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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 2004**

	Notes	2004 \$000	2003 \$000
Operating Revenue			
Revenue from line/access charges		16,316	15,554
Revenue from "Other" business for services carried out by the line business		109	460
Interest on cash, bank balances and short term investments		378	228
AC loss-rental rebates		524	391
Other operating revenue	2	2,234	264
Total Operating Revenue		19,561	16,897
Operating Expenditure			
Payment for transmission charges		3,229	3,315
Transfer payments to the "Other" business for:			
Asset maintenance		1,103	1,268
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		43	35
Royalty and patent expenses		-	-
Avoided transmission charges on account of own generation		-	-
Other goods and services		625	407
Total transfer payment to the "Other" business		1,771	1,710
Expense to entities that are not related parties for:			
Asset maintenance		658	630
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		-	-
Royalty and patent expenses		-	-
Total of specified expenses to non-related parties		658	630
Employee salaries, wages and redundancies		1,585	1,429
Consumer billing and information system expense		307	142
Depreciation on:			
System fixed assets		3,794	1,408
Other assets		387	300
Total depreciation	10	4,181	1,708
Amortisation of:			
Goodwill		-	-
Other intangibles		-	-
Total amortisation of intangibles		-	-
Corporate and administration		470	582
Human resource expenses		240	221
Marketing/advertising		79	111
Merger and acquisition expenses		-	-
Takeover defence expenses		-	-
Research and development expenses		-	-
Consultancy and legal expenses		92	118
Donations		31	10
Directors' fees		150	149

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

STATEMENT OF FINANCIAL PERFORMANCE (continued)**For the Year Ended 31 March 2004**

	Notes	2004 \$000	2003 \$000
Auditors' fees:			
Audit fees paid to principal auditors		42	38
Audit fees paid to other auditors		-	-
Fees paid for other services provided by principal and other auditors		8	9
Total auditors' fees		50	47
Costs of offering credit:			
Bad debts written off		(3)	(3)
Increase in estimated doubtful debts		-	-
Total cost of offering credit		(3)	(3)
Local authority rates expense		69	67
AC loss-rentals rebates expense		-	-
Discount to consumers		4,000	4,001
Subvention payments		-	-
Unusual expenses		-	-
Other expenditure		381	775
Total Operating Expenditure		17,290	15,012
Operating Surplus Before Interest and Income Tax		2,271	1,885
Interest Expense			
Interest expense on borrowings		-	-
Financing charges related to finance leases		-	-
Other interest expense		-	2
Total Interest Expense		-	2
Operating Surplus Before Income Tax		2,271	1,883
Income Tax	3	1,159	605
Net Surplus After Tax		1,112	1,278

STATEMENT OF MOVEMENTS IN EQUITY**For the Year Ended 31 March 2004**

	Notes	2004 \$000	2003 \$000
Equity At Beginning Of Year		23,984	22,946
Net Surplus For Year		1,112	1,278
Revaluations	6	89,819	-
Total Recognised Revenues And Expenses For The Period		90,931	1,278
Dividend Provided		(150)	-
Transfer Of Non Lines Assets		839	(240)
Equity At End Of Year		115,604	23,984

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2004

	Notes	2004 \$000	2003 \$000
Current Assets			
Cash and bank balances		6,508	4,835
Short-term investments		-	-
Inventories	8	528	287
Accounts receivable	7	1,225	1,337
Other current assets		-	-
Total Current Assets		8,261	6,459
Fixed Assets			
System fixed assets		108,037	15,539
Consumer billing and information system assets		286	110
Motor vehicles		128	79
Office equipment		153	380
Land and buildings		5,144	2,436
Capital works under construction		585	383
Other fixed assets		327	44
Total Fixed Assets	10	114,660	18,971
Other Tangible Assets		-	-
Total Tangible Assets		122,921	25,430
Intangible Assets			
Goodwill		-	-
Other intangibles		-	-
Total Intangible Assets		-	-
Total Assets		122,921	25,430
Current Liabilities			
Bank overdraft		-	-
Short-term borrowings		-	-
Payables and accruals	9,11	1,428	962
Provision for dividends payable		-	-
Provision for income tax	3	809	(80)
Other current liabilities		-	-
Total Current Liabilities		2,237	882
Non-current Liabilities			
Payables and accruals	11	84	102
Borrowings		-	-
Deferred tax	3	4,996	462
Other non-current liabilities		-	-
Total Non-current Liabilities		5,080	564
Equity			
Shareholders' equity			
Share capital	5	8,736	8,006
Retained earnings	6	17,049	15,978
Reserves	6	89,819	-
Total Shareholders' Equity		115,604	23,984
Minority interests in subsidiaries		-	-
Total Equity		115,604	23,984
Capital notes		-	-
Total Capital Funds		115,604	23,984
Total Equity and Liabilities		122,921	25,430

