



New Zealand Gazette

OF THURSDAY, 13 JANUARY 2005

WELLINGTON: WEDNESDAY, 19 JANUARY 2005 — ISSUE NO. 17

THE LINES COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE LINES COMPANY LIMITED
FOR THE YEAR ENDED 31 MARCH 2004**

We have audited the financial statements of The Lines Company Limited on pages 1 to 12. The financial statements provide information about the past financial performance of The Lines Company Limited and its financial position as at 31 March 2004. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of The Lines Company Limited as at 31 March 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 Regulation 30 of the Electricity (Information Disclosure) Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Graham Naylor of Deloitte to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to The Lines Company Limited's circumstances, consistently applied and adequately disclosed.

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

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

Unqualified Opinion

We have obtained all the information and explanations we have required.
In our opinion –

- proper accounting records have been maintained by The Lines Company Limited as far as appears from our examination of those records;
- the financial statements referred to above:
 - (a) comply with generally accepted accounting practice in New Zealand; and

(b) give a true and fair view of The Lines Company Limited's financial position as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date; and

- comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 20 December 2004 and our unqualified opinion is expressed as at that date.



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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of The Lines Company Limited for the year ended 31 March 2004 included on The Lines Company Limited's web-site. The Lines Company Limited's Board of Directors is responsible for the maintenance and integrity of The Lines Company Limited's web site. We have not been engaged to report on the integrity of The Lines Company Limited's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 20 December 2004 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Deloitte.

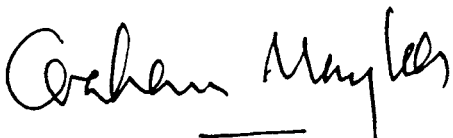
AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF THE LINES COMPANY LIMITED

We have examined the information on pages 13 to 17, being –

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

that were prepared by The Lines Company Limited and dated 31 March 2004 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

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



Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
20 December 2004



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CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of The Lines Company Limited and dated 17 December 2004, which report contains valuations of system fixed assets as at 31 March 2004.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report, including the total valuation of system fixed assets of \$97,003,343 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." The signature is written in dark ink and is positioned above the printed name of the firm.

PricewaterhouseCoopers
Chartered Accountants
Auckland
17 December 2004


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

We, **Charles Murray Loewenthal** and **Robert Alexander Kidd**, Directors of The **Lines Company Limited**, certify that, having made all reasonable inquiries, to the best of our knowledge, that;

- a) The attached audited financial statements of The Lines Company Limited, prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 2004, comply with the requirements of those regulations, and;
- b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics and reliability performance measures in relation to The Lines Company Limited and having been prepared for the purposes of regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 2004, comply with the requirements of those regulations.

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


Signature:



(Charles Murray Loewenthal)

Director

Signature:



(Robert Alexander Kidd)

Director

Date:

20.12.04

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**Statement of Financial Performance
For the Year Ended 31 March 2004**

	Note	2004 \$000's	2003 \$000's
Operating Revenue	2	19,511	19,280
Customer Discount		<u>5,000</u>	<u>6,000</u>
Net Revenue after Discount		14,511	13,280
Operating Expenditure	3	<u>11,929</u>	<u>11,436</u>
Operating surplus before Interest & Tax		2,582	1,844
Interest Expense on Borrowings		<u>1,734</u>	<u>1,181</u>
Operating surplus before income tax		848	664
Tax Expense	4	280	(127)
Net surplus after Tax		<u><u>568</u></u>	<u><u>790</u></u>

**Statement of Movement of Equity
For the Year Ended 31 March 2004**

	2004 \$000's	2003 \$000's
Equity at Beginning of Year	41,789	42,365
Surplus retained for the Year	568	790
Revaluation of fixed assets	16,471	3,358
Deferred tax adjustment on line asset revaluations	<u>(5,436)</u>	<u>(4,594)</u>
Total Recognised Revenue and Expenses	11,603	(445)
Dividends	<u>(131)</u>	<u>(131)</u>
Total Distribution to Owners	(131)	(131)
Equity at Year End	<u><u>53,261</u></u>	<u><u>41,789</u></u>

