



New Zealand Gazette

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THE LINES COMPANY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999
AND SUBSEQUENT AMENDMENTS

**Deloitte
Touche
Tohmatsu**

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF THE LINES COMPANY LIMITED
FOR THE YEAR ENDED 31 MARCH 2002**

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 2002. This information is stated in accordance with the accounting policies set out on pages 4 to 6.

Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 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 2002, and results of operations and cash flows for the year then ended.

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 Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Controller and Auditor-General has appointed Bruce Taylor 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
- 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 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 our capacity acting on behalf of the Auditor-General, we have no relationship with or interest 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, and
- the financial statements on pages 1 to 12:
 - (a) comply with generally accepted accounting practice; and
 - (b) give a true and fair view of the financial position of The Lines Company Limited as at 31 March 2002 and the results of its operations and cash flows for the year then ended; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 2 August 2002 and our unqualified opinion is expressed as at that date.


Bruce Taylor

Deloitte Touche Tohmatsu
On behalf of the Auditor-General
Hamilton, New Zealand

**Deloitte
Touche
Tohmatsu**

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

We have examined the attached information on pages 12 to 14, being:

- (a) The derivation table in regulation 16; and
- (b) The annual ODV reconciliation report in regulation 16A; 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 The Lines Company Limited and dated 31 March 2002 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.



Bruce Taylor
Deloitte Touche Tohmatsu
On behalf of the Auditor-General
Hamilton, New Zealand
2 August 2002

**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 inquiry, to the best of our knowledge,

- (a) The attached Audited financial statements of The Lines Company Limited, 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 The Lines Company Limited, 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 31st March 2001.

Signature:


Director
(Charles Murray Loewenthal)

Signature:


Director
(Robert Alexander Kidd)

Date:

31 July 02

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Financial Performance
For the Year Ended 31 March 2002

	Note	2002 \$000's	2001 \$000's
Operating Revenue	2	18,724	17,581
Customer discount		<u>(6,600)</u>	<u>(5,369)</u>
Net Revenue after Discount		12,124	12,212
Operating Expenditure	3	<u>(10,593)</u>	<u>(9,640)</u>
Operating surplus before Interest & Tax		1,531	2,571
Interest Expense on Borrowings		<u>808</u>	<u>846</u>
Operating surplus before income tax		723	1,725
Tax Expense	4	<u>(153)</u>	<u>163</u>
Net surplus after Tax		<u><u>875</u></u>	<u><u>1,562</u></u>

Statement of Movement of Equity
For the Year Ended 31 March 2002

	2002 \$000's	2001 \$000's
Equity at Beginning of Year	47,355	41,184
Surplus retained for the Year	875	1,562
Revaluation of fixed assets	<u>(5,733)</u>	<u>4,608</u>
Total Recognised Revenue and Expenses	(4,858)	6,170
Dividends	<u>(132)</u>	<u>-</u>
Total Distribution to Owners	(132)	-
Equity at Year End	<u><u>42,365</u></u>	<u><u>47,355</u></u>

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Financial Position
For the Year Ended 31 March 2002

	Note	2002 \$000's	2001 \$000's
Equity			
Share Capital		6,021	6,021
Retained Earnings		9,409	8,665
Revaluation Reserve		26,935	32,668
		<u>42,365</u>	<u>47,355</u>
Fixed Assets			
Fixed Assets	5	<u>70,548</u>	<u>73,819</u>
Total Fixed Assets		70,548	73,819
Current Assets			
Cash		571	1,631
Receivables & prepayments		2,374	3,300
Inventory		<u>503</u>	<u>278</u>
Total Current Assets		3,448	5,209
Total Tangible Assets		73,996	79,028
Intangible Assets			
Goodwill		<u>-</u>	<u>-</u>
Total Intangible Assets		-	-
Total Assets		73,996	79,028
Non-current Liabilities			
Loans	6	21,763	22,763
Deferred Tax	7	<u>1,117</u>	<u>658</u>
Total Non-current Liabilities		22,880	23,421
Current Liabilities			
Accounts Payable		4,038	4,373
Provisions		254	72
Short Term Loan	8	1,000	1,000
Customer Discount Provision		<u>3,459</u>	<u>2,806</u>
Total Current Liabilities		8,751	8,252
Total Liabilities		31,631	31,673
Net Assets Employed		<u>42,365</u>	<u>47,355</u>

