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MARLBOROUGH LINES LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

MARLBOROUGH LINES LTD - LINES BUSINESS**NOTE**

On 1 July 2002 Marlborough Lines purchased a 51% share in the unincorporated joint venture OtagoNet, a Balclutha-based lines business.

In accordance with the Electricity (Information Disclosure) Regulations 1999 and amendments to those Regulations, these financial statements are a 100% consolidation of:

- Marlborough Lines' 'Lines' Business financial statements for the year; and
- OtagoNet's financial statements for the nine months from 1 July 2002 to 31 March 2003.

Comparative figures for 2002 relate to the 'Lines' business of Marlborough Lines Limited only.

Please refer to the Notes to the Accounts for a full explanation.

MARLBOROUGH LINES LIMITED - LINES BUSINESS

Financial Statements Prepared in Accord with The Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000 and 2002

STATEMENT OF FINANCIAL PERFORMANCE**For the Year Ended 31 March 2003**

	Notes	2003 \$000	2002 \$000
Operating Revenue			
Revenue from line/access charges		24,642	13,952
Revenue from "Other" business for services carried out by the line business (transfer payment)		460	446
Interest on cash, bank balances and short term investments		255	310
AC loss-rental rebates		684	821
Other operating revenue		905	104
Total Operating Revenue		26,946	15,633
Operating Expenditure			
Payment for transmission charges		6,535	3,075
Transfer payments to the "Other" business for:			
Asset maintenance		1,268	1,411
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		35	28
Royalty and patent expenses		-	-
Avoided transmission charges on account of own generation		-	-
Other goods and services		407	556
Total transfer payment to the "Other" business		1,710	1,995
Expense to entities that are not related parties for:			
Asset maintenance		1,866	517
Consumer disconnection/reconnection services		-	-
Meter data		-	-
Consumer-based load control services		-	-
Royalty and patent expenses		-	-
Total of specified expenses to non-related parties		1,866	517
Employee salaries, wages and redundancies		1,429	1,466
Consumer billing and information system expense		142	136
Depreciation on:			
System fixed assets		3,886	1,178
Other assets		310	282
Total depreciation		4,196	1,460
Amortisation of:			
Goodwill		567	-
Other intangibles		-	-
Total amortisation of intangibles		567	-
Corporate and administration		966	465
Human resource expenses		221	210
Marketing/advertising		132	180
Merger and acquisition expenses		600	-
Takeover defence expenses		-	-
Research and development expenses		-	-
Consultancy and legal expenses		149	95
Donations		10	17
Directors' fees		183	100

STATEMENT OF FINANCIAL PERFORMANCE (continued)**For the Year Ended 31 March 2003**

	Notes	2003 \$000	2002 \$000
Auditors' fees:			
Audit fees paid to principal auditors		67	26
Audit fees paid to other auditors		-	-
Fees paid for other services provided by principal and other auditors		9	9
Total auditors' fees		76	35
Costs of offering credit:			
Bad debts written off		(3)	26
Increase in estimated doubtful debts		-	-
Total cost of offering credit		(3)	26
Local authority rates expense		93	57
AC loss-rentals rebates expense		-	-
Discount to consumers		4,001	4,999
Subvention payments		-	-
Unusual expenses		-	-
Other expenditure		814	1,281
Total Operating Expenditure		23,687	16,114
Operating Surplus Before Interest and Income Tax		3,259	(481)
Interest Expense			
Interest expense on borrowings		1,143	-
Financing charges related to finance leases		-	-
Other interest expense		18	24
Total Interest Expense		1,161	24
Operating Surplus Before Income Tax		2,098	(505)
Income Tax	2	754	(161)
Net Surplus After Tax		1,344	(344)

STATEMENT OF MOVEMENTS IN EQUITY**For the Year Ended 31 March 2003**

	Notes	2003 \$000	2002 \$000
Equity At Beginning Of Year		22,946	23,364
Net Surplus For Year		1,344	(344)
Less Minority Interest Share of Profits	3.3	(989)	-
Less Dividend		-	-
Total Recognised Revenues And Expenses For The Period		355	(344)
Movements in Minority Interests	3.3	52,733	-
Contributions from Owners	3.4	28,235	-
Removal Of Non Lines Assets		(240)	(74)
Equity At End Of Year		104,029	22,946