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Financial Position
For the Year Ended 31 March 2004

	Note	2004 \$000's	2003 \$000's
Equity			
Share Capital		6,021	6,021
Retained Earnings		10,505	10,068
Revaluation Reserve		36,734	25,699
		<u>53,260</u>	<u>41,788</u>
Fixed Assets			
Fixed Assets	5	<u>97,495</u>	<u>78,265</u>
Total Fixed Assets		<u>97,495</u>	<u>78,265</u>
Current Assets			
Cash			503
Receivables & prepayments		2,970	2,045
Work in Progress		68	91
Inventory		<u>813</u>	<u>773</u>
Total Current Assets		<u>3,851</u>	<u>3,412</u>
Total Tangible Assets		101,346	81,677
Intangible Assets			
Goodwill		-	-
Total Intangible Assets		-	-
Total Assets		101,346	81,677
Non-current Liabilities			
Loans	6	23,981	23,950
Deferred Tax	7	<u>12,082</u>	<u>6,366</u>
Total Non-current Liabilities		<u>36,063</u>	<u>30,316</u>
Current Liabilities			
Bank Overdraft		38	
Accounts Payable		4,792	4,321
Provisions		202	250
Short Term Loan	8	4,200	2,000
Customer Discount Provision		<u>2,791</u>	<u>3,002</u>
Total Current Liabilities		<u>12,023</u>	<u>9,573</u>
Total Liabilities		48,086	39,889
Net Assets Employed		<u>53,260</u>	<u>41,788</u>

Chairman

Director

Date:

20/12/04.

Date:

20.12.04

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Cashflows
For the Year Ended 31 March 2004

	Note	2004 \$000's	2003 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		18,586	19,519
Less special discounts		(5,211)	(6,457)
		<u>13,375</u>	<u>13,062</u>
Cash was distributed to:			
Payment to suppliers & employees		(8,419)	(8,024)
Taxes paid		-	-
Interest paid		(1,734)	(790)
		<u>(10,153)</u>	<u>(8,814)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	11	<u>3,222</u>	<u>4,248</u>
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of fixed assets		31	-
		<u>31</u>	<u>-</u>
Cash was applied to:			
Fixed asset purchase		(5,894)	(7,503)
		<u>(5,894)</u>	<u>(7,503)</u>
NET CASHFLOWS TO INVESTING ACTIVITIES		<u>(5,863)</u>	<u>(7,503)</u>
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Loans Raised		2,231	3,186
		<u>2,231</u>	<u>3,186</u>
Cash was provided for:			
Dividend		(131)	-
		<u>(131)</u>	<u>-</u>
NET CASHFLOWS TO FINANCING ACTIVITIES		<u>2,100</u>	<u>3,186</u>
Net cashflow from operating		3,222	4,248
Net cashflow to investing		(5,863)	(7,503)
Net cashflow to financing		<u>2,100</u>	<u>3,186</u>
Net increase in cash held		<u>(541)</u>	<u>(68)</u>
Nominal cash carried forward		<u>503</u>	<u>571</u>
Total Cash		<u>(38)</u>	<u>503</u>

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2004

NOTE 1:
STATEMENT OF ACCOUNTING POLICIES

The following particular accounting policies that materially affect the measurement of profit and the financial position have been applied:

REPORTING ENTITY

The Lines Company Limited is owned by: Waitomo Energy Services Customer Trust (75%) and King Country Electric Power Trust (25%) and is incorporated under the Companies Act 1993. The accounts are prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993, and the Electricity (Information Disclosure) Regulations 2004 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

The principal activity of the entity is the provision of electricity distribution services.

MEASUREMENT BASE

The general accounting policies recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed except where revaluation of assets are incorporated, and other items disclosed in the accounting policies listed below.