Chairman



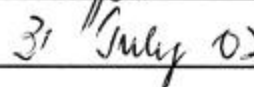
Date:



Director



Date:



THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

Statement of Cashflows
For the Year Ended 31 March 2002

	2002 \$000's	2001 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Receipts from customers	19,650	18,325
Less special discounts	(5,947)	(5,059)
	<u>13,703</u>	<u>13,266</u>
Cash was distributed to:		
Payment to suppliers & employees	7,966	7,583
Taxes paid	-	448
Interest paid	808	846
	<u>8,774</u>	<u>8,877</u>
CASH FLOWS FROM OPERATING ACTIVITIES	<u>4,929</u>	<u>4,389</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Proceeds from sale of fixed assets	-	-
Investment	-	-
	<u>-</u>	<u>-</u>
Cash was applied to:		
Fixed asset purchase	5,106	4,253
NET CASHFLOWS TO INVESTING ACTIVITIES	<u>(5,106)</u>	<u>(4,253)</u>
CASHFLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Economic Energy Ltd.	117	-
Loan - BNZ	-	-
	<u>117</u>	<u>-</u>
Cash was provided for:		
Loan - BNZ	1,000	500
	<u>1,000</u>	<u>500</u>
NET CASHFLOWS TO FINANCING ACTIVITIES	<u>(883)</u>	<u>(500)</u>
Net cashflow from operating	4,929	4,389
Net cashflow to investing	(5,106)	(4,253)
Net cashflow to financing	(883)	(500)
Net increase in cash held	<u>(1,060)</u>	<u>(364)</u>
Nominal cash carried forward	1,631	1,995
Total Cash	<u>571</u>	<u>1,631</u>

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2002

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 1999 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 Hughes Valuations on 31st March 2000 based on estimated market value and are revalued every three years.

The distribution system has been independently valued based upon optimised deprival value (ODV) by an electrical engineer and PriceWaterhouseCoopers, as at 31 March 2000. The valuation has been subsequently audited by the Commerce Commission with an update to 31 March 2001.

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 2002

(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 not depreciated	
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) Investments

Short term deposits and shares are stated at the lower of cost or estimated realisable value.

(h) 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 partial basis.

THE LINES COMPANY LIMITED
Lines Business Activity
Notes to the Financial Statements
For the Year Ended 31st March 2002

(i) 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.

(j) Comparative Figures

Comparative figures have not been changed from those reported in prior periods, despite changes to the Financial Statements preparation basis as set by the Ministry of Economic Development.

(k) Changes in Accounting Policies

There have been no changes in the accounting policies during the year.

(l) 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)

	2002 \$000's	2001 \$000's
1 Current assets		
(a) Cash and bank balances	571	1,631
(b) short term investments	-	-
(c) Inventories	503	278
(d) Accounts receivable	2,374	3,300
(e) Other current assets not listed in (a) to (d)	-	-
(f) Total current assets	<u>3,448</u>	<u>5,209</u>
2 Fixed assets		
(a) System fixed assets	65,456	70,796
(b) consumer billing and information systems	20	-
(c) Motor vehicles	288	139
(d) Office equipment	166	86
(e) Land and buildings	670	651
(f) Capital works under construction	3,872	2,095
(g) Other fixed assets not listed in (a) to (f)	75	52
(h) Total fixed assets	<u>70,548</u>	<u>73,819</u>
3 Other tangible assets not listed above	-	-
4 Total tangible assets	<u>73,996</u>	<u>79,028</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>73,996</u>	<u>79,028</u>
7 Current liabilities		
(a) Bank overdraft	-	-
(b) Short-term borrowings	1,000	1,000
(c) Payables and accruals	4,160	4,446
(d) Provision for dividend payable	132	-
(e) Provision for income tax	-	-
(f) Other current liabilities not listed in (a) to (e)	3,459	2,806
(g) Total current liabilities	<u>8,751</u>	<u>8,252</u>
8 Non-current liabilities		
(a) Payables and accruals	-	-
(b) Borrowings	21,763	22,763
(c) Deferred tax	1,117	658
(d) Other non-current liabilities not listed in (a) to (c)	-	-
(e) Total non-current liabilities	<u>22,880</u>	<u>23,421</u>