STATEMENT OF FINANCIAL POSITION
as at 31 March 2003

	Notes	2003 \$000	2002 \$000
Current Assets			
Cash and bank balances		(97)	4,641
Short-term investments		40	-
Inventories	5	287	260
Accounts receivable	4	2,845	1,378
Other current assets		13	-
Total Current Assets		3,088	6,279
Fixed Assets			
System fixed assets		106,657	14,413
Consumer billing and information system assets		110	169
Motor vehicles		79	89
Office equipment		380	175
Land and buildings		3,325	2,602
Capital works under construction		1,191	214
Other fixed assets		43	150
Total Fixed Assets	7	111,785	17,812
Other Tangible Assets		-	-
Total Tangible Assets		114,873	24,091
Intangible Assets			
Goodwill	8	14,572	-
Other intangibles		-	-
Total Intangible Assets		14,572	-
Total Assets		129,445	24,091
Current Liabilities			
Bank overdraft		-	-
Short-term borrowings		-	-
Payables and accruals	6	2,165	1,317
Provision for dividends payable		-	-
Provision for income tax	2.1	(281)	(144)
Other current liabilities		-	-
Total Current Liabilities		1,884	1,173
Non-current Liabilities			
Payables and accruals	6	102	52
Borrowings	11	23,000	-
Deferred tax	2.2	430	(80)
Other non-current liabilities		-	-
Total Non-current Liabilities		23,532	(28)
Equity			
Shareholders' equity			
Share capital	3	8,736	8,736
Retained earnings		42,560	14,210
Reserves		-	-
Total Shareholders' Equity		51,296	22,946
Minority interests in subsidiaries	3.3	52,733	-
Total Equity		104,029	22,946
Capital notes		-	-
Total Capital Funds		104,029	22,946
Total Equity and Liabilities		129,445	24,091

STATEMENT OF CASH FLOWS
For the Year Ended 31 March 2003

	Notes	2003 \$000	2002 \$000
Cash Flows from Operating Activities			
Cash Was Provided From:			
Receipts from customers		25,196	16,685
Interest Received		255	310
		<u>25,451</u>	<u>16,995</u>
Cash was applied to:			
Payments to Suppliers, Employees and Customers		(18,053)	(14,726)
Income Tax Paid		(381)	(12)
Interest Paid		(1,161)	(24)
		<u>(19,595)</u>	<u>(14,762)</u>
Net Cash Flows from Operating Activities		<u>5,856</u>	<u>2,233</u>
Cash Flows from Investing Activities			
Cash was provided from:			
Proceeds From Sale of Fixed Assets		27	3
		<u>27</u>	<u>3</u>
Cash was Applied To:			
Purchase of Share in Joint Venture		-	-
Purchase of Fixed Assets		(113,561)	(3,153)
		<u>(113,561)</u>	<u>(3,153)</u>
Net Cash Flows from Investing Activities		<u>(113,534)</u>	<u>(3,150)</u>
Cash Flows from Financing Activities			
Cash was provided from:			
External Loan		23,000	-
Contributions from Owners including Minority Interests		81,400	-
		<u>104,400</u>	<u>-</u>
Cash Was Applied to:			
Payment of Dividend to Minority		(1,420)	(100)
		<u>(1,420)</u>	<u>(100)</u>
Net Cash Flows from Financing Activities		<u>102,980</u>	<u>(100)</u>
Net Decrease in Cash Held		<u>(4,698)</u>	<u>(1,017)</u>
Cash at Beginning of Year		4,641	5,658
Cash at End of Year		<u>(57)</u>	<u>4,641</u>
Cash Comprises			
Cash and Bank Balances		(97)	4,641
Short Term Investments		40	-
		<u>(57)</u>	<u>4,641</u>
Reconciliation of Operating Surplus after Taxation with Cash Flows from Operating Activities			
Operating Surplus after Taxation		1,344	(344)
Non Cash Items			
Depreciation		4,196	1,460
Amortisation		567	-
Change in Future Income Tax Benefits		510	(10)
Change in Non Current Employee Entitlements		50	10
(Profit) / Loss on Sale of Fixed Assets		(14)	22
		<u>6,653</u>	<u>1,138</u>
Movements in Working Capital Items			
(Increase) / Decrease in Accounts Receivable		(1,480)	1,362
(Increase) in Inventories		(27)	(151)
Increase in Accounts Payable		848	46
(Decrease) in Taxation Payable		(138)	(162)
		<u>(797)</u>	<u>1,095</u>
Net Cash Flows from Operating Activities		<u>5,856</u>	<u>2,233</u>

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

MARLBOROUGH LINES LTD - LINES BUSINESS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2003

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with, and for the sole purpose of, the requirements of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 and amendments to those regulations.

Accordingly these financial statements are for the Line Business Activities of Marlborough Lines Limited consolidated with OtagoNet. Marlborough Lines' Contracting and Investment activities, with their associated revenue and costs, have been removed from these Financial Statements in accordance with the Regulations.