Accrual accounting is used to match expenses with revenues. Reliance is placed on the fact that the Company is a going concern.

(a) Receivables

Receivables are stated at their estimated realisable value.

(b) Fixed Assets

The Company has four classes of fixed assets:

- Freehold Land
- Freehold Buildings
- Motor Vehicles, Plant and Equipment
- Distribution System

Land and Buildings were independently valued by Doyle Valuations on 31st March 2003 based on estimated market value and are revalued every three years.

The distribution system has been valued based upon optimised deprival value (ODV) by an electrical engineer and certified by PriceWaterhouseCoopers, as at 31 March 2004.

Increases in valuations have been transferred to the Revaluation Reserve in Shareholders Equity.

Motor Vehicles, Plant and Equipment and all other fixed assets have been valued at cost less accumulated depreciation.

(c) Staff Leave and Gratuity Payments

Provision is made in respect of the Company's liability for annual leave and gratuity payments. At the balance date retiring gratuities have been accrued in respect of all employees:

1. who have more than 10 years service with the Company and who are aged 45 years or over or
2. whose gratuity entitlement was recognised in the transfer of employment from their previous employer.

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2004

(d) Depreciation

Depreciation is provided on either a straight line or a diminishing value basis on all fixed assets other than freehold land and perpetually renewable distribution assets, at rates calculated to allocate the assets' cost or valuation less estimated residual value, over their estimated useful life. Assets purchased post 1 April 1999 have been depreciated on a straight line basis.

Major depreciation rates and methods:

Buildings	40-100 years	Straight Line
Motor Vehicles, Plant & Equipment	10% to 50%	Diminishing Value or Straight Line
Network Plant & Equipment	20 - 50 years	Straight Line
Network Lines	Are depreciated at ODV replacement rates	
Land	Is not depreciated	

Infrastructural accounting has been adopted for those parts of the distribution asset that are perpetually renewed. This means that a deduction is made against current expenditure of an amount equivalent to the average annual amount that will need to be expended on those assets over the next twenty years to maintain their current condition. Expenditure on renewals is capitalised.

Components that are separately identifiable and have a finite life e.g. 33kV substation transformers, are depreciated.

(e) Inventory

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

(f) Goods & Services Tax

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

(g) Taxation

Income tax expense is recognised on the operating surplus before taxation adjusted for permanent differences between taxable and accounting income. The tax effect of all timing differences, expected to reverse in the foreseeable future, that arise from items being brought to account in different periods for income tax and accounting purposes, is recognised in the Statement of Financial Position as a future tax benefit or a provision for deferred tax. The future tax benefit or provision for deferred tax is stated at the income tax rate prevailing at balance date.

Future tax benefits are not recognised unless realisation of the asset is virtually certain.

The Company uses the liability method of accounting for deferred taxation at the income tax rate prevailing at balance date and applies this on a comprehensive basis.

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2004

(h) Basis of Allocations to Business Units

In general the Ministry of Economic Development guidelines for allocation of income and expenditure have been applied. Deviations from the guidelines have been used where assumptions made in the guidelines have not held true for The Lines Company Limited. These are as follows:

Various overhead costs that are an integral part of operating each business and have been allocated according to relative fixed assets involved in each business.

Interest costs allocated to the Lines Business reflects those costs associated with the Subordinated Debt and the Swap loan. The Subordinated Debts were set up to ensure the fair cost allocation of low density customers.

(i) Comparative Figures

Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

(j) Changes in Accounting Policies

There have been no changes in accounting policy.

(k) Statement of Cash Flows

The Statement of Cash Flows is prepared exclusive of GST, which is consistent with the method used in the Statement of Financial Performance.

Definitions of the terms used in the Statement of Cash Flows:

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

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Disclosure of information to be disclosed in Financial Statements under regulation 6 of the Electricity (Information Disclosure) Regulations 1999 Schedule 1 Part 2 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000.