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2002 \$000's	2001 \$000's
9 Equity		
(a) Shareholders' equity		
(i) Share capital	6,021	6,021
(ii) Retained earnings	9,409	8,665
(iii) Reserves	26,935	32,668
(iv) Total shareholders' equity	42,365	47,354
(b) Minority interests in subsidiaries	-	-
(c) Total equity	42,365	47,354
(d) Capital notes	-	-
(e) Total capital funds	42,365	47,354
10 Total equity and liabilities	73,996	79,028

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

NOTE 2 : OPERATING REVENUE

11 Operating Revenue		
(a) Revenue from line/access charges	17,887	16,829
(b) Revenue from 'Other' business (transfer payment)	-	-
(c) Income from Interest on bank & short term investments	59	-
(d) AC loss-rental Rebates	778	752
(e) Other operating revenue not listed in (a) to (d)	-	-
(f) Total operating revenue	18,724	17,581

NOTE 3 : OPERATING EXPENDITURE

12 Operating Expenditure		
(a) Transmission costs	4,276	4,937
(b) Transfer payments to the "Other" business for:		
(i) Asset Maintenance Services	1,853	1,507
(ii) Disconnection/Reconnection Services	2	-
(iii) Meter Data	-	-
(iv) Consumer Based Load control	-	-
(v) Royalty and patent expenses	-	-
(vi) Avoided Transmission Charges	-	-
(vii) Other	35	24
(viii) Total transfer payments to the "Other" business	1,890	1,531
(c) Expenses to entities that are non-related parties for:		
(i) Asset Maintenance Services	23	16
(ii) Disconnection/Reconnection Services	-	-
(iii) Meter Data	-	-
(iv) Consumer Based Load control	-	-
(v) Avoided Transmission Charges	-	-
(vi) Royalty and patent expenses	-	-
(vii) Total of specified expenses to non-related entities	23	16
(d) Employee salaries/redundances	853	817
(e) Consumer Billing and Information System	42	31
(f) Depreciation on:		
(i) System Fixed Assets	2,273	1,235
(ii) Other assets not listed in (i)	388	216
(iii) Total Depreciation	2,661	1,451

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2002 \$000's	2001 \$000's
(g) Amortisation of:		
(i) Goodwill	-	-
(ii) Other Intangibles	-	-
(iii) Total amortisation of intangibles	-	-
(h) Corporate & Administration	121	112
(i) Human Resource	20	18
(j) Marketing & Advertising	32	36
(k) Merger and acquisition expenses	-	-
(l) Takeover defence expenses	-	-
(m) Research and development expenses	-	-
(n) Consultancy & legal expenses	12	12
(o) Donations	8	23
(p) Directors' fees	114	114
(q) Auditors' fees		
(i) Audit fees paid to principal auditors	22	13
(ii) Audit fees paid to other auditors	-	-
(iii) Fees paid for other services provided by auditors	-	-
(iv) Total auditors' fees	22	13
(r) Cost of offering credit		
(i) Bad Debts written off	-	-
(ii) Increase in estimated doubtful debts	-	-
(iii) Total cost of offering credit	-	-
(s) Local Authority rates expense	2	2
(t) AC loss-rentals (distribution to customers) expense	-	-
(u) Rebate to consumers due to ownership interest	-	-
(v) Subvention payments	-	-
(w) Unusual expenses	-	-
(x) Other	517	527
13 Total operating expenditure	10,593	9,640
14 Operating surplus before interest and income tax	1,531	2,571
15 Interest expense		
(a) Interest Expense on Borrowings	808	846
(b) Financing Charges relating to Finance Leases	-	-
(c) Other Interest Expense	-	-
(d) Total interest expense	808	846
16 Operating surplus before income tax	723	1,725
17 Income tax	(153)	163
18 Net surplus after tax	875	1,562

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2002 \$'000'	2001 \$'000'
NOTE 4 : TAXATION EXPENSE		
Nominal Profit Before Tax	723	1,725
Prima Facie Taxation @ 33 %	239	569
Add/(Less) Effect of Permanent Tax Diff	(391)	(406)
Net Taxation Expense	(153)	163
Less Tax loss on Other	-	-
	(153)	163

NOTE 5 : FIXED ASSETS 2001

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings	683,336	260,302	292,563	651,075
Reticulation System	43,121,671	34,601,938	6,927,532	70,796,077
Motor Vehicles	336,140		197,317	138,823
Office Equipment	206,576		120,658	85,918
Other Plant & Equipment	230,595		178,459	52,136
Capital Work in Progress				
Zone Substations	1,558,667			
Distribution Lines & Cables	62,444			
Medium Voltage Switchgear	-			
Low Voltage Lines & Cables	169,377			
Other Capital Works	304,139			2,094,627
	46,672,945	34,862,240	7,716,529	73,818,656