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 meeting the requirements of the regulations. 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 Financial Statements

On 1 July 2002 Marlborough Lines' Investment Business, through its wholly owned subsidiary Southern Lines Limited, purchased a 51% share in the unincorporated joint venture OtagoNet. OtagoNet is a Balclutha-based lines business. Thus, under S3 of the regulations, a prescribed business relationship exists between Marlborough Lines and OtagoNet.

In accordance with sections 7 and 8 of the regulations these financial statements are a 100% consolidation of Marlborough Lines' 'Lines' Business financial statements for the year and OtagoNet's financial statements for the nine months from 1 July 2002 to 31 March 2003. While meeting the requirements of the Regulations this treatment does not comply with generally accepted accounting practice.

The statutory financial statements published with the company's annual report reflected a proportional (51%) consolidation of OtagoNet as required by SSAP25 – "Accounting for Joint Ventures". The impact on the financial statements of the different treatments of consolidating OtagoNet is summarised below:

	OtagoNet Consolidation		
	These Financial Statements 100%	Statutory Financial Statements 51%	Variance
Net Surplus Before Tax	2,018	1,029	(989)
Total Operating Revenue	10,049	5,125	(4,924)
Total Operating Expenditure	8,031	4,096	(3,935)
Total Assets	108,806	55,491	(53,315)
Total Liabilities	1,188	606	(582)
Equity	107,618	54,885	(52,733)

Comparative figures for 2002 relate to the 'Lines' business of Marlborough Lines Limited only.

The activities of the Parent have not been separately disclosed in these financial statements as that is not required under the Regulations. Again this represents a departure from generally accepted accounting practice.

1.2 Goodwill

The excess cost over the fair value at the date of acquisition of the assets of the unincorporated joint venture is capitalised as goodwill and amortised on a straight-line basis over the period of expected benefit. This period has been assessed as 20 years from the date of acquisition. The carrying value for goodwill is reviewed annually and adjusted as considered necessary.

1.3 Goods And Services Tax (GST)

The statements of financial performance and 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.

1.4 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.

1.5 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.

1.6 Inventories

Inventories 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.

1.7 Fixed Assets and Depreciation

Marlborough Lines' fixed assets are recorded at cost. The Network assets of OtagoNet, included through the consolidation process, have been valued at depreciated replacement cost in compliance with FRS 3. 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. All costs and exchange variations are included in the capitalised cost of the asset.

Depreciation rates used are in accord with the determinations issued from time to time by the Inland Revenue Department. These rates are as follows:

Buildings (concrete)	1 % on cost price
Buildings (wooden)	2 - 3.6 % on cost price
Reticulation system (global)	5 % on cost price
Reticulation system (from 1.4.87)	5 - 18 % on diminishing value
Substation equipment	7.5 - 39.6 % on diminishing value
Metering and control equipment	10 - 14.4 % on diminishing value
Plant	10 - 62.5 % on diminishing value
Motor vehicles, office, communications	18 - 48 % on diminishing value

1.8 Research and Development 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.

1.9 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.

1.10 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.

1.11 Changes in Accounting Policies

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

	2003	2002
	<u>\$000</u>	<u>\$000</u>
2. INCOME TAX		
2.1 Income Tax Expense		
Net Profit before Tax as per accounts	2,098	(505)
Non-deductible costs	614	52
Non-assessable income	(428)	-
Taxable Income	2,284	(453)
Prior Year adjustment	-	(36)
Taxation charge @ 33%	754	(161)
Income Tax Expense is represented by:		
Tax (refund) / payable in respect of the current year	(281)	(144)
(Deferred Tax) / Future income tax benefits	1,035	(17)

	2003 \$000	2002 \$000
2.2 Future Income Tax Benefits / Deferred Taxation		
Balance at beginning of year	80	(80)
Prior year adjustments	(525)	143
Future benefits (deferred tax) arising on timing differences	(1,035)	17
Balance at end of year	(430)	80

3. SHARE CAPITAL

3.1 Marlborough Lines' shares are held by the trustees of the Marlborough Electric Power Trust.

3.2 Share Capital

Issued and Paid up Capital ordinary \$1.00 shares	8,736	8,736
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3.3 Minority Interests

Balance at beginning of year	-	-
Capital contributions	53,165	-
Share of net surplus	989	-
Less dividends paid to minority interest	(1,421)	-
Balance at end of year	52,733	-

3.4 Contributions from Owners

Contributions from owners related to a transfer by Marlborough Lines' 'Other' business to the 'Lines' Business for the acquisition of OtagoNet.