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

	2004 \$000's	2003 \$000's
1 Current assets		
(a) Cash and bank balances	-	503
(b) Short term investments	-	-
(c) Inventories	813	773
(d) Accounts receivable	2,970	2,045
(e) Other current assets not listed in (a) to (d)	68	91
(f) Total current assets	<u>3,851</u>	<u>3,412</u>
2 Fixed assets		
(a) System fixed assets	96,400	77,123
(b) Consumer billing and information systems	7	12
(c) Motor vehicles	164	158
(d) Office equipment	76	131
(e) Land and buildings	675	675
(f) Capital works under construction	30	158
(g) Other fixed assets not listed in (a) to (f)	143	8
(h) Total fixed assets	<u>97,495</u>	<u>78,265</u>
3 Other tangible assets not listed above	-	-
4 Total tangible assets	<u>101,346</u>	<u>81,677</u>
5 Intangible assets		
(a) Goodwill	-	-
(b) Other intangibles not listed in (a)	-	-
(c) Total intangible assets	<u>-</u>	<u>-</u>
6 Total assets	<u>101,346</u>	<u>81,677</u>
7 Current liabilities		
(a) Bank overdraft	38	-
(b) Short-term borrowings	4,200	2,000
(c) Payables and accruals	4,863	4,439
(d) Provision for dividend payable	131	132
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e)	2,791	3,002
(g) Total current liabilities	<u>12,023</u>	<u>9,573</u>
8 Non-current liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	23,981	23,950
(c) Deferred tax	12,082	6,366
(d) Other non-current liabilities not listed in (a) to (c)	-	-
(e) Total non-current liabilities	<u>36,063</u>	<u>30,316</u>

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2004 \$000's	2003 \$000's
9 Equity		
(a) Shareholders' equity		
(i) Share capital	6,021	6,021
(ii) Retained earnings	10,505	10,068
(iii) Reserves	36,734	25,699
(iv) Total shareholders' equity	53,260	41,788
(b) Minority interests in subsidiaries	-	-
(c) Total equity	53,260	41,788
(d) Capital notes	-	-
(e) Total capital funds	53,260	41,788
10 Total equity and liabilities	101,346	81,677

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

NOTE 2 : OPERATING REVENUE

11 Operating Revenue		
(a) Revenue from line/access charges	19,116	18,909
(b) Revenue from 'Other' business (transfer payment)	-	-
(c) Income from Interest on bank & short term investments	6	48
(d) AC loss-rental Rebates	389	323
(e) Other operating revenue not listed in (a) to (d)	-	-
(f) Total operating revenue	19,511	19,280

NOTE 3 : OPERATING EXPENDITURE

12 Operating Expenditure		
(a) Transmission costs	3,902	3,843
(b) Transfer payments to the "Other" business for:		
(i) Asset Maintenance Services	1,854	2,043
(ii) Disconnection/Reconnection Services	13	2
(iii) Meter Data	-	-
(iv) Consumer Based Load control	7	9
(v) Royalty and patent expenses	-	-
(vi) Avoided Transmission Charges	-	-
(vii) Other	30	27
(viii) Total transfer payments to the "Other" business	1,904	2,081
(c) Expenses to entities that are non-related parties for:		
(i) Asset Maintenance Services	932	370
(ii) Disconnection/Reconnection Services	-	-
(iii) Meter Data	-	-
(iv) Consumer Based Load control	13	13
(v) Avoided Transmission Charges	-	-
(vi) Royalty and patent expenses	-	-
(vii) Total of specified expenses to non-related entities	945	383
(d) Employee salaries/redundances	1,134	1,179
(e) Consumer Billing and Information System	39	41
(f) Depreciation on:		
(i) System Fixed Assets	2,962	2,849
(ii) Other assets not listed in (i)	142	295
(iii) Total Depreciation	3,104	3,144