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

STATEMENT OF CASH FLOWS**For the Year Ended 31 March 2004**

	Notes	2004 \$000	2003 \$000
Cash Flows from Operating Activities			
Cash Was Provided From:			
Receipts from customers		19,308	16,696
Interest Received		378	228
		<u>19,686</u>	<u>16,924</u>
Cash was applied to:			
Payments to Suppliers, Employees and Customers		(12,903)	(13,636)
Income Tax Paid		(269)	1
Interest Paid		-	(2)
		<u>(13,172)</u>	<u>(13,637)</u>
Net Cash Flows from Operating Activities		<u>6,513</u>	<u>3,287</u>
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds From Sale of Fixed Assets		0	27
Cash was Applied To:			
Purchase of Fixed Assets		(4,690)	(3,120)
Net Cash Flows from Investing Activities		<u>(4,690)</u>	<u>(3,093)</u>
Cash Flows from Financing Activities			
Cash Was Applied to:			
Payment of Dividend		(150)	-
Net Cash Flows from Financing Activities		<u>(150)</u>	<u>-</u>
Net Increase in Cash Held		<u>1,673</u>	<u>194</u>
Cash at Beginning of Year		4,835	4,641
Cash at End of Year		<u>6,508</u>	<u>4,835</u>
Reconciliation of Operating Surplus after Taxation with Cash Flows from Operating Activities			
Operating Surplus after Taxation		1,112	1,278
Non Cash Items			
Depreciation		4,181	1,708
Change in Future Income Tax Benefits		(0)	542
Change in Non Current Employee Entitlements		(18)	50
(Profit) / Loss on Sale of Fixed Assets		13	(14)
		<u>5,287</u>	<u>3,564</u>
Movements in Working Capital Items			
Decrease in Accounts Receivable		112	41
(Increase) in Inventories		(241)	(27)
Increase / (Decrease) in Accounts Payable		466	(355)
Increase in Taxation Payable		889	64
		<u>1,226</u>	<u>(277)</u>
Net Cash Flows from Operating Activities		<u>6,513</u>	<u>3,287</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 2004****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 Consolidation of Subsidiaries

Marlborough Lines Limited's 2003 disclosure accounts were prepared in accord with the previous regulations which required the company to consolidate its Lines business accounts with those of OtagoNet with which it had a 'prescribed business relationship'. The current requirements do not contain this stipulation and so these accounts include only Marlborough Lines Limited Lines business data for both current year and comparative values.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

1.6 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. A number of gifted small areas of land typically used for pad mounted substation sites were bought into the company's financial records as at 31 March 2004. The credits arising from these entries were categorised as revenue and included in the Statement of Financial Performance. 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

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 Changes in Accounting Policies

In accord with the requirements of the Institute of Chartered Accountants of New Zealand's Financial Reporting Standard FRS-3 Marlborough Lines Limited revalued its network system assets on the basis of Depreciated Replacement Cost (DRC) as at 1 April 2003. Land and buildings were revalued to net current value as at 1 April 2003 as determined by a registered valuer as part of the same revaluation exercise. Network system assets were previously valued at historic cost less accumulated depreciation. Land and buildings were previously valued at historic cost with the exception of a small number of buildings previously revalued in 1985. Depreciation rates on buildings and network system assets have been adjusted to recognise expected economic life of the revalued asset.

Marlborough Lines Limited has also in this year's financial statements included distribution assets vested from consumers. The fair value of these assets together with capital contributions received has been credited to the statement of Financial Performance. The value of vested assets and capital contributions credited is \$2.14m (2003 \$280,378 Capital Contributions)

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

Requirement 14 states that "information (if any) relating to financial and efficiency performance measures ... in respect of the previous 3 financial years ... must be adjusted so as to be consistent with accounting policies applied in the current financial year". Marlborough Lines Limited is not able to comply with this requirement as the value of vested assets (excluding Capital Contributions) was not captured for previous years.