4. ACCOUNTS RECEIVABLE

The balance of Accounts Receivable comprises:

Network and other trade debtors, incl GST	2,845	1,378
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5. INVENTORIES

Reticulation stock - excluding essential spares which are included in System Fixed Assets	287	260
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Some inventories are subject to retention of title clauses.

6. CREDITORS AND ACCRUALS

6.1 In current liabilities the balance of payables and accruals comprises:

Trade Creditors and Accruals, incl GST	2,026	1,127
Employee Entitlements	139	190

6.2 In non-current liabilities payables and accruals represent the Company's liability for retirement gratuities.

7. FIXED ASSETS

7.1 Schedule 1 Part 8

Annual Valuation Reconciliation Report Year ending 31 March 2003

System fixed assets at ODV at 31 March 2002	70,828	69,786
Add system fixed assets acquired during the Year at ODV	60,395	6,166
Less system fixed assets disposed of during the year at ODV	(558)	(1,233)
Less depreciation on system fixed assets at ODV	(4,710)	(2,569)
Add revaluations of system fixed assets	17,745	(1,322)
Equals system fixed assets at ODV at 31 March 2003	143,700	70,828

7.2 Table of Fixed Assets as at 31 March 2003

	Cost	Depreciation	Accumulated Depreciation	Net Book Value
Land	540	-	-	540
Buildings	3,638	(124)	(853)	2,785
Reticulation System	122,210	(3,886)	(15,553)	106,657
Plant and Equipment	2,241	(187)	(1,708)	533
Motor Vehicles	259	1	(180)	79
Capital Works under Construction	1,191	-	-	1,191
Totals	130,079	(4,196)	(18,294)	111,785

	Cost	Depreciation	accumulated depreciation	Net Book Value
as at 31 March 2002				
Land	442	-	-	442
Buildings	2,948	(92)	(789)	2,159
Reticulation System	26,021	(1,178)	(11,608)	14,413
Plant and Equipment	2,014	(151)	(1,520)	494
Motor Vehicles	308	(39)	(218)	90
Capital Works under Construction	214	-	-	214
Totals	31,947	(1,460)	(14,135)	17,812

Capital work under construction includes transfer payments and purchases from outside organisations as well as from the 'Other' Business.

	2003	2002
	\$000	\$000
8. <u>GOODWILL</u>		
Goodwill arising on acquisition	15,139	-
Less amortisation of goodwill	(567)	-
Balance at end of year	14,572	-

9. PROVISIONS

The following movements were recorded in provisions held by the business during the 2002/2003 financial year:

	opening balance	movement	closing balance
Provision for staff leave	190	(51)	139
Provision for retirement gratuities	52	50	102
Other Miscellaneous *	-	220	220

* This provision was created by OtagoNet for site restoration following contamination from the failure of capacitor equipment.

	2003	2002
	\$000	\$000
10. <u>COMMITMENTS</u>		
10.1 <u>Capital Commitments</u>		
Capital expenditure committed to but not recognised in the financial statements.	615	473

10.2 Lease Commitments

Commitments under present lease agreements over the next five years are as follows:

2004 - \$14,000; 2005 - \$14,000; 2006 - \$4,500; 2007 - \$4,500; 2008 - \$4,500

The Company will continue to incur lease costs for a number of substation and repeater sites beyond 2008. The lease costs for these sites cannot be quantified at the present time.

11. TERM LOANS

As part of the acquisition process for investment in the OtagoNet joint venture a term debt facility was negotiated by Marlborough Lines during the year to provide additional funding.

	Facility Limit	Maturity Date	Drawn Down As at 31 March 2003
Bank Term Debt Facility	\$26.0m	30-Jun-05	\$23.0m
No security has been issued by Marlborough Lines in respect of the company's loans. Southern Lines Limited has provided a guarantee.			
The interest rate is linked to the 90-Day Bank Bill Rate.			
The effective interest rate at 31 March 2003 was 6.18%.			

12. CONTINGENT LIABILITIES

The company has no contingent assets or liabilities as at 31 March 2003. (2002: nil)

13. FINANCIAL INSTRUMENTS

13.1 Credit Risk

Credit risk is the risk that an outside party will not be able to meet its obligations to the company. Financial instruments, which potentially subject the company to concentrations of credit risk, consist principally of cash deposits, short-term deposits and trade receivables. The maximum credit risk is the book value of these financial instruments, however, the company considers the risk of non-recovery of these amounts to be minimal.

The Company places its cash deposits with high credit quality financial institutions.

Credit risk exists in respect of accounts receivable. The Company is able to impose bond requirements on retailers trading across its network in accord with the use of systems agreements held with the retailers.