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2004 \$000's	2003 \$000's
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other Intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate & Administration	122	121
(i) Human Resource	22	20
(j) Marketing & Advertising	20	15
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy & legal expenses	6	6
(o) Donations	1	3
(p) Directors' fees	129	129
(q) Auditors' fees		
(i) Audit fees paid to principal auditors	22	22
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors' fees	22	22
(r) Cost of offering credit		
(i) Bad Debts written off	16	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total cost of offering credit	16	-
(s) Local Authority rates expense	106	79
(t) AC loss-rentals (distribution to customers) expense	153	-
(u) Rebate to consumers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other	304	370
13 Total operating expenditure	11,929	11,436
14 Operating surplus before interest and income tax	2,582	1,844
15 Interest expense		
(a) Interest Expense on Borrowings	797	790
(b) Financing Charges relating to Finance Leases	-	-
(c) Other Interest Expense	937	391
(d) Total Interest Expense	1,734	1,181
16 Operating surplus before income tax	848	664
17 Income tax	280	(127)
18 Net surplus after tax	568	790

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2004 \$'000'	2003 \$'000'
NOTE 4 : TAXATION EXPENSE		
Nominal Profit Before Tax	848	664
Prima Facie Taxation @ 33 %	280	219
Add/(Less) Effect of Permanent Tax Diff		(346)
Net Taxation Expense	280	(127)
Less Tax loss on Other	-	-
	280	(127)

NOTE 5 : FIXED ASSETS 2003

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings		674,843		674,843
Reticulation System		77,123,000		77,123,000
Customer billing and Information system	26,729		14,412	12,317
Motor Vehicles	676,591		518,363	158,228
Office Equipment	386,853		255,943	130,910
Other Plant & Equipment	381,883		374,052	7,831
Other Capital Works	157,805			157,805
	1,629,861	77,797,843	1,162,770	78,264,934

FIXED ASSETS 2004

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings		674,843		674,843
Reticulation System		96,400,111	-	96,400,111
Customer billing and Information system	26,729		19,758	6,971
Motor Vehicles	267,729		103,702	164,027
Office Equipment	410,122		333,969	76,153
Other Plant & Equipment	152,363		9,491	142,872
Capital Work in Progress	30,344			30,344
	887,287	97,074,954	466,920	97,495,321

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2004 \$'000'	2003 \$'000'
NOTE 6 : LOANS		
"Other" (The Lines Company Activities)	13,981	12,950
Perpetual	3,000	3,000
Bank of New Zealand Swaps	7,000	8,000
	<u>23,981</u>	<u>23,950</u>

NOTE 7 : DEFERRED TAX

Fixed Assets	12,295	6,579
Accruals & Provisions	(213)	(213)
	<u>12,082</u>	<u>6,366</u>

NOTE 8 : SHORT TERM LOANS

Bank of New Zealand Swaps	4,200	2,000
	<u>4,200</u>	<u>2,000</u>

NOTE 9 : SEGMENTAL INFORMATION

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

NOTE 10 : CAPITAL COMMITMENT

As at year end the company had no capital commitment (2003:NIL).

NOTE 11 : CASHFLOW RECONCILIATION WITH NET PROFIT

Net Profit after Tax and Customer Discount	568	790
Add: Non cash items		
Depreciation	3,104	3,144
	<u>3,672</u>	<u>3,934</u>
Add/Less: Movements in Working Capital		
(Increase)/Decrease in Receivables	(925)	238
(Increase)/Decrease in Inventory	(40)	(270)
(Increase)/Decrease in Work in Progress	23	
Increase/(Decrease) in Creditors	471	148
Increase/(Decrease) in Provision for Discount	(211)	(457)
Increase/(Decrease) in Other	232	655
	<u>(450)</u>	<u>314</u>
Net cashflows from operating activities	<u>3,222</u>	<u>4,248</u>

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**NOTE 12 : RELATED PARTY TRANSACTIONS**

- a) The related party is the contracting division of The Lines Company.
- b) The period covered in these statements are 1st April 2003 to 31st March 2004.
- c) There are no outstanding balances and no related party debts have been written off.
- d) Maintenance work is recorded on the basis of material at cost plus 15% and labour & plant at \$45 per hour. Capital expenditure is recorded at ODV values.
- e) Construction of the following types of assets were undertaken for the lines business.

