABLE

	2004 $000	2003 $000
Trade Debtors	2,189	2,201
Prepayments	206	163
Other Debtors	-	16
Tax Refund Due	-	499
	2,395	2,879

8. BORROWINGS

	2004 $000	2003 $000
CURRENT		
Bank Overdraft	-	56
Loan from Other Business	-	3,743
Term Loan – Current Portion	-	-
	-	3,799
NON-CURRENT		
Multi-Option Credit Facility	6,574	3,200
	6,574	6,999

None of the borrowings are secured over the assets of the Company, although a negative pledge agreement exists. The Multi-Option Credit Facility is a five-year revolving credit facility for $21.0 million expiring in December 2007. The facility reduces by $2.0 million per annum commencing 2004.

The weighted average interest rate on external borrowings was 5.4% (2003 6.0%). Interest has been charged in respect of the loan provided by the Other Business at the rate of 6.0% (2003 6.0%).

9. PAYABLES AND ACCRUALS

	2004 $000	2003 $000
Accounts Payable	2,400	2,569
GST Payable	57	-
Accrued Payroll	153	137
	2,610	2,706

10. FIXED ASSETS

	Cost/Valuation $000	Accumulated Depreciation $000	Net Book Value $000
		2004	
System fixed assets:			
At cost	-	-	-
At valuation	106,860	-	106,860
Capital works under construction	439	-	439
Motor vehicles	483	295	188
Consumer billing & information systems	601	589	12
Office equipment	5,061	3,598	1,463
Land	1,125	-	1,125
Buildings	2,728	832	1,896
Other fixed assets			
	117,297	5,314	111,983
		2003	
System fixed assets:			
At cost	-	-	-
At valuation	98,671	-	98,671
Capital works under construction	413	-	413
Motor vehicles	450	292	158
Consumer billing & information systems	601	573	28
Office equipment	4,515	3,353	1,162
Land	895	-	895
Buildings	2,440	779	1,661
Other fixed assets	-	-	-
	107,985	4,997	102,988

Valuation Information

Distribution System Assets
Distribution system assets, excluding meters and relays, were revalued to $106,860,000 at 31 March 2004. As the fair value of the assets is not able to be reliably determined using market based evidence the valuation was prepared on a depreciated replacement cost basis. The valuation was prepared by Sinclair Knight Merz Limited.

Land and Buildings
The major property holding of the Company comprises the depot complex at Glasgow Road and Nelson Street, Pukekohe. Other property held mainly comprise electricity substation sites. The majority of properties were valued as at 1 July 2003 by Value and Management Services Limited as part of a General Revaluation by the Franklin District Council. Quotable Value New Zealand also completed two valuations on behalf of the Papakura District Council.

The values of these properties were:

	2004 $000	2003 $000
Net Book Value		
Glasgow Road Complex	1,737	1,755
Other Land & Buildings	1,284	800
	3,021	2,555
Valuation		
Glasgow Road Complex	2,785	2,056
Other Land & Buildings	1,984	1,460
	4,769	3,516

11. OPERATING LEASE COMMITMENT

Counties Power Limited Lines Business had no operating lease commitments (2003 Nil).

12. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Counties Power Limited Lines Business had commitments for future capital expenditure at 31 March 2004 totaling $262,000 (2003: $331,000).

There were no material contingent liabilities at 31 March 2004 (2003 Nil).

13. FINANCIAL INSTRUMENTS

(A) Nature of activities and management policies with respect to financial instruments.

(i) The company incurs credit risk from transactions with trade debtors and financial institutions in the normal course of business. At balance date the company had a significant concentration of credit risk relating to the amount receivable from Electricity Retailers. The company has a programme to manage this risk concentration, including monitoring the credit status of the major debtor, adhering to specific credit policy requirements and having the contractual ability to require security to be provided by these customers under certain circumstances.

The maximum estimated credit exposure in respect of trade debts is:

- Total asset class - $2.2 million (2003 $2.2 million)
- Debts subject to significant debt concentration risk - $1.8 million (2003 $1.8 million)

The company does not generally require collateral or security to support financial instruments other than as outlined above, due to the quality of the financial institutions dealt with.

(ii) The company does not generally undertake any transactions denominated in foreign currencies apart from the purchase of distribution system equipment and does not hold any long term borrowings.

(B) Fair Values

Cash and Liquid Deposits, Short and Long Term Loans, Accounts Payable and Receivable.

The carrying value of these items is equivalent to their fair value.

14. RELATED PARTY TRANSACTIONS

(a) The Lines business enters into transactions with the "Other" Business. The relationship is managed on an arms length basis, with significant contracts generally awarded by the Lines business on a competitive tendering basis.