13.2 Interest Rate Risk

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

13.3 Currency Risk

Currency risk is the risk that amounts payable in foreign currencies will change due to movements in exchange rates. The company enters into foreign currency forward exchange contracts in order to manage its exposure to fluctuations in foreign currency exchange rates on the purchase of specific plant and equipment items from overseas suppliers. The company had no cover under forward exchange contracts at 31 March 2003 (2002: nil).

13.4 Fair Values

The carrying amount of cash, short term deposits and trade receivables reflect their fair values.

14 RELATED PARTIES

Transactions with these related parties are for the period 1 April 2002 to 31 March 2003.

No related party debt has been written off or forgiven.

14.1 Marlborough Electric Power Trust

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. There were no related party transactions with the Trust during the year (2002: nil).

14.2 Parties Associated With Directors

The company contracted with parties associated with certain directors of Marlborough Lines Limited. These transactions involve the provision of legal and consulting services. All transactions were at commercial rates.

	2003	2002
	<u>\$000</u>	<u>\$000</u>
PJ Radich (Radich Dwyer Hardy-Jones Clark)	10	31

14.3 Contracting Division Of Marlborough Lines

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

Construction of sub transmission assets	5	18
Construction of zone substations	140	163
Construction of distribution lines and cables	127	77
Construction of medium voltage switchgear	19	22
Construction of distribution substations	14	10
Construction of low voltage reticulation	94	262
Maintenance of assets	1,268	1,411
Other services	393	593

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

Other services	460	446
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There were no outstanding balances at 31 March 2003 (31 March 2002: nil).

14.4 Otago Power Services Ltd

Otago Power Services Ltd (OPSL) has provided the following services at commercial rates

Construction of sub transmission assets	358	-
Construction of zone substations	35	-
Construction of distribution lines and cables	430	-
Construction of medium voltage switchgear	10	-
Construction of distribution transformers	88	-
Construction of low voltage reticulation	54	-
Maintenance of assets	798	-

OPSL has paid for the following:

Other services	10	-
Marlborough Lines' Lines Business owed OPSL at 31 March	345	-
OPSL owed Marlborough Lines at 31 March	1	-

MARLBOROUGH LINES LIMITED - LINES BUSINESS
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

<u>Derivation Table</u>	<u>Input and Calculations</u>	<u>Symbol in formula</u>	<u>ROF</u>	<u>ROE</u>	<u>ROI</u>
Operating surplus before interest and income tax from financial statements	3,259				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	3,259				
Interest on cash, bank balances, and short-term investments (ISTI)	255				
OSBIT minus ISTI	3,004	a	3,004		3,004
Net surplus after tax from financial statements	1,344				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	1,344	n		1,344	
Amortisation of goodwill and amortisation of other intangibles	567	g	add 567	add 567	add 567
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	3,886				
Depreciation of SFA at ODV (y)	4,710				
ODV depreciation adjustment	-824	d	add -824	add -824	add -824
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	299	q			deduct 299
Revaluations	17,745	r			add 17,745
Income tax	754	p			deduct 754
			2,747	1,087	19,438
<u>Numerator</u>			$OSBIT^{ADJ} = a+g+s+d$	$NSAT^{ADJ} = n+g+s-s*d$	$OSBIT^{ADJ} = a+g-q+r+s+d-p-s*t$
Fixed assets at end of previous financial year (FA_0)	17,812				
Fixed assets at end of current financial year (FA_1)	111,785				
Adjusted net working capital at end of previous financial year ($ANWC_0$)	321				
Adjusted net working capital at end of current financial year ($ANWC_1$)	980				
Time-weighted average total funds employed (ATFE)	89,107	c	89,107		89,107
Total equity at end of previous financial year (TE_0)	22,946				
Total equity at end of current financial year (TE_1)	104,029				
Time-weighted average total equity	83,758	k		83,758	
WUC at end of previous financial year (WUC_0)	214				
WUC at end of current financial year (WUC_1)	1,191				
Time-weighted average total works under construction	947	e	deduct 947	deduct 947	deduct 947
Revaluations	17,745	r			
Half of revaluations	8,872	r/2			deduct 8,872
Intangible assets at end of previous financial year (IA_0)	0				
Intangible assets at end of current financial year (IA_1)	14,572				
Time-weighted average total intangible asset	10,929	m		add 10,929	
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				
Time-weighted average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA_{bv0})	14,413				
System fixed assets at end of current financial year at book value (SFA_{bv1})	106,657				
Time-weighted average value of system fixed assets at book value	83,596	f	deduct 83,596	deduct 83,596	deduct 83,596
System Fixed assets at year beginning at ODV value (SFA_{odv0})	70,828				
System Fixed assets at end of current financial year at ODV value (SFA_{odv1})	143,700				
Time-weighted average value of system fixed assets at ODV value	125,482	h	add 125,482	add 125,482	add 125,482
			130,046	135,626	121,174
<u>Denominator</u>			$ATFE^{ADJ} = c-e-f+h$	$AveTE^{ADJ} = k-e-m+v-f+h$	$ATFE^{ADJ} = c-e-1/2r-f+h$
			2.1	0.8	16.0
Financial Performance Measure:			$ROF = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$	$ROI = OSBIT^{ADJ} / ATFE^{ADJ} \times 100$