2. OPERATING REVENUE

Other operating revenue includes:

Donated Assets

Capital Contributions

Other operating revenue

	2004	2003
	\$000's	\$000's
	1,800	
	426	
	8	264
	<u>2,234</u>	<u>264</u>

	2004 \$000's	2003 \$000's
3. INCOME TAX		
3.1 Income Tax Expense		
Operating Surplus before Taxation	2,271	1,883
Add/(Deduct)	-	-
Non Deductible Costs	3,905	521
Non Assessable Revenue	(2,656)	(0)
Taxable Income	3,520	2,403
Taxation Charge @ 33%	1,162	793
Prior Year Under/(Over) Provision	(2)	(188)
Tax Expense	1,159	605
The Income Tax Expense is represented by:		
Tax Payable in Respect of the Current Year	1,159	633
Deferred Tax Liability	-	-
	1,159	633
3.2 Future Income Tax Benefits / Deferred Taxation		
Balance at Beginning of Year	462	(80)
Prior Year Adjustments	-	542
Deferred Tax Arising on Revaluation	4,533	-
Deferred Tax Arising on Timing Differences	-	-
Balance at End of Year	4,996	462
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	8,371	8,371
Net surplus per share	13 cents	15 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	8,006
6. RETAINED EARNINGS / REVALUATION RESERVES		
Balance at Beginning of Year	15,978	14,700
Net Surplus for the Year	1,112	1,278
Revaluations	89,819	-
Transfers to/from Other business	(36)	-
Dividends Provided	(150)	-
Balance at End of Year	106,723	15,978
Distribution system assets were revalued as at 1 April 2003 to depreciated replacement cost (DRC). This valuation was completed in accord 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	-
Reticulation System Assets	85,451	-
	89,819	-

	2004 \$000's	2003 \$000's
7. <u>ACCOUNTS RECEIVABLE</u>		
The balance of Accounts Receivable comprises:		
Network and other trade debtors including GST	1,225	1,337
8. <u>INVENTORIES</u>		
Reticulation stock	528	287
Some inventories are subject to retention of title clauses.		
9. <u>CREDITORS AND ACCRUALS</u>		
In current liabilities the balance of creditors and accruals comprises:		
Trade Creditors Including GST	1,318	823
Employee Entitlements (Annual Leave)	110	139
Total	1,428	962

10. PLANT PROPERTY AND EQUIPMENT**10.1 Valuation**

The latest Government valuations for land and improvements dated September 2002 show the following values:

Land	1,871
Improvements	3,827

10.2 Depreciation Charges

Buildings	124	114
Reticulation System	3,724	1,408
Plant Equipment and Motor Vehicles	333	186
Total	4,181	1,708

10.3

Land
Buildings
Reticulation System
Plant and Equipment
Motor Vehicles
Capital Works in Progress

Valuation	Accumulated Depreciation	31 Mar 2004 Net Book Value
3,200	0	3,200
4,358	100	4,258
109,505	3,782	105,723
2,830	2,064	766
348	220	128
585	0	585
120,826	6,166	114,660

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.

	Cost	Accumulated Depreciation	31 Mar 2003 Net Book Value
Land	453	-	453
Buildings	2,826	(843)	1,983
Reticulation System	28,615	(13,076)	15,539
Plant and Equipment	2,241	(1,707)	534
Motor Vehicles	259	(180)	79
Capital Works in Progress	383	-	383
	34,777	(15,806)	18,971

	2004 \$000's	2003 \$000's
10.4 Annual Valuation Reconciliation Report Year ending 31 March 2004 (Schedule 1 Part 8)		
System fixed assets at ODV at 31 March 2003	76,992	70,828
Add system fixed assets acquired during the Year at ODV	5,660	5,308
Less system fixed assets disposed of during the year at ODV	(892)	(488)
Less depreciation on system fixed assets at ODV	(3,847)	(2,752)
Add revaluations of system fixed assets	22,483	4,097
Equals system fixed assets at ODV at 31 March 2004	100,396	76,992

11. PROVISIONS

The following movements were recorded in provisions held by Marlborough Lines Limited during the 2003/2004 financial year.

	Opening balance	movement	Closing balance
Provision for Staff Leave	139	(29)	110
Provision for Retirement Gratuities	102	(18)	84
Employee entitlements in non current liabilities recognises the Company's liability for retirement gratuities.			