(b) & (c)
The services provided by the "Other" Business generally include normal electrical construction, maintenance and fault response services related to the Lines business electrical network.

(d) Services provided were in the following categories and at total prices as indicated in $000:

	2004 $000	2003 $000
Construction of subtransmission assets	38	11
Construction of zone substations	-	-
Construction of distribution lines and cables	714	1,025
Construction of medium voltage switch gear	-	-
Construction of distribution transformers	388	353
Construction of distribution substations	194	83
Construction of low voltage reticulation	306	150
Construction of other system fixed assets	15	14
Maintenance of assets	1,331	1,493

(e) Services were provided throughout the financial year.

(f) There were no outstanding trade balances owing at year-end for services performed by the Other business for the Lines business, as payment is effected by way of accounting entry at the end of each month. Loan funding was provided by the Other business to the Lines Business, as disclosed in Note 8. As the Lines and Other Businesses operate as a single legal entity no formal loan documentation is prepared in respect of loans between them. The loan has been treated in the Lines Business financial statements as being on-call.

(g) No debts arising from related party transactions have been written off or forgiven during the year.

(h) No transactions were undertaken at a nil or nominal value, other than minor items as would occur in a normal arms length relationship.

15. OPTIMISED DEPRIVAL VALUE VALUATION

The ODV valuation of Counties Power Limited Lines Business Distribution System assets was calculated at $109,276,000 at 31 March 2004 by Sinclair Knight Merz Limited. This valuation has been used as the basis for calculation of financial performance measures on pages 22 and 23.

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AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF COUNTIES POWER LIMITED – LINES BUSINESS

We have examined the attached information, being:-

(a) a derivation table in requirement 15;
(b) an annual ODV reconciliation report in requirement 16; and
(c) financial performance measures in clause 1 of Part 3 of Schedule 1; and
(d) financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1

that were prepared by Counties Power Limited – lines business and dated 17 December 2004 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.

Graeme Pinfold
PricewaterhouseCoopers
On behalf of the Auditor-General
Auckland, New Zealand
17 December 2004

Counties Power Limited – Lines Business
Derivation Table of Financial Performance Measures from Financial Statements
Pursuant to Requirement 15 of the Electricity Information Disclosure Requirements 2004 Schedule 1 Part 7
For the Year Ended 31 March 2004

Derivation Table	Input and Calculations	Symbol in formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	4,292							
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIIT)	4,292							
Interest on cash, bank balances, and short-term investments (ISTI)	0							
OSBIIT minus ISTI	4,292	a		4,292				4,292
Net surplus after tax from financial statements	3,273							
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	3,273	n				3,273		0
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)	3,473							
Depreciation of SFA at ODV (y)	3,134							
ODV depreciation adjustment	339	d	add	339	add	339	add	339
Subvention payment tax adjustment	0	s*t			deduct	0	deduct	0
Interest tax shield	37	q					deduct	37
Revaluations	14,414	r					add	14,414
Income tax charge	907	p					deduct	907
Numerator			$OSBIIT^{ADJ} = a+g+s+d$	4,631	$NSAT^{ADJ} = n+g+s-s*t+d$	3,612	$OSBIIT^{ADJ} = a+g-q+r+s+d-p-s*t$	18,101
Fixed assets at end of previous financial year (FA_0)	102,988							
Fixed assets at end of current financial year (FA_1)	111,983							
Adjusted net working capital at end of previous financial year ($ANWC_0$)	173							
Adjusted net working capital at end of current financial year ($ANWC_1$)	(215)							
Average total funds employed (ATFE)	107,465 (or requirement 32 time-weighted average)	c		107,465				107,465
Total equity at end of previous financial year (TE_0)	96,162							
Total equity at end of current financial year (TE_1)	105,353							
Average total equity	100,758 (or requirement 32 time-weighted average)	k				100,758		
WUC at end of previous financial year (WUC_0)	413							
WUC at end of current financial year (WUC_1)	439							
Average total works under construction	426 (or requirement 32 time-weighted average)	e	deduct	426	Deduct	426	deduct	426
Revaluations	14,414	r						
Half of revaluations	7,207	R/2					deduct	7,207
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 (or requirement 32 time-weighted average)	m			add	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})	98,671							
System fixed assets at end of current financial year at book value (SFA_{bv1})	106,860							
Average value of system fixed assets at book value	102,766 (or requirement 32 time-weighted average)	f	deduct	102,766	deduct	102,766	deduct	102,766
System Fixed assets at year beginning at ODV value (SFA_{odv0})	92,553							
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	109,276							
Average value of system fixed assets at ODV value	100,914 (or requirement 32 time-weighted average)	h	add	100,914	add	100,914	add	100,914
Denominator			ATFEADJ = c-e-f+h	**105,187**	Ave TEADJ = k-e-m+v-f+h	**98,480**	ATFEADJ = c-e-½r-f+h	**97,980**
Financial Performance Measure:			ROF = $OSBIIT^{ADJ}/ATFE^{ADJ}$ x 100	**4.4**	ROE = $NSAT^{ADJ}/ATE^{ADJ}$ x 100	**3.7**	ROI = $OSBIIT^{ADJ}/ATFE^{ADJ}$ x 100	**18.5**