t = maximum statutory income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity ROI = return on investment

MARLBOROUGH LINES LIMITED - LINES BUSINESS**PERFORMANCE MEASURES Prepared in Accordance with The Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000 and 2001**

	2003	2002	2001	2000
<u>REGULATION 15 FINANCIAL AND EFFICIENCY PERFORMANCE MEASURES</u>				
1. Financial Performance Measures				
(a) Return on Funds	2.11%	-2.94%	2.12%	2.28%
(b) Return on Equity	0.80%	-2.19%	0.91%	0.90%
(c) Return on Investment	16.04%	-4.34%	1.75%	0.69%
Return on Investment - excluding revaluations	1.30%			
2. Efficiency Performance Measures				
(a) Direct Line Costs per Kilometre	\$624	\$1,016	\$1,039	\$964
(b) Indirect Line Costs per Consumer	\$77	\$101	\$91	\$104
- including one off acquisition costs	\$97			

REGULATION 21 ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES

1. Energy Delivery Efficiency Performance Measures				
(a) Load Factor	73.9%	62.3%	62.6%	58.2%
(b) Loss Ratio	5.7%	5.7%	5.9%	6.8%
(c) Capacity Utilisation	27.8%	25.0%	26.5%	26.0%
2. Statistics				
(a) System Length Break Down in Kilometres [†]				kms
66kV	55	-	-	-
33kV	707	262	259	259
22kV	189	-	-	-
11kV	4,262	2,075	2,052	2,110
6.6kV	95	51	51	51
LV	1,074	663	654	492
Total - time weighted average basis	6,382	3,050	3,015	2,911
<i>actual total 31 March 2003</i>	7,493			
(b) Circuit length of overhead system in kilometres [†]				kms
66kV	55			
33kV	703	258	257	257
22kV	189			
11kV	4,183	2,010	1,997	2,040
6.6kV	94	51	51	51
LV	902	527	530	401
Total - time weighted average basis	6,125	2,845	2,835	2,748
<i>actual total 31 March 2003</i>	7,218			
(c) Circuit Length of Underground System in Kilometres [†]				kms
33kV	4	4	2	2
11kV	79	65	55	70
6.6kV	1	-	0	0
LV	172	136	124	91
Total - time weighted average basis	257	205	180	163
<i>actual total 31 March 2003</i>	274			

		2003	2002	2001	2000
(d)	Transformer Capacity in kVA [†] <i>actual 31 March 2003</i>	331,616 368,219	222,362	211,863	204,045
(e)	Maximum demand in kW [†] <i>actual post-acquisition maximum</i>	92,346 104,765	55,609	56,224	52,976
(f)	Total Electricity entering the System in kWh (before losses - 2000/01 figures are after losses)	598,113,952	303,561,295	290,043,148	270,664,287
(g)	Total Electricity supplied from the System on behalf of each generator and retailer in kWh (after losses - 2000/01 figures are before losses)				
	Retailer B	312,528,041	216,073,128	245,998,574	251,171,415
	Retailer C	219,692,247	57,955,341	39,939,715	20,388,502
	Retailer D	2,224,543	2,482,763	9,794,061	9,201,115
	Retailer E	-	2,928,427	10,392,034	5,812,149
	Retailer F	1,550,650	2,640,299	1,966,857	792,451
	Retailer G	28,041,235	4,280,802	-	3,113,634
	Total	564,036,716	286,360,760	308,091,241	290,479,266
note	the above energy volumes are based on information provided by Energy Retailers; Marlborough Lines cannot assure readers as to the accuracy of this information				
(h)	Total Consumers ^{††} <i>actual 31 March 2003</i>	32,196 35,915	21,038	20,805	20,572