12. COMMITMENTS

12.1 Capital Commitments.

Marlborough Lines capital expenditure committed to at balance date but not recognised in the financial statements 968 615

12.2 Lease Commitments

Commitments under present lease agreements over the next five years are as follows: 2005 - \$14,000, 2006 - \$4,500, 2007 - \$4,500, 2008 - \$4,500, 2009 - \$4,500. The Company will continue to incur lease costs for a number of substation and repeater sites beyond 2009. The lease costs for these sites is not able to be quantified at the present time.

13. CONTINGENT LIABILITIES

Marlborough Lines has no contingent liabilities as at 31 March 2004. (2003 Nil)

14. FINANCIAL INSTRUMENTS

14.1 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.

14.2 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.

14.3 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 (2003 - \$nil).

14.4 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.

15. RELATED PARTIES

Transactions with these related parties are for the period 1 April 2003 to 31 March 2004. No related party debt has been written off or forgiven

15.1 Marlborough Electric Power Trust

	2004	2003
	\$000's	\$000's
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	-
Administrative Costs Charged to the Trust	-	1
Amounts Owed by the Trust to the Company as at 31 March	-	1

15.2 Parties Associated with Directors

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	-
P J Radich (Radich Dwyer)	-	10

15.3 Marlborough Lines' Contracting business

The contracting division of Marlborough Lines Limited has provided the following services at commercial rates:

Construction of sub transmission assets	9	5
Construction of zone substations	78	140
Construction of distribution lines and cables	191	127
Construction of medium voltage switchgear	15	19
Construction of distribution substations	23	14
Construction of low voltage reticulation	134	94
Maintenance of assets	1,103	1,268
Consumer Connections & Disconnections	-	-
Other services	697	393

The Contracting Division of Marlborough Lines Limited has paid for the following:

Other services	109	460
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At year end there were no outstanding balances (31 March 2003 nil)

16. EVENTS SUBSEQUENT TO BALANCE DATE

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	2,271				
Operating surplus before interest and income tax adjusted pursuant to requirement 18 (OSBIT)	2,271				
Interest on cash, bank balances, and short-term investments (ISTI)	378				
OSBIT minus ISTI	1,893	a	1,893		1,893
Net surplus after tax from financial statements	1,112				
Net surplus after tax adjusted pursuant to requirement 18 (NSAT)	1,112	n		1,112	
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)	3,794				
Depreciation of SFA at ODV (y)	3,847				
ODV depreciation adjustment	-53	d	add -53	add -53	add -53
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	-125	q			deduct -125
Revaluations	22,483	r			add 22,483
Income tax	1,159	p			deduct 1,159
Numerator			1,840	1,059	23,289
			OSBIT ^{ADJ} = a+g+s+d	NSAT ^{ADJ} = n+g+s-s*+d	OSBIT ^{ADJ} = a+g-q+r+s+d-p-s*t
Fixed assets at end of previous financial year (FA ₀)	18,971				
Fixed assets at end of current financial year (FA ₁)	114,660				
Adjusted net working capital at end of previous financial year (ANWC ₀)	662				
Adjusted net working capital at end of current financial year (ANWC ₁)	325				
Average total funds employed (ATFE)	67,309	c	67,309		67,309
Total equity at end of previous financial year (TE ₀)	23,984				
Total equity at end of current financial year (TE ₁)	115,604				
Average total equity	69,794	k		69,794	
WUC at end of previous financial year (WUC ₀)	383				
WUC at end of current financial year (WUC ₁)	585				
Average total works under construction	484	e	deduct 484	deduct 484	deduct 484
Revaluations	22,483	r			
Half of revaluations	11,241	r/2			deduct 11,241
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})	15,539				
System fixed assets at end of current financial year at book value (SFA _{bv1})	108,037				
Average value of system fixed assets at book value	61,788	f	deduct 61,788	deduct 61,788	deduct 61,788
System Fixed assets at year beginning at ODV value (SFA _{odv0})	76,992				
System Fixed assets at end of current financial year at ODV value (SFA _{odv1})	100,396				
Average value of system fixed assets at ODV value	88,694	h	add 88,694	add 88,694	add 88,694
Denominator			93,731	96,216	82,490
			ATFE ^{ADJ} = c-e-f+h	AveTE ^{ADJ} = k-e-m+v-f+h	ATFE ^{ADJ} = c-e-1/2r-f+h
			1.96	1.10	28.23
Financial Performance Measure:			ROF = OSBIT ^{ADJ} / ATFE ^{ADJ} x 100	ROE = NSAT ^{ADJ} / ATE ^{ADJ} x 100	ROI = OSBIT ^{ADJ} / ATFE ^{ADJ} x 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