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

Counties Power Limited – Lines Business
1 April 2003 to 31 March 2004

1. **Financial Performance Measures**

		2004	2003	2002	2001
(a)	Return on funds, being operating surplus before interest and income tax (as adjusted), divided by average total funds employed (as adjusted).	4.4%	3.7%	5.2%	6.2%
(b)	Return on equity, being net surplus after tax (as adjusted), divided by average total equity (as adjusted)	3.7%	3.2%	7.5%	5.4%
(c)	Return on investment	18.5%	3.2%	6.8%	4.8%

2002 Return on Equity and Return on Investment measures increased as a result of a one time tax credit being recorded. This was caused by changing from the comprehensive to the partial method of accounting for income tax.

2. **Efficiency Performance Measures**

		2004	2003	2002	2001
(a)	Direct line costs per kilometre	$1,080	$1,099	$926	$947
(b)	Indirect line cost per consumer (excluding customer discounts as an indirect cost)	$72	$75	$68	$72

3. **Annual Valuation Reconciliation Report – Year Ending 31 March 2004**

	$000
System fixed assets at ODV – end of the previous financial year	92,553
Add system fixed assets acquired during the year at ODV	5,443
Less system fixed assets disposed of during the year at ODV	-
Less depreciation on system fixed assets at ODV	(3,134)
Add revaluations of system fixed assets	14,414
Equals system fixed assets at ODV – end of the financial year	109,276

		2004	2003	2002	2001
(a)	Load Factor (= [a/bc]*100/1)	63.50%	63.02%	55.62%	60.06%
	where -				
	a = Kwh of electricity entering system during the financial year	446,959,536	441,116,412	418,091,000	409,297,000
	b = Maximum Demand	80,128	79,902	85,808	77,800
	c = Total number of hours in financial year	8,784	8,760	8,760	8,760

		2004	2003	2002	2001
(b)	Loss Ratio (= a/b*100/1)	6.49%	7.21%	7.19%	7.38%
	where -				
	a = losses in electricity in kWh	28,987,536	31,789,933	30,062,000	30,196,000
	b = Kwh of electricity entering system during the financial year	446,959,536	441,116,412	418,091,000	409,297,000

		2004	2003	2002	2001
(c)	Capacity Utilisation (= a/b*100/1)	31.97%	30.96%	36.09%	33.83%
	where -				
	a = Maximum Demand	80,128	79,902	85,808	77,800
	b = Transformer Capacity	250,657	258,069	237,730	229,975

Statistics		Nominal Voltage	2004	2003	2002	2001
(a)	System Length (Total) (kms)					
		110kV	17.60	17.29	17.00	17.00
		66kV	0	0	0	0
		50kV	0	0	0	0
		33kV	150.20	158.11	151.24	151.00
		22kV	212.70	227.55	190.57	172.00
		11kV	1,681.40	1,620.62	1,618.15	1,599.00
		6.6kV	0	0	0	0
		3.3kV	0	0	0	0
		230/400 V	1,184.10	1,282.94	1,408.5	1,408.00
		Other	0	0	0	0
		Total	3,246.00	3,306.51	3,385.46	3,347.00
(b)	Circuit Length (Overhead) (kms)					
		110kV	17.60	17.29	17.00	17.00
		66kV	0	0	0	0
		50kV	0	0	0	0
		33kV	148.70	156.64	150.50	151.00
		22kV	205.50	171.45	140.63	126.00
		11kV	1,542.90	1,562.33	1,559.80	1,541.00
		6.6kV	0	0	0	0
		3.3kV	0	0	0	0
		230/400 V	887.00	991.42	1,117.00	1,120.00
		Other	0	0	0	0
		Total	2,801.70	2,899.13	2,984.93	2,955.00
(c)	Circuit Length (Underground) (kms)					
		110kV	0	0	0	0
		66kV	0	0	0	0
		50kV	0	0	0	0
		33kV	1.50	1.47	0.74	0
		22kV	7.20	56.10	49.95	46.00
		11kV	138.50	58.29	58.35	58.00
		6.6kV	0	0	0	0
		3.3kV	0	0	0	0
		230/400 V	297.10	291.52	291.50	288.00
		Other	0	0	0	0
		Total	444.30	407.38	400.54	392.00
(d)	Transformer Capacity (kVA)		250,657	258,069	237,730	229,975
(e)	Maximum Demand (kWh)		80,128	79,902	85,808	77,800
(f)	Total Electricity Entering the System (before losses of electricity) in kilowatt hours		446,959,536	441,116,412	418,091,000	409,297,000