FIXED ASSETS 2002

	at cost	at valuation	accumulated depreciation	carrying value
	\$	\$	\$	\$
Land and Buildings	721,694	260,302	311,859	670,137
Reticulation System	45,788,204	28,868,864	9,200,714	65,456,354
Customer billing and Information system	26,729		6,612	20,117
Motor Vehicles	671,544		383,963	287,581
Office Equipment	351,935		185,543	166,392
Other Plant & Equipment	377,805		302,452	75,353
Capital Work in Progress				
Zone Substations	2,023,220			
Distribution Lines & Cables	1,134,108			
Medium Voltage Switchgear	62,145			
Low Voltage Lines & Cables	-			
Other Capital Works	652,346			3,871,818
	51,809,729	29,129,166	10,391,143	70,547,752

THE LINES COMPANY LIMITED-LINE BUSINESS ACTIVITY

	2002 \$'000'	2001 \$'000'
NOTE 6 : LOANS		
"Other" (The Lines Company Activities)	9,763	9,763
Perpetual	3,000	3,000
Bank of New Zealand Swaps	9,000	10,000
	<u>21,763</u>	<u>22,763</u>

NOTE 7 : DEFERRED TAX

Fixed Assets	1,346	1,426
Accruals & Provisions	(229)	(768)
	<u>1,117</u>	<u>658</u>

NOTE 8 : SHORT TERM LOANS

Bank of New Zealand Swaps	1,000	1,000
	<u>1,000</u>	<u>1,000</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 a capital commitment of \$484,000 (2001: \$2.4 million).

NOTE 11 : CASHFLOW RECONCILIATION WITH NET PROFIT

Net Profit after Tax and Customer Discount	875	1,562
Add: Non cash items		
Depreciation	2,661	1,451
	<u>3,537</u>	<u>3,013</u>
Add/Less: Movements in Working Capital		
(Increase)/Decrease in Receivables	926	(1,230)
(Increase)/Decrease in Stock	(226)	(278)
Increase/(Decrease) in Creditors	(154)	3,281
Increase/(Decrease) in Provisions	387	310
Increase/(Decrease) in Other	459	(707)
	<u>1,392</u>	<u>1,376</u>
Net cashflows from operating activities	<u>4,929</u>	<u>4,389</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 2001 to 31st March 2002.
- c) There are no outstanding balances and no debts have been written off.
- c) All work is recorded on the basis of material at cost plus 15% and labour & plant at \$45 per hour.
- d) Construction of the following types of assets were undertaken for the lines business.
The values comprise of material, labour and plant costs added by the contracting division.

	2002 \$000's	2001 \$000's
(i) Construction of Subtransmission Assets	240	124
(ii) Construction of Zone Substations	109	2
(iii) Construction of Distribution Lines and Cables	1,310	1,044
(iv) Construction of Medium Voltage Switchgear	51	135
(v) Construction of Distribution Substations	283	150
(vi) Construction of Low Voltage Reticulation	225	13
(vii) Construction of Other Assets	391	61
(viii) Consumer connections & disconnections	115	1
(ix) Maintenance of distribution system	1,853	1,507
	<u>4,577</u>	<u>3,038</u>

During the year company paid Waitomo Energy Services Customer Trust \$77,421 of interest on a subordinated debenture.

NOTE 13 : ODV RECONCILIATION

System Fixed Assets at ODV (at the end of the previous year)	70,796	64,823
New Revaluation of System Fixed Assets (previous year)	<u>(5,733)</u>	<u>-</u>
System Fixed Assets at ODV (Beginning of Year)	65,063	64,823
System Fixed Assets Acquired during year at ODV	2,667	2,600
System Fixed Assets Disposed of during year at ODV	-	-
Depreciation on System Fixed Assets at ODV	(2,273)	(1,235)
Revaluations of Systems Fixed Assets	-	4,608
System Fixed Assets at ODV (at the end of the current year)	<u>65,456</u>	<u>70,796</u>

As at 31st March 2001 the ODV Valuation of the lines business as certified by PricewaterhouseCoopers and the Commerce Commission was \$65.063 million.