Note: 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 derivation table has been calculated using opening balances that have not been adjusted for this change in accounting policy

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

2004	2003	2002	2001
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REQUIREMENT 14 - FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES

1. Financial Performance Measures

(a) Return on Funds	1.96%	0.40%	-2.94%	2.12%
(b) Return on Equity	1.10%	-0.08%	-2.19%	0.91%
(c) Return on Investment	28.23%	5.14%	-4.34%	1.75%
ROI Excluding Revaluations	0.86%	-0.28%		

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

e The financial performance measures for 2003, 2002 and 2001 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	\$1,005	\$752	\$1,016	\$1,039
(b) Indirect Line Costs per Consumer	\$117	\$104	\$101	\$91
- including one off acquisition cost		\$135		

REQUIREMENT 20 - ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES AND STATISTICS

	2004	2003	2002	2001
1. Energy Delivery Efficiency Performance Measures				
(a) Load Factor	67.6%	67.3%	62.3%	62.6%
(b) Loss Ratio	5.9%	6.7%	5.7%	5.9%
(c) Capacity Utilisation	22.7%	23.8%	25.0%	26.5%
2. Statistics				
(a) System Length Breakdown in Kilometres				kms
33kV	298	324	262	259
11kV	2,153	2,092	2,075	2,052
6.6kV	49	51	51	51
LV	641	706	663	654
Total	3,141	3,173	3,050	3,015
(b) Circuit Length of Overhead System in Kilometres				kms
33kV	294	320	258	257
11kV	2,080	2,013	2,010	1,997
6.6kV	49	51	51	51
LV	458	537	527	530
Total	2,881	2,921	2,845	2,835
(c) Circuit Length of Underground System in Kilometres				kms
33kV	4	4	4	2
11kV	72	79	65	55
6.6kV	-	-	-	-
LV	183	169	136	124
Total	260	252	205	180
(d) Transformer Capacity in kVA	241,193	231,853	222,362	211,863
(e) Maximum demand in kW	54,814	55,092	55,609	56,224
(f) Total Electricity Entering the System in kWh			(before losses - 2001	after losses)
	325,697,527	325,014,378	303,561,295	290,043,148
(g) Total Electricity Supplied from the System on behalf of each Generator and Retailer in kWh			(after losses - 2001	before losses)
Retailer B	206,965,060	217,894,998	216,073,128	245,998,574
Retailer C	58,077,922	59,720,229	57,955,341	39,939,715
Retailer D	1,508,728	1,674,182	2,482,763	9,794,061
Retailer E	-	-	2,928,427	10,392,034
Retailer F	8,414,488	1,412,667	2,640,299	1,966,857
Retailer G	31,455,535	22,665,538	4,280,802	-
Total	306,421,733	303,367,614	286,360,760	308,091,241
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	22,251	21,417	21,038	20,805
Average Consumers for year	21,834	21,228	20,922	20,689

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					
		2005-09	2005	2004	2003	2002	2001
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1.- 3.	Total Interruptions and Interruption Targets by Class						
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	166	166	277	241	159	145
(b)	Class C - MLL Unplanned	214	214	219	210	283	302
	Class D - Transpower Unplanned			11	3	1	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
	Total			507	454	443	447
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4.	Percentage of Class C Interruptions not Restored within -						
(a)	Three hours			29.7%	21.4%	29.3%	29.5%
(b)	24 hours			3.2%	0.5%	2.8%	1.6%
Faults (Class C) per 100 Kilometres							
5.	Total number of faults per 100 Kilometres						
	33 kV	1.7	1.8	3.0	0.9	3.8	3.9
	11kV	9.4	9.6	9.7	9.8	13.2	14.2
	6.6kV	-	-	4.1	2.0	-	-
	Total	8.2	8.4	8.8	8.5	11.9	12.8
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6.	Faults (Class C) per 100 Kilometres Underground						
	33 kV			-	-	-	-
	11kV			-	-	-	-
	Total			-	-	-	-
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7.	Faults (Class C) per 100 Kilometres Overhead						
	33 kV			3.1	0.9	3.9	3.9
	11kV			10.0	10.2	13.6	14.6
	6.6kV			4.1	2.0	-	-
	Total			9.0	8.8	12.2	13.1
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		targets					
		2005-09	2005	2004	2003	2002	2001
8.	SAIDI - total interruptions			222.4	203.8	208.2	178.7
9.- 11.	SAIDI per interruption class					consumer minutes	
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	57.4	59.1	52.5	74.1	37.9	57.7
(b)	Class C - MLL Unplanned	112.2	115.5	141.2	125.7	148.0	121.0
	Class D - Transpower Unplanned			28.7	5.9	23.5	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
12.	SAIFI - total interruptions			3.4	2.1	2.8	2.2
13.- 15.	SAIFI per interruption class					consumer minutes	
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - MLL Planned	0.3	0.3	0.3	0.3	0.2	0.4
(b)	Class C - MLL Unplanned	1.5	1.5	1.4	1.5	1.6	1.8
	Class D - Transpower Unplanned			1.7	0.3	1.0	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other			-	-	-	-
16.	CAIDI - total interruptions			65.7	96.1	73.6	82.2
17.- 19.	CAIDI per interruption class					consumer minutes	
	Class A - Transpower Planned			-	-	-	-
	Class B - MLL Planned	170.9	170.9	156.0	232.6	158.4	163.6
	Class C - MLL Unplanned	77.0	77.0	101.3	83.1	90.9	66.5
	Class D - Transpower Unplanned			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.