	Statistics		Name of retailer/ generator	2004	2003	2002	2001
(g)	Total amount of electricity (in kilowatt hours) supplied from the system, (after losses of electricity) on behalf of each person that is an electricity generator or electricity retailer or both:		Retailer A	299,662,441	300,384,317	297,017,000	303,914,000
			Retailer B	14,319,594	16,263,280	20,080,000	40,130,000
			Retailer C	30,712,143	21,967,606	0	5,700,000
			Retailer D	17,629,477	18,752,772	42,408,000	8,826,000
			Retailer E	12,892,876	13,824,325	17,118,000	14,369,000
			Retailer F	1,440,000	1,440,000	0	1,513,000
			Retailer G	8,158,740	6,827,215	11,406,000	4,162,000
			Retailer H	33,156,729	29,866,964	0	487,000
			Other				
		in kWh	TOTAL	417,972,000	409,326,479	388,029,000	379,101,000
(h)	Total number of consumers		Number	32,781	31,214	30,817	30,546

DISCLOSURE OF RELIABILITY PERFORMANCE MEASURES PURSUANT TO REQUIREMENT 21 OF THE ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004 SCHEDULE 1 PART 5

	Interruptions	Class	Average Interruption Targets 2005/09	Interruption Targets 2005	Actual Interruptions 2004	2003	2002	2001
1 to 3								
		Class A						0
	Planned Interruptions	Class B	32	35	33	48	72	234
	Unplanned Interruptions	Class C	100	110	162	132	98	113
		Class D			0	0	0	0
		Class E			0	0	0	0
		Class F			0	0	0	0
		Class G			0	0	0	0
		Class H			0	0	0	0
		Class I			0	0	0	0
		Total			195	180	170	347

		Within 3 Hours	Within 24 Hours
4	Proportion of Total Class C Interruptions not restored: (= a/b*100/1) where -		
	a = No. of interruptions not restored within	30	0
	b = Total number of Class C interruptions	162	162
	Proportion expressed as a percentage	18.52%	0.00%

Faults		Average Faults Targets	Faults Targets	Actual number of faults			
5		2005/09	2005	2004	2003	2002	2001
Faults per 100 circuit kilometres of prescribed voltage electric line							
Input faults for each nominal voltage	Nominal Voltage						
	110kV	0	0	0	0	0	0
	66kV	0	0	0	0	0	0
	50kV	0	0	0	0	0	0
	33kV	6.0	6.5	8.7	7.0	11	6
	22kV	6.5	6.5	8.9	4.0	6	2
	11kV	7.2	7.2	7.7	7.2	5	6
	6.6kV	0	0	0	0	0	0
	3.3kV	0	0	0	0	0	0
	230/400 V	0	0	0	0	0	0
	Other	0	0	0	0	0	0
	Other	0	0	0	0	0	0
	Other	0	0	0	0	0	0
	Total	7.0	7.0	7.9	6.8	6	6

		Actual number of faults			
6		2004	2003	2002	2001
Faults per 100 circuit kilometres of underground prescribed voltage electric line					
	Nominal Voltage				
	110kV	0	0	0	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	0	0	0	0
	22kV	0	0	0	0
	11kV	0	2.7	2	3
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	0	0	0	0
	Other	0	0	0	0
	Other	0	0	0	0
	Other	0	0	0	0
	Total	0	1.4	2	3

		Actual number of faults			
7		2004	2003	2002	2001
Faults per 100 circuit kilometres of overhead prescribed voltage electric line					
	Nominal Voltage				
	110kV	0	0	0	0
	66kV	0	0	0	0
	50kV	0	0	0	0
	33kV	8.7	7.0	11	6
	22kV	9.3	5.2	2	2
	11kV	8.4	7.3	6	6
	6.6kV	0	0	0	0
	3.3kV	0	0	0	0
	230/400 V	0	0	0	0
	Other	0	0	0	0
	Total	8.5	7.0	6	6