	2004	2003
	\$000's	\$000's
(i) Construction of Subtransmission Assets	648	998
(ii) Construction of Zone Substations	599	540
(iii) Construction of Distribution Lines and Cables	3,559	1,497
(iv) Construction of Medium Voltage Switchgear	225	101
(v) Construction of Distribution Substations	430	259
(vi) Construction of Low Voltage Reticulation	187	304
(vii) Construction of Other Assets	-	44
(viii) Consumer connections & disconnections	121	286
(ix) Maintenance of distribution system	1,854	2,043
	<u>7,623</u>	<u>6,072</u>

During the year company paid Waitomo Energy Services Customer Trust \$55,000 of interest on a subordinated debenture.

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY**NOTE 13 : ODV RECONCILIATION**

System Fixed Assets at ODV (at the end of the previous year)	77,123	65,456
New Revaluation of System Fixed Assets (previous year)	-	-
System Fixed Assets at ODV (Beginning of Year)	77,123	65,456
System Fixed Assets Acquired during year at ODV	5,768	11,157
System Fixed Assets Disposed of during year at ODV	-	-
Depreciation on System Fixed Assets at ODV	(2,962)	(2,849)
Revaluations of Systems Fixed Assets	16,471	3,358
System Fixed Assets at ODV (at the end of the current year)	<u>96,400</u>	<u>77,123</u>

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

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

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

<i>Derivation Table</i>	<i>Input and Calculat.</i>	<i>Symbol in form.</i>	<i>ROF</i>	<i>ROE</i>	<i>ROI</i>
Operating surplus before interest and tax (OSBIIT)	2,582				
Interest on cash,bank & short term investments (ISTI)	6				
OSBIIT minus ISTI	2,576	<i>a</i>	2,576		2,576
Net surplus after tax from financial statements	568	<i>n</i>		568	
Amortised Goodwill	-	<i>g</i>	-	-	-
Subvention Payment	-	<i>s</i>	-	-	-
Depreciation of SFA at BV (x)	2,962				
Depreciation of SFA at ODV (y)	2,962				
ODV Depreciation adjustment	-	<i>d</i>	-	-	-
Subvention Payment tax adjustment	-	<i>s*t</i>		-	-
Interest Tax Shield	572	<i>q</i>			572
Revaluations	16,471	<i>r</i>			16,471
Income Tax	280	<i>p</i>			280
Numerator			2,576	568	18,195
Fixed Assets at Start of Year	78,265				
Fixed Assets at Year End	97,495				
Net Working Capital at end of previous financial year	(6,161)				
Net Working Capital at end of current financial year	(8,172)				
Average Total Funds Employed (ATFE)	80,714	<i>c</i>	80,714		80,714
Total Equity at end of previous financial year	41,788				
Total Equity at end of current financial year	53,260				
Average Total Equity	47,524	<i>k</i>		47,524	
Works Under Construction at end of previous year	158				
Works Under Construction at end of current year	30				
Average Total Works Under Construction	94	<i>e</i>	94	94	94
Revaluations	16,471	<i>r</i>			
Half of revaluations	8,236	<i>r/2</i>			8,236
Intangible assets at end of previous financial year	-				
Intangible assets at end of current financial year	-				
Average total intangible asset	-	<i>m</i>		-	
Subvention Payment at end of previous financial year	-				
Subvention Payment at end of current financial year	-				
Subvention Payment Tax Adjustment previous year	-				
Subvention Payment Tax Adjustment current year	-				
Average Subvention payment and tax adjustment	-	<i>v</i>		-	
System Fixed Assets at end of previous year at BV	77,123				
System Fixed Assets at end of current year at BV	96,400				
Average value of system fixed assets at BV	86,762	<i>f</i>	86,762	86,762	86,762
System Fixed Assets at year beginning at ODV	77,123				
System Fixed Assets at end of current year at ODV	96,400				
Average value of system fixed assets at ODV	86,762	<i>h</i>	86,762	86,762	86,762
Denominator			80,620	47,430	72,384
Financial Performance Measure			3.20%	1.20%	25.14%