Deloitte**REPORT OF THE AUDITOR-GENERAL****TO THE READERS OF THE FINANCIAL STATEMENTS OF
MARLBOROUGH LINES LIMITED – LINES BUSINESS FOR THE YEAR
ENDED 31 MARCH 2004**

We have audited the attached financial statements of Marlborough Lines Limited – Lines Business (“Marlborough Lines Limited”). The financial statements provide information about the past financial performance of Marlborough Lines Limited and its financial position as at 31 March 2004. This information is stated 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 Marlborough Lines Limited as at 31 March 2004 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’s circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

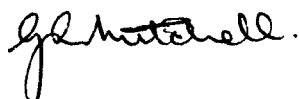
Unqualified Opinion

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;
 - a) comply with generally accepted accounting practice; and
 - b) give a true and fair view of Marlborough Lines Limited'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
 - c) comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 22 December 2004 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**

We have examined the attached 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 and dated 31 March 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 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 derivation table in Requirements 15 and 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
22 December 2004



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CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Marlborough Lines Limited and dated 22 December 2004 which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$100,396,095 have been made in accordance with the ODV Handbook (as defined in the Commerce Commission's Electricity Information Disclosure Requirements 2004).

A handwritten signature in cursive script that reads "PricewaterhouseCoopers".

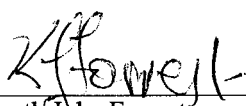
PricewaterhouseCoopers
Chartered Accountants
Auckland
22 December 2004

**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, -

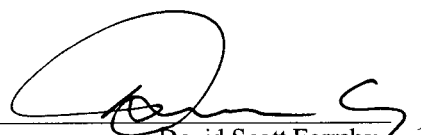
- (a) The attached audited financial statements of Marlborough Lines Limited prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 comply with those Requirements; and
- (b) The attached information, being the derivation table, financial 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 2004.



Kenneth John Forrest
Managing Director

22 December 2004



David Scott Ferraby
Chairman

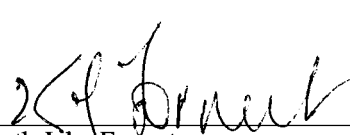
22 December 2004

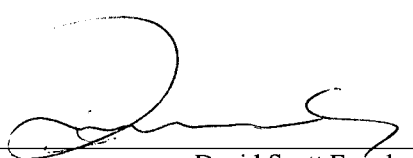
CERTIFICATION OF VALUATION REPORT OF DISCLOSING ENTITIES

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-

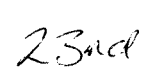
- (a) the attached valuation report of Marlborough Lines Limited, prepared for the purposes of requirement 19 of the Commerce Commission's Electricity Information Disclosure Requirements 2004 complies with those Requirements; and
- (b) the replacement cost of the line business system fixed assets Marlborough Lines Limited is 198,446,252.00; and
- (c) the depreciated replacement cost of the line business system fixed assets of Marlborough Lines Limited is 101,634,755.00; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Marlborough Lines Limited is 100,396,095.00; and
- (e) the optimised deprival valuation of the line business system fixed assets of Marlborough Lines Limited is 100,396,095.00; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004).

These valuations are as at 31 March 2004.


Kenneth John Forrest
Managing Director


David Scott Ferraby
Chairman

 December 2004

 December 2004