SAIDI	**Class**	**Average SAIDI Targets 2005/09**	**SAIDI Targets 2005**	**Actual SAIDI 2004**	**2003**	**2002**	**2001**
SAIDI for total number of interruptions (= a/b)				96.45	92.03	61.69	132.00
where -							
a = sum of interruption duration factors for all interruptions							
b = Total consumers							
SAIDI Targets (=a/b)							
Planned Interruptions	Class B	8	9				
Unplanned Interruptions	Class C	66	67				
where-							
Planned Interruptions (pi)	Class B						
a^{pi} = sum of interruption duration factors for all interruptions		290,984	303,876				
Unplanned Interruptions (ui)	Class C						
a^{ui} = sum of interruption duration factors for all interruptions		2,400,618	2,262,188				
b = Projected total consumers		36,373	33,764				
SAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			3.39	12.59	13.46	54.00
	Class C			93.06	79.44	48.23	78.00
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	SAIDI for total of interruptions			96.45	92.03	61.69	132.00
where -							
a = sum of interruption duration factors for all interruptions within the particular interruption class							
	Class A			0	0	0	0
	Class B			111,128	392,984	414,797	1,649,484
	Class C			3,050,600	2,479,640	1,486,304	2,382,588
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
b = Total consumers				32,781	31,214	30,817	30,546

SAIFI	Class	Average SAIFI Targets 2005/09	SAIFI Targets 2005	Actual SAIFI 2004	2003	2002	2001
SAIFI for total number of interruptions (= a/b)				2.72	2.64	2.20	2.64
Where -							
a = sum of electricity consumers affected by each of those interruptions							
b = Total consumers							
SAIFI Targets (=a/b)							
Planned Interruptions	Class B	0.03	0.03				
Unplanned Interruptions	Class C	2.23	2.25				
Where-							
Planned Interruptions (pi)	Class B						
a^{pi} = projected number of electricity consumers affected by each of those interruptions		1,091	900				
Unplanned Interruptions (ui)	Class C						
a^{ui} = projected number of electricity consumers affected by each of those interruptions		81,112	75,969				
b = Projected total consumers		36,373	33,764				
SAIFI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			0.03	0.09	0.10	0.47
	Class C			2.69	2.55	2.10	2.17
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	SAIFI for total of interruptions			2.72	2.64	2.20	2.64
where -							
a = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			983	2,809	3,081	14,357
	Class C			88,181	79,596	64,715	66,285
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	3	3	0
b = Total consumers				32,781	31,214	30,817	30,546

CAIDI	Class	Average CAIDI Targets 2005/09	CAIDI Targets 2005	Actual CAIDI 2004	2003	2002	2001
CAIDI for total number of interruptions (= a/b) where - a = sum of interruption duration factors for all interruptions b = sum of electricity consumers affected by each of those interruptions				35.46	34.86	28	50
CAIDI Targets (=a/b)							
Planned Interruptions	Class B	267	338				
Unplanned Interruptions	Class C	30	30				
where-							
Planned Interruptions (pi)	Class B						
a = sum of interruption duration factors for all interruptions		290,984	303,876				
b = projected number of electricity consumers affected by each of those interruptions		1,091	900				
Unplanned Interruptions (ui)	Class C						
a = sum of interruption duration factors for all interruptions		2,400,618	2,262,188				
b = projected number of electricity consumers affected by each of those interruptions		81,112	75,969				

CAIDI	Class	Average CAIDI Targets 2005/09	CAIDI Targets 2005	Actual CAIDI 2004	2003	2002	2001
CAIDI for total number of interruptions within each interruption class (= a/b)							
	Class A			0	0	0	0
	Class B			113.00	139.89	135	115
	Class C			34.59	31.15	23	36
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	CAIDI for total of interruptions			35.46	34.86	28	50
Where -							
a = sum of interruption duration factors for all interruptions							
	Class A			0	0	0	0
	Class B			111,128	392,984	414,797	1,649,484
	Class C			3,050,600	2,479,640	1,486,304	2,382,588
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	Total			3,161,728	2,872,624	1,901,101	4,032,072
b = sum of electricity consumers affected by each of those interruptions within that interruption class							
	Class A			0	0	0	0
	Class B			983	2,809	3,081	14,357
	Class C			88,181	79,596	64,715	66,285
	Class D			0	0	0	0
	Class E			0	0	0	0
	Class F			0	0	0	0
	Class G			0	0	0	0
	Class H			0	0	0	0
	Class I			0	0	0	0
	Total			89,164	82,405	67,796	80,642

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