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Disclosure of financial performance measures and efficiency performance measures under regulation 15 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

	2004	2003	2002	2001
1 Financial performance measures				
(a) Accounting return on funds	3.20%	2.76%	2.26%	3.85%
(b) Accounting return on equity	1.20%	1.97%	2.09%	3.64%
(c) Accounting return on investment	25.14%	7.72%	-6.44%	10.46%
2 Efficiency performance measures				
(a) Direct line costs per kilometer	\$582	\$629	\$605	\$529
(b) Indirect line costs per electricity customer.	\$42	\$42	\$34	\$33

Disclosure of energy delivery efficiency performance measures under regulation 21 of the Electricity (Information Disclosure) Regulations 1999 as amended by the Electricity (Information Disclosure) Amendment Regulations 2000 and 2001.

1 (a) Load Factor	59.77%	51.92%	52.63%	62.81%
(b) Loss Ratio	7.34%	6.77%	7.20%	7.37%
(c) Capacity Utilisation	29.55%	33.96%	32.89%	27.87%
2 (a) System lengths (kms)				
- 33kV	500.5	465.5	399	404
- 11kV	3,631.7	3,674.3	3,573	3,714
- LV	636.0	690.8	630	347
- Total	4,768.2	4,830.6	4,602	4,465
(b) Circuit length (overhead) (kms)				
- 33kV	500.2	465.1	398	404
- 11kV	3,552.7	3,588.0	3,498	3,622
- LV	471.3	519.6	462	242
- Total	4,524.2	4,572.7	4,359	4,268
(c) Circuit length (underground) (kms)				
- 33 kV	0.3	0.4	0	0
- 11 kV	79.0	86.3	75	92
- LV	164.7	171.2	168	104
- Total	244.0	257.9	243	196
(d) Transformer capacity (kVA)	193,974	192,122	188,798	185,050
(e) Maximum demand (kW)	57,320	65,240	62,090	51,581
(f) Total electricity supplied (kWh)(000's)	300,100	296,727	286,248	283,817
(g) Total electricity conveyed on behalf of other persons.				
Retailer A	16,031	0	59	59
Retailer B	3,002	4,717	4,646	4,041
Retailer C	717	1,847	1,944	1,037
Retailer D	13,947	10,052	4,811	4,986
Retailer E	0	0	259	179
Retailer F	11,953	11,456	21,093	21,988
Retailer G	11,876	11,015	8,568	6,226
Retailer H	2,171	1,349	719	461
Retailer I	218,381	236,204	223,538	223,921
	278,078	276,640	265,637	262,898
(h) Total customers	25,197	25,045	25,712	25,846

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

	2004	2003	2002	2001	2000
Planned (Transpower)	3	3	3	1	0
Planned (TLC)	334	659	546	435	309
Unplanned (TLC)	497	587	375	447	357
Unplanned (Transpower)	4	2	9	5	7
Generation (Others)	0	0	0	2	0
Other (Private Lines)	24	0	0	0	0
Total	862	1251	933	890	673

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

	2005	2006	2007	2008	2009	Average 2005/09
Planned (TLC)	450	450	450	450	450	450
Unplanned (TLC)	398	386	373	360	348	373

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

Unplanned (TLC) faults for 2003/04	Number	% of Outages
Not Restored in 3 hours	138	28%
Not Restored in 24 hours	5	1%