REGULATION 22 RELIABILITY PERFORMANCE MEASURES

		average		actual			
		target	target	2003	2002	2001	2000
		2004-08	2004				
1.- 3.	Number of interruptions and interruption Targets by class						
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - Line Owner Planned	257	261	329	159	145	117
(b)	Class C - Line Owner Unplanned	386	393	322	283	302	125
	Class D - Transpower Unplanned			4	1	-	-
	Class E - Ecnz Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other Line Owner Unplanned			-	-	-	-
	Class H - Other Line Owner Planned			-	-	-	-
	Class I - Other			-	-	-	-
	Total			655	443	447	242
note	2003 includes MLL faults for the entire year and OtagoNet faults from July 2002 to March 2003						
4.	Percentage of Class C interruptions not restored within -						
(a)	Three hours			15.5%	29.3%	29.5%	22.4%
(b)	24 hours			0.3%	2.8%	1.6%	2.4%
5.	Faults (Class C) per 100 kilometres						
	Total number of faults per 100 km						faults/100 km
	33 kV	1.9	1.9	1.1	3.8	3.9	0.8
	11kV	7.0	7.1	7.4	13.2	14.2	5.8
	6.6kV	-	-	1.1	-	-	2.0
	Total	6.3	6.4	6.1	11.9	12.8	5.2

		average		actual			
		target	target				
		2004-08	2004	2003	2002	2001	2000
6.	Faults (Class C) per 100 kilometres underground						faults/100 km
	33 kV			-	-	-	-
	11kV			-	-	-	4.3
	Total			-	-	-	4.2
7.	Faults (Class C) per 100 km overhead						faults/100 km
	33 kV			1.1	3.9	3.9	0.8
	11kV			7.5	13.6	14.6	5.8
	6.6kV			1.1	-	-	2.0
	Total			6.2	12.2	13.1	5.2
8.	SAIDI - total customer minutes			200.5	208.2	177.7	171.6
9.- 11.	SAIDI per interruption class						customer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - Line Owner Planned	55.6	57.3	67.8	37.7	57.4	69.1
(b)	Class C - Line Owner Unplanned	113.6	117.3	124.8	147.2	120.4	102.5
	Class D - Transpower Unplanned			8.0	23.3	-	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other Line Owner Unplanned			-	-	-	-
	Class H - Other Line Owner Planned			-	-	-	-
	Class I - Other			-	-	-	-
12.	SAIFI - total interruptions			2.6	2.8	2.2	1.5
13.- 15.	SAIFI per interruption class						customer minutes
	Class A - Transpower Planned			-	-	-	-
(a)	Class B - Line Owner Planned	0.3	0.3	0.3	0.2	0.4	0.3
(b)	Class C - Line Owner Unplanned	1.6	1.6	2.0	1.6	1.8	1.2
	Class D - Transpower Unplanned			0.3	1.0	-	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other Line Owner Unplanned			-	-	-	-
	Class H - Other Line Owner Planned			-	-	-	-
	Class I - Other			-	-	-	-
16.	CAIDI - customer minutes			76.6	73.6	82.2	113.6
17.- 19.	CAIDI per interruption class						customer minutes
	Class A - Transpower Planned			-	-	-	-
	Class B - Line Owner Planned	174.4	174.4	229.2	158.4	163.6	227.7
	Class C - Line Owner Unplanned	73.1	73.1	61.0	90.9	66.5	84.9
	Class D - Transpower Unplanned			28.8	24.0	-	-
	Class E - ECNZ Unplanned			-	-	-	-
	Class F - Other Generation			-	-	-	-
	Class G - Other Line Owner Unplanned			-	-	-	-
	Class H - Other Line Owner Planned			-	-	-	-
	Class I - Other			-	-	-	-

In these pages ^e denotes data which is, or is based on, an estimate. The methodology by which the estimate is calculated is publicly available.

In these pages ^r denotes data which is calculated as a weighted average of MLL and OtagoNet data. Ratios given are also based on this data. The calculations for the averages are publicly available. Actual combined values as at 31 March 2003 are also shown for ongoing comparison.

**Deloitte
Touche
Tohmatsu****REPORT OF THE AUDITOR-GENERAL****TO THE READERS OF THE FINANCIAL STATEMENTS OF MARLBOROUGH LINES LIMITED – LINES BUSINESS FOR THE YEAR ENDED 31 MARCH 2003**

We have audited the attached financial statements of Marlborough Lines Limited – Lines Business (“Marlborough Lines”) prepared in accordance with the Electricity (Information Disclosure) Regulations 1999 and Amendment Regulations 2000 and 2002 (the Regulations). The financial statements provide information about the past financial performance of Marlborough Lines and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out in the Statement of Accounting Policies.