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 Calculated</i>	<i>Symbol in form.</i>	<i>ROF</i>	<i>ROE</i>	<i>ROI</i>
Operating surplus before interest and tax (OSBIT)	1,531				
Interest on cash, bank & short term investments (ISTI)	59				
OSBIT minus ISTI	1,472	<i>a</i>	1,472		1,472
Net surplus after tax from financial statements	875	<i>n</i>		875	
Amortised Goodwill	-	<i>g</i>	-	-	-
Subvention Payment	-	<i>s</i>	-	-	-
Depreciation of SFA at BV (x)	2,273				
Depreciation of SFA at ODV (y)	2,273				
ODV Depreciation adjustment	-	<i>d</i>	-	-	-
Subvention Payment tax adjustment	-	<i>s*t</i>		-	-
Interest Tax Shield	267	<i>q</i>			267
Revaluations	(5,732)	<i>r</i>			(5,732)
Income Tax	(153)	<i>p</i>			(153)
Numerator			1,472	875	(4,375)
Fixed Assets at Start of Year	73,819				
Fixed Assets at Year End	70,548				
Net Working Capital at end of previous financial year	(3,043)				
Net Working Capital at end of current financial year	(5,302)				
Average Total Funds Employed (ATFE)	68,011	<i>c</i>	68,011		68,011
Total Equity at end of previous financial year	47,354				
Total Equity at end of current financial year	42,366				
Average Total Equity	44,860	<i>k</i>		44,860	
Works Under Construction at end of previous year	2,095				
Works Under Construction at end of current year	3,872				
Average Total Works Under Construction	2,983	<i>e</i>	2,983	2,983	2,983
Revaluations	(5,732)	<i>r</i>			
Half of revaluations	(2,866)	<i>r/2</i>			(2,866)
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	70,796				
System Fixed Assets at end of current year at BV	65,457				
Average value of system fixed assets at BV	68,127	<i>f</i>	68,127	68,127	68,127
System Fixed Assets at year beginning at ODV	70,796				
System Fixed Assets at end of current year at ODV	65,457				
Average value of system fixed assets at ODV	68,127	<i>h</i>	68,127	68,127	68,127
Denominator			65,028	41,877	67,894
Financial Performance Measure			2.26%	2.09%	-6.44%

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.

	2002	2001	2000	1999
1 Financial performance measures				
(a) Accounting return on funds	2.26%	3.85%	5.57%	4.94%
(b) Accounting return on equity	2.09%	3.64%	5.83%	3.72%
(c) Accounting return on investment	-6.44%	10.46%	7.21%	4.26%
2 Efficiency performance measures				
(a) Direct line costs per kilometer	\$605	\$529	\$539	\$896
(b) Indirect line costs per electricity customer.	\$34	\$33	\$37	\$45

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.

1 (a) Load Factor	52.63%	58.18%	60.25%	59.53%
(b) Loss Ratio	7.20%	7.37%	7.31%	7.81%
(c) Capacity Utilisation	32.89%	27.87%	32.20%	36.21%
2 (a) System lengths (kms)				
- 33kV	399	404	396	207
- 11kV	3,573	3,714	3,863	2,221
- LV	630	347	509	139
- Total	4,602	4,465	4,768	2,567
(b) Circuit length (overhead) (kms)				
- 33kV	398	404	396	207
- 11kV	3,498	3,622	3,766	2,215
- LV	462	242	350	123
- Total	4,359	4,268	4,512	2,545
(c) Circuit length (underground) (kms)				
- 33 kV	0	0	0	0
- 11 kV	75	92	97	6
- LV	168	104	159	16
- Total	243	196	256	22
(d) Transformer capacity (kVA)	188,798	185,050	167,675	84,517
(e) Maximum demand (kW)	62,090	51,581	53,990	30,600
(f) Total electricity supplied (kWh)(000's)	286,248	283,817	285,972	159,389
(g) Total electricity conveyed on behalf of other persons.				
Retailer A	59	59	0	0
Retailer B	4,646	4,041	6,726	0
Retailer C	1,944	1,037	900	0
Retailer D	4,811	4,986	1,280	0
Retailer E	259	179	0	0
Retailer F	21,093	21,988	0	0
Retailer G	8,568	6,226	0	0
Retailer H	719	461	0	0
Retailer I	223,538	223,921	255,942	0
	265,637	262,898	264,848	0
(h) Total customer	25,712	25,846	25,259	11,610