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

	2004	2003	2002	2001
Faults per 100km				
33kV	14.6	15.7	7.4	9.9
11kV	11.7	14.0	7.0	7.8
Total	12.0	14.2	7.1	8.0

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

	2005	2006	2007	2008	2009	Average 2005/09
Faults per 100km						
33kV	10.5	10.1	9.7	9.2	8.8	9.7
11kV	9.5	9.2	8.9	8.6	8.4	8.9
Total	9.6	9.3	9.0	8.7	8.4	9.0

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

	2004	2003	2002	2001
Faults per 100km				
33kV	0.0	0.0	0.0	0.0
11kV	6.9	6.9	2.7	3.3
Total	6.9	6.9	2.7	3.3

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

	2005	2006	2007	2008	2009	Average 2005/09
Faults per 100km						
33kV	0.0	0.0	0.0	0.0	0.0	0.0
11kV	4.6	4.6	3.5	2.3	2.3	3.5
Total	4.6	4.6	3.5	2.3	2.3	3.5

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

	2004	2003	2002	2001
Faults per 100km				
33kV	14.6	15.7	7.4	9.9
11kV	11.8	14.2	7.1	7.9
Total	12.1	14.3	7.2	8.1

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

	2005	2006	2007	2008	2009	Average 2005/09
Faults per 100km						
33kV	10.5	10.1	9.7	9.2	8.8	9.7
11kV	9.6	9.3	9.1	8.8	8.5	9.1
Total	9.7	9.4	9.1	8.8	8.5	9.1

8 SAIDI for total of interruptions during :

	2004	2003	2002	2001
SAIDI	400.2	729.0	564.2	573.6

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

	2005	2006	2007	2008	2009	Average 2005/09
Planned (TLC)	130.6	117.0	105.6	96.8	96.8	109.4
Unplanned (TLC)	265.4	241.0	221.4	203.2	203.2	226.8

11 SAIDI according to class

	2004	2003	2002	2001
Planned (Transpower)	7.9	48.9	41.0	13.3
Planned (TLC)	78.2	226.2	199.3	207.7
Unplanned (TLC)	264.4	450.4	265.0	321.2
Unplanned (Transpower)	36.5	3.5	58.9	28.0
Generation (Others)	0.0	0.0	0.0	3.4
Other (Private Lines)	13.2	0.0	0.0	0.0

12 SAIFI for total of interruptions during :

	2004	2003	2002	2001
SAIFI	4.96	7.15	6.55	6.51

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

	2005	2006	2007	2008	2009	Average 2005/09
Planned (TLC)	0.6	0.6	0.5	0.5	0.5	0.5
Unplanned (TLC)	3.8	3.6	3.5	3.4	3.4	3.5

15 SAIFI according to class

	2004	2003	2002	2001
Planned (Transpower)	0.38	0.16	0.21	0.06
Planned (TLC)	0.46	1.12	0.95	1.12
Unplanned (TLC)	3.48	5.71	4.44	4.42
Unplanned (Transpower)	0.45	0.15	0.95	0.78
Generation (Others)	0.00	0.00	0.00	0.13
Other (Private Lines)	0.18	0.00	0.00	0.00

16 CAIDI for total of interruptions during :

	2003	2003	2002	2001
CAIDI	80.7	102.0	86.1	88.1

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

	2005	2006	2007	2008	2009	Average 2005/09
Planned (TLC)	226.9	208.1	195.6	184.4	184.4	199.9
Unplanned (TLC)	70.7	66.2	63.4	60.2	60.2	64.2

19 CAIDI according to class

	2004	2003	2002	2001
Planned (Transpower)	20.6	300.3	193.1	240.0
Planned (TLC)	169.4	202.5	210.2	184.8
Unplanned (TLC)	76.0	78.8	59.7	72.7
Unplanned (Transpower)	80.5	22.6	62.3	35.8
Generation (Others)	0.0	0.0	0.0	25.5
Other (Private Lines)	72.2	0.0	0.0	0.0