Directors’ Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements that give a true and fair view of the financial position of Marlborough Lines as at 31 March 2003 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 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Audit Office 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 Touche Tohmatsu 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 performance information; and
- whether the accounting policies are appropriate to Marlborough Lines’ 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 give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

**Deloitte
Touche
Tohmatsu****Qualified Opinion**

As more fully explained in Note 1 in the Notes to the Financial Statements, these financial statements have been prepared in accordance with the Regulations and as such represent a 100% consolidation of Marlborough Lines – Lines Business financial statements for the year with OtagoNet's financial statements for the nine months from 1 July 2002 to 31 March 2003. While required by the Regulations this treatment does not comply with generally accepted accounting practice.

The statutory financial statements published with the company's annual report reflected a proportional (51%) consolidation of OtagoNet as required by SSAP-25 – "Accounting for Joint Ventures".

The adjustments required in order to comply with generally accepted accounting practice in New Zealand are disclosed in note 1.1.

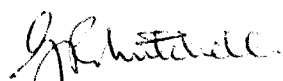
As stated in Note 1.1, the activities of the Parent have not been separately disclosed in these financial statements as that would be inconsistent with the requirements of the Regulations. Again this represents a departure from generally accepted accounting practice.

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

In our opinion:

- proper accounting records have been kept by Marlborough Lines as far as appears from our examination of those records;
- because of the effect of the above, the attached financial statements of Marlborough Lines:
 - (a) do not comply with generally accepted accounting practice in New Zealand;
 - (b) do not give a true and fair view of Marlborough Lines' financial position as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date; and
- The financial statements comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 18 September 2003 and our qualified opinion is expressed as at that date.



G R Mitchell
Deloitte Touche Tohmatsu
On behalf of the Auditor-General
Wellington, New Zealand

**Deloitte
Touche
Tohmatsu**

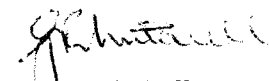
**AUDITOR-GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
MARLBOROUGH LINES LIMITED – LINES BUSINESS**

We have examined the attached information, being:

- (a) the derivation table in regulation 16;
- (b) the annual ODV reconciliation report in regulation 16A;
- (c) the time-weighted averages calculations in regulation 33;
- (d) the financial performance measures specified in clause 1 of Part 3 of Schedule 1; and
- (e) the financial components of the efficiency performance measures specified in clause 2 of Part 3 of Schedule 1,

that were prepared by Marlborough Lines Limited and dated 31 March 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



G. R. Mitchell
Deloitte Touche Tohmatsu
On behalf of the Auditor General
Wellington, New Zealand
18 September 2003



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

CERTIFICATION BY AUDITOR IN RELATION TO VALUATION

We have examined the valuation report of Marlborough Lines Limited dated 8 September 2003, which contains valuations of system fixed assets as at 31 March 2003.

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 \$143,700,284, have been made in accordance with the ODV Handbook.

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

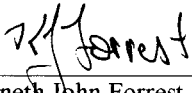
PricewaterhouseCoopers
Chartered Accountants
Auckland
9 September 2003

Certification of Financial Statements, Performance Measures, and Statistics Disclosed by Line Owners Other Than Transpower

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Marlborough Lines Ltd certify that, having made all reasonable enquiry, to the best of our knowledge, —

- (a) the attached audited financial statements of Marlborough Lines Ltd (including OtagoNet), prepared for the purposes of regulation 6 of the Electricity (Information Disclosure) Regulations 1999 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 Marlborough Lines Ltd (including OtagoNet), and having been prepared for the purposes of regulations 15, 16, 21, and 22 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2003.



Kenneth John Forrest
Managing Director

18 September 2003



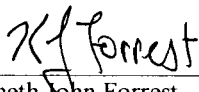
Geoffrey John Hoare
Company Secretary

Certification of Valuation Report of Line Owners

We, Kenneth John Forrest and Geoffrey John Hoare, principals of Marlborough Lines Ltd certify that, having made all reasonable enquiry, to the best of our knowledge—

- (a) the attached valuation report of Marlborough Lines Ltd (including OtagoNet), prepared for the purposes of regulation 20 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of that regulation; and
- (b) the replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$305,773,606 and
- (c) the depreciated replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$149,628,129 and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$147,170,946, and
- (e) the optimised deprival valuation of the line business system fixed assets of Marlborough Lines Ltd (including OtagoNet), is \$143,700,284; and
- (f) the values in paragraphs (b) through to (e) have been prepared in accordance with the ODV Handbook.

These valuations are as at 31 March 2003.



Kenneth John Forrest
Managing Director

18 September 2003



Geoffrey John Hoare
Company Secretary