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

	2002	2001	2000	1999	1998
Planned (Transpower)	3	1	0	0	0
Planned (TLC)	546	435	309	271	343
Unplanned (TLC)	375	447	357	273	257
Unplanned (Transpower)	9	5	7	6	4
Generation (Others)	0	2	0	0	0
Total	933	890	673	550	604

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

	2003	2004	2005	2006	2007	Average 2003/07
Planned (TLC)	450	450	450	450	450	450
Unplanned (TLC)	346	311	280	252	226	283

4 Percentage of total number for faults not restored in 3 or 24 hours**Unplanned (TLC) faults for 2001/02**

	Number	% of Outages
Not Restored in 3 hours	107	28.50%
Not Restored in 24 hours	5	1.30%

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

	2002	2001	2000	1999
Faults per 100km				
33kV	7.3	9.9	8.7	11.1
11kV	7.0	7.8	8.2	9.4
Total	7.1	8.0	8.2	9.6

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

	2003	2004	2005	2006	2007	Average 2003/07
Faults per 100km						
33kV	6.5	5.8	5.3	4.8	4.3	5.3
11kV	6.3	5.7	5.1	4.6	4.2	5.2
Total	6.4	5.7	5.2	4.6	4.2	5.2

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

	2002	2001	2000	1999
Faults per 100km				
33kV	0.0	0.0	0.0	0.0
11kV	2.7	3.3	8.3	16.7
Total	2.4	3.2	8.3	16.7

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

	2003	2004	2005	2006	2007	Average 2003/07
Faults per 100km						
33kV	0.0	0.0	0.0	0.0	0.0	0.0
11kV	3.6	3.3	2.9	2.6	2.4	2.8
Total	3.6	3.2	2.9	2.6	2.4	2.8

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

	2002	2001	2000	1999
Faults per 100km				
33kV	7.4	9.9	8.7	11.1
11kV	7.1	7.9	8.2	9.4
Total	7.2	8.1	8.2	9.6

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

	2003	2004	2005	2006	2007	Average 2003/07
Faults per 100km						
33kV	5.6	4.2	3.1	2.4	2.1	2.9
11kV	6.4	5.8	5.2	4.7	4.2	5.0
Total	6.3	5.6	5.0	4.4	4.0	4.8

8 SAIDI for total of interruptions during :

	2002	2001	2000	1999
SAIDI	493.6	528.9	472.8	588.9

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

	2003	2004	2005	2006	2007	Average 2003/07
Planned (TLC)	155.0	110.0	90.0	81.0	73.0	88.5
Unplanned (TLC)	230.0	210.0	180.0	162.0	146.0	174.5

11 SAIDI according to class

	2002	2001	2000	1999
Planned (Transpower)	41.0	13.3	0	0
Planned (TLC)	199.3	207.7	203.4	239.5
Unplanned (TLC)	265.0	321.2	242.4	329.7
Unplanned (Transpower)	58.9	28.0	27.0	19.7
Generation (Others)	0.0	3.4	0.0	0.0

12 SAIFI for total of interruptions during :

	2002	2001	2000	1999
SAIFI	5.4	5.5	7.34	8.8

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

	2003	2004	2005	2006	2007	Average 2003/07
Planned (TLC)	0.7	0.5	0.4	0.4	0.3	0.4
Unplanned (TLC)	3.8	3.2	2.6	2.3	2.1	2.6

15 SAIFI according to class

	2002	2001	2000	1999
Planned (Transpower)	0.21	0.06	0.00	0.00
Planned (TLC)	0.95	1.12	0.91	1.25
Unplanned (TLC)	4.44	4.42	5.25	6.43
Unplanned (Transpower)	0.95	0.78	1.18	1.20
Generation (Others)	0.00	0.13	0.00	0.00

16 CAIDI for total of interruptions during :

	2002	2001	2000	1999
CAIDI	91.6	96.2	64.4	66.3

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

	2003	2004	2005	2006	2007	Average 2003/07
Planned (TLC)	221.4	220.0	225.0	225.0	225.0	223.8
Unplanned (TLC)	60.5	65.6	69.2	69.2	69.2	68.3

19 CAIDI according to class

	2002	2001	2000	1999
Planned (Transpower)	193.1	240.0	0.0	0.0
Planned (TLC)	210.2	184.8	223.5	191.6
Unplanned (TLC)	59.7	72.7	46.2	51.3
Unplanned (Transpower)	62.3	35.8	22.9	16.4
Generation (Others)	0.0	25.5	0.0	0.0